



**HONEY BADGER**  
*SILVER INC.*

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**Consolidated Financial Statements**

**For the year ended December 31, 2023**

**(Expressed in Canadian dollars)**

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## Independent Auditor's Report

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### To the Shareholders of Honey Badger Silver Inc.

#### Opinion

We have audited the consolidated financial statements of **Honey Badger Silver Inc.** ("the Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and December 31, 2022 and the consolidated statements of loss and comprehensive loss, consolidated statements of cash flows and consolidated statements of shareholders' equity (deficiency) for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Honey Badger Silver Inc.** as at December 31, 2023 and December 31, 2022 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

#### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial statements, which indicates that the Company has not commenced commercial operations and therefore has no source of income and has net comprehensive loss for the year of \$1,840,895 and accumulated deficit of \$23,846,203. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 1 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Evaluation of Material Uncertainty Related to Going Concern

##### *Description of the matter*

We draw attention to Note 1 to the financial statements. At each reporting date, the Company assesses its ability to continue as a going concern. Whether the Company is able to continue as a going concern is a significant management judgment.

##### *Why the matter is a key audit matter*

We identified the evaluation of the Company's ability to continue as a going concern as a key audit matter. This matter represented an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

##### *How the matter was addressed in the audit*

The primary procedure we performed to address this key audit matter included the following:  
We evaluated the appropriateness of the Company's key strategy to resolve the situation given the current financial position and cash flows from operations.

**To the Shareholders of Honey Badger Silver Inc. (Continued)**

**Key Audit Matters (Continued)**

Reversal of Historical Flow-Through Provision

*Description of the matter*

We draw attention to Note 9 to the financial statements. At each reporting date, the Company must assess and adjust its recorded provisions to reflect management's current best estimate including the related probability in line with IAS 37. Assessments of such are considered a significant management judgment.

*Why the matter is a key audit matter*

We identified the evaluation of the Company's historical provision as a key audit matter. This matter represented an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

*How the matter was addressed in the audit*

The primary procedure we performed to address this key audit matter included the following:

We evaluated the appropriateness and probability of the funds required for shareholder indemnification in relation to the historical short-falls on previously renounced flow-through financings.

**Information Other than the Financial Statements and Auditor's Report Thereon**

Management is responsible for other information. Other information comprises the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**To the Shareholders of Honey Badger Silver Inc. (Continued)**

**Auditor's Responsibilities for the Audit of the Financial Statements (Continued)**

As a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

*Jones & O'Connell LLP*

Jones & O'Connell LLP  
Chartered Professional Accountants  
Licensed Public Accountants  
St. Catharines, Ontario  
April 24, 2024

## Honey Badger Silver Inc.

Consolidated Statements of Financial Position  
(Expressed in Canadian dollars)

	Note	December 31, 2023	December 31, 2022
<b>ASSETS</b>			
Current			
Cash	4	\$ 252,241	\$ 544,478
Marketable securities	5	52,043	32,613
Receivables		25,818	34,443
Prepaid expenses		13,907	27,443
		\$ 344,009	\$ 638,977
<b>LIABILITIES</b>			
Current			
Trade and other payables		\$ 166,254	\$ 208,267
Due to related parties	11	382,594	98,819
Flow-through premium liability	8	3,650	-
		552,498	307,086
<b>EQUITY (DEFICIENCY)</b>			
Share capital	10	17,884,789	17,056,261
Warrants	10	1,224,495	858,442
Contributed surplus	10	4,528,430	4,422,496
Deficit		(23,846,203)	(22,005,308)
		(208,489)	331,891
		\$ 344,009	\$ 638,977
<b>Nature of operations and going concern</b>	1		
<b>Subsequent events</b>	16		

These consolidated financial statements are approved for issue by the Board of Directors of the Company on April 24, 2024.

They are signed on the Company's behalf by:

"Dorian L. (Dusty) Nicol", Director

"John Hill", Director

*The accompanying notes are an integral part of these consolidated financial statements*

## Honey Badger Silver Inc.

Consolidated Statements of Loss and Comprehensive Loss  
(Expressed in Canadian dollars)

		Year ended December 31,	
	Note	2023	2022
<b>Expenses</b>			
Consulting fees	11	\$ 742,818	\$ 513,300
Exploration and evaluation expenditures	6	260,428	522,897
General and administrative		29,045	49,283
Marketing, promotion and travel		466,086	350,160
Professional fees		88,856	62,470
Project investigation costs	7	115,433	111,118
Regulatory fees and transfer agent		58,155	68,546
Share-based compensation	10	104,070	211,128
		(1,864,891)	(1,888,902)
<b>Flow-through premium recovery</b>	8	12,344	27,450
<b>Foreign exchange loss</b>		(10,149)	(1,073)
<b>Interest income</b>		2,371	9,228
<b>Reversal of flow-through provision</b>	9	-	298,031
<b>Unrealized gain (loss) on marketable securities</b>	5	19,430	(81,535)
<b>Loss and comprehensive loss for the year</b>		\$ (1,840,895)	\$ (1,636,801)
<b>Basic and diluted loss per share</b>		\$ (0.05)	\$ (0.05)
<b>Weighted average number of shares outstanding</b>		36,965,468	31,173,446

*The accompanying notes are an integral part of these consolidated financial statements*

## Honey Badger Silver Inc.

Consolidated Statements of Cash Flows  
(Expressed in Canadian dollars)

	Year ended December 31,	
	2023	2022
<b>Operating activities</b>		
Loss for the year	\$ (1,840,895)	\$ (1,636,801)
Items not affecting cash:		
Share-based compensation	104,070	211,128
Flow-through premium recovery	(12,344)	(27,450)
Reversal of flow-through provision	-	(298,031)
Unrealized (gain) loss on marketable securities	(19,430)	81,535
Change in non-cash working capital items:		
Receivables	8,625	117,959
Prepaid expenses	13,536	3,088
Trade and other payables	(50,544)	25,012
Due to related parties	283,775	(75,918)
<b>Cash used in operating activities</b>	<b>(1,513,207)</b>	<b>(1,599,478)</b>
<b>Financing activities</b>		
Proceeds from private placement	1,261,450	-
Share issue costs	(40,480)	-
<b>Cash provided by financing activities</b>	<b>1,220,970</b>	<b>-</b>
<b>Decrease in cash for the year</b>	<b>(292,237)</b>	<b>(1,599,478)</b>
<b>Cash, beginning of year</b>	<b>544,478</b>	<b>2,143,956</b>
<b>Cash, end of year</b>	<b>\$ 252,241</b>	<b>\$ 544,478</b>
<b>Non-cash investing and financing activities</b>		
Broker warrants	\$ 7,578	\$ -
Unit warrants	360,339	-
Share issue costs included in trade and other payables	8,531	-
Allocation of flow-through premium	15,994	-
<b>Supplementary information</b>		
Interest paid	\$ -	\$ -
Income taxes paid	-	-

*The accompanying notes are an integral part of these consolidated financial statements*

## Honey Badger Silver Inc.

### Consolidated Statements of Shareholders' Equity (Deficiency)

(Expressed in Canadian dollars)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total
<b>Balance, December 31, 2022</b>	31,173,448	\$ 17,056,261	\$ 858,442	\$ 4,422,496	\$ (22,005,308)	\$ 331,891
Private placement	8,303,043	901,111	360,339	-	-	1,261,450
Share issue costs - cash	-	(49,011)	-	-	-	(49,011)
Share issue costs - warrants	-	(7,578)	7,578	-	-	-
Allocation of flow-through premium	-	(15,994)	-	-	-	(15,994)
Expiry of warrants	-	-	(1,864)	1,864	-	-
Share-based compensation	-	-	-	104,070	-	104,070
Loss and comprehensive loss for the year	-	-	-	-	(1,840,895)	(1,840,895)
<b>Balance, December 31, 2023</b>	39,476,491	\$ 17,884,789	\$ 1,224,495	\$ 4,528,430	\$ (23,846,203)	\$ (208,489)

	Number of shares	Share capital	Warrants	Contributed surplus	Deficit	Total
<b>Balance, December 31, 2021</b>	31,173,448	\$ 17,056,261	\$ 1,086,664	\$ 3,983,146	\$ (20,368,507)	\$ 1,757,564
Expiry of warrants	-	-	(228,222)	228,222	-	-
Share-based compensation	-	-	-	211,128	-	211,128
Loss and comprehensive loss for the year	-	-	-	-	(1,636,801)	(1,636,801)
<b>Balance, December 31, 2022</b>	31,173,448	\$ 17,056,261	\$ 858,442	\$ 4,422,496	\$ (22,005,308)	\$ 331,891

*The accompanying notes are an integral part of these consolidated financial statements*



# Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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## 1. NATURE OF OPERATIONS AND GOING CONCERN

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Honey Badger Silver Inc. (the "Company") is a publicly traded company incorporated in Ontario in 1992. The Company's common shares are listed for trading on the TSX Venture Exchange (the "Exchange") under the symbol "TUF" and on the OTCQB Venture Market in the United States under the symbol "HBEIF". The Company corporate office is located at Unit 1 – 15782 Marine Drive, Vancouver, BC, V4B 1E6 and the Company's registered and records office is located at 199 Bay Street, Suite 5300, Commerce Court West, Toronto, Ontario, M5L 1B9.

The Company is engaged in identifying, evaluating, acquiring, and exploring silver-based and other metals-based assets, including high-grade properties, and projects with existing mineral resources/reserves and cash-flowing metal royalties and streams. The Company has several projects in Canada.

On January 20, 2023, the Company consolidated its common shares on the basis of one post-consolidation common share for every 5.7 pre-consolidation common shares issued and outstanding. All share and per share amounts in these consolidated financial statements have been restated to reflect this share consolidation.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As at December 31, 2023, the Company had a working capital deficiency of \$208,489. Subsequent to December 31, 2023, the Company completed a non-brokered private placement for gross proceeds of \$1,204,200 (Note 16). However, management estimates that the Company does not have sufficient financial resources to carry out currently planned operations and exploration through the next twelve months. Additional financing may be required by the Company to complete its strategic objectives and continue as a going concern. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms acceptable to the Company. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate.

# Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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## 2. BASIS OF PRESENTATION

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### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board. The policies applied in these consolidated financial statements are based on the IFRS Accounting Standards issued and outstanding as at the date the Board of Directors approved these consolidated financial statements for issue.

### **Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

### **Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the parent company's functional currency, as well as the functional currency of its wholly owned subsidiaries.

### **Use of estimates and judgments**

The preparation of financial statements in accordance with IFRS requires Management to make judgments, estimates, and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Judgments, estimates and assumptions are continuously evaluated and are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience. However, actual outcomes may differ from the amounts included in the financial statements.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could have an effect on the amounts recognized in the financial statements relate to the following:

#### Going concern assumption

In the determination of the Company's ability to meet its ongoing obligations and future contractual commitments management relies on the Company's planning, budgeting and forecasting process to help determine the funds required to support the Company's normal operations for a period of one year. Changes in estimated cash use may alter the Company's ability to meet its ongoing obligations and future contractual commitments and could result in adjustments to the amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 2. BASIS OF PRESENTATION (continued)

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#### **Use of estimates and judgments (continued)**

##### Income taxes and the recovery of deferred taxes

The measurement of income taxes payable and deferred income tax assets and liabilities requires Management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of consolidated financial statements.

##### Deferred flow-through premium estimates

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.

##### Share-based compensation

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in note 10.

##### Warrants

The Company may issue units in their financings, comprised of common shares and common share purchase warrants. The fair value of the warrants issued on the closing is estimated, and reflected in the reserve for warrants account until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 3. MATERIAL ACCOUNTING POLICIES

#### Principles of consolidation

These consolidated financial statements include the accounts of the parent company and its wholly owned subsidiaries, from the date control was acquired. Control exists when the Company possesses power over an investee, has exposure to variable returns from the investee and has the ability to use its power over the investee to affect its returns. All inter-company balances and transactions, and any income and expenses arising from inter-company transactions, are eliminated on consolidation. All of the Company's subsidiaries listed below are not active and have no assets or liabilities in the current or prior year.

Name of subsidiary	Place of incorporation	Ownership interest at December 31, 2023	Principal activity
606596 Alberta Ltd.	Canada	100%	Dormant company
Honey Badger Chile, SpA *	Chile	0%	Dormant company
Honey Badger Silver (Nunavut) Ltd.	Canada	100%	Dormant company
Honey Badger Zinc Ltd.	Canada	100%	Dormant company
Silver Storm Royalties Inc.	Canada	100%	Dormant company
Thunder Bay Silver & Cobalt Corp.	Canada	100%	Dormant company

\* dissolved in November 2023

#### Exploration and evaluation assets and expenditures

The Company expenses all costs relating to the acquisition and exploration of mineral claims. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling, and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations.

Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

# Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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## 3. MATERIAL ACCOUNTING POLICIES (continued)

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### Asset retirement obligations

IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets, provides guidance relating to asset retirement obligations. An obligation to incur restoration, rehabilitation, and environmental costs arises when an environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and charged to expenses as an exploration cost, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2023 and 2022, the Company had no asset retirement obligations.

### Financial instruments

#### *Financial assets*

On initial recognition, financial assets are recognized at fair value and are subsequently classified and measured at: (i) amortized cost; (ii) fair value through other comprehensive income (“FVTOCI”); or (iii) fair value through profit or loss (“FVTPL”). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset is measured at fair value net of transaction costs that are directly attributable to its acquisition except for financial assets at FVTPL where transaction costs are expensed. All financial assets not classified and measured at amortized cost or FVTOCI are classified as FVTPL. On initial recognition of an equity instrument that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income/loss.

The classification determines the method by which the financial assets are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Cash and receivables are classified at amortized cost. The Company’s marketable securities are classified as FVTPL.

#### *Impairment*

An ‘expected credit loss’ impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 3. MATERIAL ACCOUNTING POLICIES (continued)

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#### Financial instruments (continued)

##### *Impairment (continued)*

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

##### *Financial liabilities*

Financial liabilities are designated as either: (i) FVTPL; or (ii) amortized cost. All financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities at FVTPL. The classification determines the method by which the financial liabilities are carried on the statement of financial position subsequent to inception and how changes in value are recorded. Trade and other payables and due to related parties are classified as other financial liabilities and carried on the statement of financial position at amortized cost. For the period presented, the Company does not have any derivative financial liabilities.

#### Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a gain on flow-through premium for the amount of tax reduction renounced to the shareholders.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the 'Look-back Rule', in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

## **Honey Badger Silver Inc.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### **3. MATERIAL ACCOUNTING POLICIES (continued)**

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#### **Share capital**

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common shares and warrants reserve on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model. The fair value of the warrants upon issuance is reflected in the reserve for warrants account until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.

#### **Share-based compensation**

The Company stock option plan ("SOP") allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are granted to non-employees and some or all goods and services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

In situations where shares are issued for acquisitions, the fair value of the shares is based on market value at the time of the issuance of shares.

## **Honey Badger Silver Inc.**

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### **3. MATERIAL ACCOUNTING POLICIES (continued)**

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#### **Loss per share**

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

#### **Income taxes**

Income tax expense consists of current and deferred tax expenses. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in loss and comprehensive loss depending on the item to which the adjustment relates.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized to the extent that future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

#### **Comparative figures**

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted for the current year.



## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 3. MATERIAL ACCOUNTING POLICIES (continued)

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#### New standards, interpretations and amendments not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2023 and have not been applied in preparing these consolidated financial statements.

Effective for annual periods beginning on or after January 1, 2024:

- Amendments to IAS 1 Presentation of Financial Statements clarify how to classify debt and other liabilities as current or non-current. The amendments help to determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or noncurrent. The amendments also include clarifying the classification requirements for debt an entity might settle by converting it into equity.

The Company has not early adopted this revised standard and its adoption is not expected to have a material impact on the Company's consolidated financial statements.

### 4. CASH

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	December 31, 2023	December 31, 2022
Cash	\$ 193,841	\$ 544,478
Cash allocated for flow-through expenditures	58,400	-
Total	\$ 252,241	\$ 544,478

### 5. MARKETABLE SECURITIES

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	December 31, 2023	December 31, 2022
Opening balance	\$ 32,613	\$ 114,148
Unrealized gain (loss)	19,430	(81,535)
Ending balance	\$ 52,043	\$ 32,613

The Company holds 693,911 common shares of Blue Thunder Mining Inc., a public company listed on the Exchange.

During the year ended December 31, 2023, the Company recorded an unrealized gain on marketable securities of \$19,430 (2022 – loss of \$81,535) related to the revaluation of these common shares.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 6. EXPLORATION AND EVALUATION EXPENDITURES

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#### Yukon Properties

##### *Plata, Groundhog, and Hy*

On June 4, 2021, the Company completed the acquisition of three silver properties located in Yukon, Canada comprised of the Plata, Groundhog, and Hy properties. In consideration, the Company issued 6,106,091 common shares valued at \$4,524,613 to Strategic Metals Ltd., a public company which a former director of the Company is also the Chief Executive Officer, President and a director.

##### *Clear Lake*

On March 29, 2022, the Company completed the acquisition of the Clear Lake silver/zinc/lead property located in Yukon, Canada. In consideration, the Company paid \$250,000 cash and granted a 1% net smelter return ("NSR") royalty on all metals other than silver.

#### Northwest Territories Property

##### *Sunrise Lake*

On October 17, 2023, the Company entered into a purchase agreement with SSR Mining Inc. ("SSR") to acquire 100% of SSR's Sunrise Lake silver project in the Northwest Territories, Canada. In consideration, the Company agreed to the following terms:

- a) zero cash consideration;
- b) SSR will retain a 4% NSR royalty on any future production from the project; and
- c) Half (2%) of the NSR royalty can be purchased by the Company at any time prior to commencement of construction at the project for US\$ 10 million, but the Company has no obligation to do so.

#### Nunavut Property

##### *Nanisivik*

In 2021 and 2022, the Company staked certain claims in Nunavut, Canada known as the Nanisivik silver property.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 6. EXPLORATION AND EVALUATION EXPENDITURES (continued)

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#### Ontario Properties

##### *Thunder Bay*

On June 7, 2018, the Company holds certain mineral claims in the historic Thunder Bay Silver District (the Thunder Bay property”), subject to a 2.5% NSR royalty which may be repurchased for \$1,500,000. The Company intends to let the claims lapse as they become due.

On July 20, 2021, the Company acquired an 80% interest in certain silver properties adjacent to the Thunder Bay property through the issuance of 193,598 common shares valued at \$77,245. The Company was also granted a right of refusal on the remaining 20% interest. On October 17, 2023, the Company notified Romios that it intended not to continue with the project.

##### *Beaver Silver*

On July 19, 2018, the Company entered into an option agreement to acquire up to a 100% interest in the Beaver Silver property. Under the terms of the option agreement, the Company may exercise the option over a three-year period, by:

- a) making cash payments totalling \$75,000 (paid in 2018);
- b) incurring exploration expenditures of \$750,000 over the option period; and
- c) issuing common shares with a market value of \$410,000 over the option period (issued 62,656 in 2018 valued at \$42,857 and issued 1,052,632 in 2019 valued at \$240,000).

Once the three conditions are met, the Beaver Silver property will be subject to a 2% NSR royalty which may be repurchased by the Company for \$1,000,000.

On February 27, 2024, the Company notified the optionor that it intended not to continue with the project.

#### Quebec Property

##### *James Bay Territory*

The Company holds certain claims in the James Bay area of Quebec which the Company intends to let lapse as they become due.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 6. EXPLORATION AND EVALUATION ASSETS (continued)

During the year ended December 31, 2023 and 2022, the Company incurred the following exploration and evaluation expenditures.

	Year ended December 31,	
	2023	2022
<b>Yukon Properties</b>		
Acquisition, maintenance	\$ 24,039	\$ 270,968
Exploration	143,914	178,359
	167,953	449,327
<b>Northwest Territory Property</b>		
Acquisition, maintenance	2,161	-
Exploration	-	-
	2,161	-
<b>Nunavut Properties</b>		
Acquisition, maintenance	-	13,590
Exploration	54,991	2,304
	54,991	15,894
<b>Ontario Properties</b>		
Acquisition, maintenance	31,603	54,037
Exploration	-	-
	31,603	54,037
<b>Quebec Property</b>		
Acquisition, maintenance	3,720	3,639
Exploration	-	-
	3,720	3,639
Total	\$ 260,428	\$ 522,897

### 7. PROJECT INVESTIGATION COSTS

On February 14, 2023, the Company entered into a definitive agreement to acquire a 100% interest in the Cachinal De La Sierra Silver-Gold Project located in the Cachinal de la Sierra area in Chile's Antofagasta region. The consideration for the acquisition was to include cash payable in instalments and the issuance of common shares. Following a lengthy due diligence period, the parties agreed to terminate the transaction and the definitive agreement lapsed. No payments were made, and no common shares were issued in connection with the acquisition.

During the year ended December 31, 2023, the Company incurred project investigation costs of \$115,433 (2022 - \$111,118) including legal and other due diligence costs.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 8. FLOW-THROUGH PREMIUM LIABILITY

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	December 31, 2023	December 31, 2022
Opening balance	\$ -	\$ 27,450
April/May 2023 flow-through private placement	15,994	-
Flow-through premium recovery	(12,344)	(27,450)
Closing balance	\$ 3,650	\$ -

### 9. FLOW-THROUGH PROVISION

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During audits conducted for the years 2010 and 2014, it was determined that the Company may continue to have a shortfall on previously renounced flow-through financings and accordingly, the Company recorded a provision for shareholder indemnification.

IAS 37 paragraph 59 allows that provisions such as these shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. As at December 31, 2022, the Company believed it was no longer probable that an outflow of resources embodying economic benefits would be required to settle these obligations and accordingly reversed the historic flow-through provision of \$298,031.

### 10. SHARE CAPITAL

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#### Authorized

The Company has an unlimited number of common shares without par value authorized for issue.

#### Issued and outstanding

On January 20, 2023, the Company consolidated its common shares on the basis of one post-consolidation common share for every 5.7 pre-consolidation common shares issued and outstanding. All share and per share amounts in these consolidated financial statements have been restated to reflect this share consolidation.

During the year ended December 31, 2023, the Company completed the following:

- On April 11 and May 24, 2023, the Company completed a private placement through the issuance of 6,703,668 units at a price of \$0.15 per unit for gross proceeds of \$1,005,550 and the issuance of 1,599,375 flow-through units at a price of \$0.16 per flow-through unit for gross proceeds of \$255,900.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL (continued)

#### Issued and outstanding (continued)

Each unit and flow-through unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share of the Company at a price of \$0.18 for a period of 3 years. The share purchase warrants were valued at \$360,339 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 3.29%; an expected volatility of 158%; an expected life of 3 years; and an expected dividend yield of 0%;

The Company recorded a flow-through premium liability of \$15,994 on issuance of the flow-through units.

The Company paid cash finders' fees and other share issuance costs of \$49,011 and issued 51,940 broker warrants valued on the same terms as the private placement warrants. The broker warrants were valued at \$7,578 using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.53%; an expected volatility of 158%; an expected life of 3 years; and an expected dividend yield of 0%;

There were no shares issued during the year ended December 31, 2022.

#### Warrants

The continuity of share purchase warrants for the year ended December 31, 2023 is as follows:

Expiry date	Exercise price	Balance, December 31,			Balance, December 31,	
		2022	Granted	Exercised	Expired	2023
July 2, 2023	\$ 0.86	20,162	-	-	(20,162)	-
March 18, 2024	\$ 0.57	3,759,402	-	-	-	3,759,402
April 11, 2026	\$ 0.18	-	3,245,523	-	-	3,245,523
May 24, 2026	\$ 0.18	-	957,940	-	-	957,940
		3,779,564	4,203,463	-	(20,162)	7,962,865
Weighted average exercise price	\$ 0.57	\$ 0.18	\$ -	\$ 0.86	\$ 0.36	

As at December 31, 2023, the weighted average remaining contractual life of the share purchase warrants outstanding was 1.32 years.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL (continued)

#### Warrants (continued)

The continuity of share purchase warrants for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	Balance, December 31,			Balance, December 31,	
		2021	Granted	Exercised	Expired	2022
August 21, 2022	\$ 0.29	2,127,193	-	-	(2,127,193)	-
July 2, 2023	\$ 0.86	20,162	-	-	-	20,162
March 18, 2024	\$ 0.57	3,759,402	-	-	-	3,759,402
		5,906,757	-	-	(2,127,193)	3,779,564
Weighted average exercise price	\$ 0.47	\$ -	\$ -	\$ -	\$ 0.29	\$ 0.57

#### Stock Options

The Company has a stock option plan pursuant to which the Company's Board of Directors may grant incentive stock options to directors, officers, employees and consultants. The exercise price of the options cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. The Board, in accordance with applicable Exchange or other regulatory requirements, if any, will determine any vesting period assigned therein. There is no minimum vesting period unless the optionee is engaged in investor relation activities. The maximum aggregate number of common shares under option at any time under the stock option plan cannot exceed 10% of the issued shares. The fair value of the share-based compensation is recognized as contributed surplus upon vesting.

The continuity of stock options for the year ended December 31, 2023 is as follows:

Expiry date	Exercise price	Balance, December 31,			Balance, December 31,	
		2022	Granted	Exercised	Expired / Forfeited	2023
August 20, 2023	\$ 0.57	118,421	-	-	(118,421)	-
November 1, 2024	\$ 0.40	17,544	-	-	-	17,544
August 28, 2025	\$ 0.34	508,773	-	-	(210,527)	298,246
February 11, 2026	\$ 0.46	43,860	-	-	-	43,860
February 19, 2026	\$ 0.57	52,632	-	-	-	52,632
March 23, 2026	\$ 0.71	1,083,333	-	-	(194,737)	888,596
August 3, 2026	\$ 0.46	263,158	-	-	-	263,158
October 27, 2026	\$ 0.37	131,579	-	-	-	131,579
December 31, 2026	\$ 0.43	843,826	-	-	(88,456)	755,370
September 15, 2028	\$ 0.09	-	549,000	-	-	549,000
		3,063,126	549,000	-	(612,141)	2,999,985
Weighted average exercise price	\$ 0.52	\$ 0.09	\$ -	\$ -	\$ 0.52	\$ 0.44

As at December 31, 2023, 2,725,485 stock options were exercisable with a weighted average remaining contractual life of 2.68 years.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 10. SHARE CAPITAL (continued)

#### Stock Options (continued)

The continuity of stock options for the year ended December 31, 2022 is as follows:

Expiry date	Exercise price	Balance, December 31, 2021	Granted	Exercised	Expired / Forfeited	Balance, December 31, 2022
August 20, 2023	\$ 0.57	118,421	-	-	-	118,421
November 1, 2024	\$ 0.40	17,544	-	-	-	17,544
August 28, 2025	\$ 0.34	508,773	-	-	-	508,773
February 11, 2026	\$ 0.46	43,860	-	-	-	43,860
February 19, 2026	\$ 0.57	52,632	-	-	-	52,632
March 23, 2026	\$ 0.71	1,083,333	-	-	-	1,083,333
August 3, 2026	\$ 0.46	263,158	-	-	-	263,158
October 27, 2026	\$ 0.37	131,579	-	-	-	131,579
December 31, 2026	\$ 0.43	843,826	-	-	-	843,826
		3,063,126	-	-	-	3,063,126
Weighted average exercise price	\$ 0.52	\$ -	\$ -	\$ -	\$ -	\$ 0.52

#### Share-based compensation

During the year ended December 31, 2023, the Company recorded share-based compensation of \$104,070 (2022 - \$211,128) in relation to stock options that vested during the period.

- On September 15, 2023, the Company granted 549,000 stock options to directors, officers, employees, and consultants at a fair value of \$46,992, of which \$37,310 was recorded as share based compensation for the year ended December 31, 2023. The options vest 50% on grant and 50% six months thereafter. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 4.02%; an expected volatility of 172.39%; an expected life of 5 years; and an expected dividend yield of 0%.
- On December 31, 2021, the Company granted 843,825 stock options to directors, officers, employees, and consultants at a fair value of \$303,784, of which \$50,492 (2022 - \$151,616) was recorded as share-based compensation during the year ended December 31, 2023. The options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant, and 1/3 on the second anniversary of the date of grant. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.28%; an expected volatility of 124.77%; an expected life of 5 years; and an expected dividend rate of 0%.



## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 10. SHARE CAPITAL (continued)

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#### Share-based compensation (continued)

- c) On November 1, 2021, the Company granted 17,544 stock options to a consultant at a fair value of \$5,696, of which \$1,981 was recorded as share-based compensation during the year ended December 31, 2022. The options fully vested on February 1, 2022. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.10%; volatility of 151.55%, and an expected life of 5 years.
- d) On October 28, 2021, the Company granted 131,579 stock options to a director at a fair value of \$38,024, of which \$5,228 (2022 - \$16,787) was recorded as share-based compensation during the year ended December 31, 2023. The options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant, and 1/3 on the second anniversary of the date of grant. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 1.42%; an expected volatility of 127%; an expected life of 5 years; and an expected dividend rate of 0%.
- e) On August 3, 2021, the Company granted 263,158 stock options to two directors at a fair value of \$111,951, of which \$11,040 (2022 - \$40,744) was recorded as share-based compensation during the year ended December 31, 2023. The options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant, and 1/3 on the second anniversary of the date of grant. The fair value of the options was determined using the Black-Scholes option pricing model with the following assumptions: a risk-free interest rate of 0.78%; an expected volatility of 163%; an expected life of 5 years; and an expected dividend rate of 0%.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 11. RELATED PARTY TRANSACTIONS AND BALANCES

#### *Related party transactions*

	Year ended December 31,	
	2023	2022
<b>Consulting fees</b>		
Chairman	\$ 300,000	\$ 300,000
Chief Executive Officer	120,000	-
Former Chief Executive Officer	75,250	-
Former Chief Executive Officer	56,270	-
Former President	3,750	83,250
Golden Oak *	20,000	-
Grove **	113,400	106,050
	688,670	489,300
<b>Exploration and evaluation expenditures</b>		
Former Chief Operating Officer	20,000	-
Former President	2,500	55,500
	22,500	55,500
<b>Marketing, promotion and travel</b>		
Red Cloud ***	81,200	21,000
Sharechest ****	6,000	13,500
	87,200	34,500
<b>Share-based compensation</b>	31,873	175,552
<b>Total</b>	\$ 830,243	\$ 754,852

\* Golden Oak Corporate Services Ltd. ("Golden Oak") is a consulting company controlled by the Chief Financial Officer and Corporate Secretary of the Company. Golden Oak provides the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

\*\* Grove Corporate Services Ltd. ("Grove") is a consulting company which provided the services of a Chief Financial Officer, Corporate Secretary, and accounting and administrative staff to the Company.

\*\*\* Red Cloud Securities Inc. and Red Cloud Financial Services Inc. (collectively "Red Cloud") are owned 100% by Red Cloud Mining Capital Inc., whose Chairman is also the Chairman of the Company.

\*\*\*\* Sharechest Inc. ("Sharechest") is a company controlled by the Chairman of the Company.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 11. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

#### *Related party balances*

		December 31, 2023	December 31, 2022
Chairman	Fees	\$ 238,410	\$ 28,250
Chairman	Expenses	66,657	-
Former President	Fees	-	35,312
Golden Oak	Expenses	632	-
Grove	Fees	-	32,997
Red Cloud	Fees	75,200	-
Sharechest	Fees	1,695	2,260
Total		\$ 382,594	\$ 98,819

### 12. SEGMENTED INFORMATION

Operating segments are identified on the basis of internal reports that are regularly reviewed by the chief operating decision-maker to allocate resources to the segments and to assess their performance.

The chief operating decision-maker who is responsible for allocating resources and assessing performance of the operating segments, has been defined as the Chief Executive Officer.

The Company operates in a single segment, being mineral exploration and evaluation.

All of the Company's mineral exploration and evaluation assets are located in Canada.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

#### Financial Instruments

Financial instruments are classified into one of the following categories: FVTPL; FVTOCI; or at amortized cost. The carrying values of the Company's financial instruments are classified into the following categories:

		December 31, 2023	December 31, 2022
Cash	Amortized cost	\$ 252,241	\$ 544,478
Marketable securities	FVTPL	52,043	32,613
Receivables	Amortized cost	25,818	34,443
Trade and other payables	Amortized cost	(166,254)	(208,267)
Due to related parties	Amortized cost	(382,594)	(98,819)

The Company's financial instruments recorded at fair value require disclosure about how the fair value was determined based on significant levels of inputs described in the following hierarchy:

Level 1 - Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and value to provide pricing information on an ongoing basis.

Level 2 - Pricing inputs are other than quoted prices in active markets included in Level 1. Prices in Level 2 are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the market place.

Level 3 - Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The carrying values of cash, receivables, trade and other payables, and due to related parties approximate their fair values due to their short-term nature. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost. The Company's marketable securities are held in a company with an active market and are classified as current assets at fair value.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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#### Risk Management

The Company's risk exposures and the impact on the Company's financial instruments are summarized as follows:

#### Credit Risk

The Company's credit risk is the risk of counterparty default on cash held on deposit with financial institutions. The Company manages this risk by ensuring that deposits are only held with large Canadian banks and financial institutions. The Company's receivables related to sales taxes have negligible counterparty default risk.

#### Liquidity Risk

The Company's liquidity risk is the risk that Company has insufficient funds to settle its contractual financial liabilities. The Company manages this risk by ensuring sufficient funds are available as contractual cash flows become due.

As at December 31, 2023, the Company had a cash balance of \$252,241 to settle trade and other payables and due to related parties of \$548,848.

While the Company has been successful in obtaining the required funding in the past to meet its financial obligations, there is no assurance that future financings will be available.

#### Market risks

The Company's market risk arises from changes in interest rates, market prices, commodity prices, and foreign exchange rates that could have an impact on profit or loss. This includes:

- a) Interest rate risk is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.
- b) Market price risk is the sensitivity of the fair value of the Company's marketable securities to price volatility. The fair value of its portfolio is not material, and any market price risk is considered insignificant.
- c) Commodity price risk is the sensitivity of the fair value of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration of its mineral assets, or for the acquisition or disposition of mineral-based assets.
- d) Currency risk is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that are subject to variable foreign exchange rates and as such the Company is not subject to currency risk.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 14. MANAGEMENT OF CAPITAL

In managing liquidity, the Company's primary objective is to ensure the entity can continue as a going concern while raising additional funding to meet its obligations as they come due, and to maximize shareholder return. The Company's operations to date have been funded by issuing equity.

As of December 31, 2023, the Company had a working capital deficiency of \$208,489.

The Company monitors its capital structure and makes adjustments to it according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by Management and the Board of Directors on an ongoing basis. The Company's ability to carry out its planned exploration activities is uncertain and dependent upon securing additional financing.

### 15. INCOME TAXES

A reconciliation of income taxes at statutory rates with reported taxes is as follows:

	Year ended December 31,	
	2023	2022
Loss for the year	\$ (1,840,895)	\$ (1,636,801)
Expected income tax recovery	\$ (497,000)	\$ (433,000)
Change in statutory, foreign tax, foreign exchange rates and	(94,000)	-
Permanent differences	27,000	63,000
Impact of flow-through share issuances	69,000	-
Share issue costs	(13,000)	-
Change in unrecognized deductible temporary differences	508,000	370,000
Total	\$ -	\$ -

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

### 15. INCOME TAXES (continued)

The significant components of the Company's deferred tax assets are as follows:

	December 31, 2023	December 31, 2022
Deferred tax assets		
Exploration and evaluation assets	\$ 2,544,000	\$ 2,477,000
Marketable securities	37,000	39,000
Share issue costs	22,000	18,000
Capital losses	65,000	64,000
Non-capital losses available for future periods	2,135,000	1,698,000
Total unrecognized deferred tax assets	\$ 4,803,000	\$ 4,296,000

Deferred tax assets have not been recognized in these consolidated financial statements as it is not probable that they will be realized.

The significant components of the Company's unrecognized temporary differences and tax losses are as follows:

	December 31, 2023	Expiry date range
<b>Temporary differences</b>		
Exploration and evaluation assets	\$ 9,322,000	No expiry date
Investment tax credit	37,000	2035
Equipment	1,000	No expiry date
Share issue costs	82,000	2024 to 2048
Capital losses	242,000	No expiry date
Marketable securities	272,000	No expiry date
Non-capital losses available for future periods	7,909,000	2026 to 2043

Tax carry-forward balances which give rise to deferred tax assets are subject to review, and potential adjustment, by tax authorities.

## Honey Badger Silver Inc.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2023

(Expressed in Canadian dollars)

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### 16. SUBSEQUENT EVENTS

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Subsequent to December 31, 2023, the Company completed the following:

- In January and February 2024, 408,246 stock options were cancelled.
- On March 18, 2024, 3,759,402 warrants expired unexercised.
- On April 10, 2024, the Company completed a non-brokered placement through the issuance of 16,749,000 units at a price of \$0.05 per unit for gross proceeds of \$837,450 and the issuance of 5,642,307 flow-through shares at a price of \$0.065 per flow-through share for gross proceeds of \$366,750. Each unit consisted of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.065 until October 10, 2025. The Company paid finder's fees of \$7,130 cash and 97,000 finder warrants. The finder warrants are on the same terms as the private placement warrants.
- On April 24, 2024, the Company granted 3,595,000 stock options to directors, officers, and consultants of the Company exercisable at a price of \$0.075 for a period of 5 years.