HONEY BADGER SILVER INC.

# HONEY BADGER SILVER INC.

**Condensed Consolidated Interim Financial Statements**

**For the Three Months Ended March 31, 2022, and 2021**

(Expressed in Canadian Dollars)

## NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed consolidated interim financial statements, the financial statements must be accompanied by a notice indicating that the condensed consolidated interim financial statements have not been reviewed by an auditor. The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared and are the responsibility of the Company's management ("Management"). The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

HONEY BADGER
SILVER INC.

## Condensed Consolidated Interim Statements of Financial Position (Unaudited)

(Expressed in Canadian dollars)

| As at | Note | March 31, 2022 $ | December 31, 2021 $ |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | **3** | **1,447,860** | 2,143,956 |
| Marketable securities | **4** | **97,841** | 114,148 |
| Taxes and other receivables | | **72,624** | 152,402 |
| Prepaid expenses | | **23,569** | 30,531 |
| **Total Assets** | | **1,641,894** | 2,441,037 |
| **Liabilities and Shareholders' Equity** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued liabilities | **6** | **159,845** | 357,992 |
| Flow-through share premium liability | **7** | **7,537** | 27,450 |
| Flow-through provision | | **298,031** | 298,031 |
| Total Liabilities | | **465,413** | 683,473 |
| **Shareholders' Equity** | | | |
| Share capital | **9** | **17,056,261** | 17,056,261 |
| Warrants | **9** | **1,086,664** | 1,086,664 |
| Contributed surplus | **9** | **4,035,928** | 3,983,146 |
| Accumulated deficit | | **(21,002,372)** | (20,368,507) |
| Total Shareholders' Equity | | **1,176,481** | 1,757,564 |
| **Total Liabilities and Shareholders' Equity** | | **1,641,894** | 2,441,037 |

**Nature of operations and going concern** (note 1)
**Commitments** (note 10)

**Approved on behalf of the Board of Directors:**

| | |
|---|---|
| (Signed) "Chad Williams" | (Signed) "Brian Briggs" |
| Director | Director |

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

HONEY BADGER
SILVER INC.

## Condensed Consolidated Interim Statements of Loss and Comprehensive Loss (Unaudited)

(Expressed in Canadian dollars)

| For the three months ended | Note | March 31, 2022 | 2021 |
|---|---|---|---|
| | | **$** | $ |
| **Expenses** | | | |
| Exploration expenditures | 6 | **333,856** | 18,579 |
| Management fees | 9 | **112,500** | 131,600 |
| Investor relations and travel | | **71,967** | 6,716 |
| Professional and consulting fees | | **35,517** | 53,510 |
| Regulatory fees and transfer agent | | **19,049** | 11,729 |
| General and administrative | | **12,144** | 12,216 |
| | | **585,033** | 234,150 |
| Share-based compensation | 8,9 | **52,782** | 673,991 |
| **Loss before undernoted items:** | | **(637,815)** | (908,141) |
| Gain on flow-through premium | | **19,913** | — |
| Unrealized loss on marketable securities | 5 | **(16,307)** | (179,376) |
| Other income | | **344** | 50 |
| **Loss and comprehensive loss** | | **(633,865)** | (1,087,467) |
| **Loss per share - basic and diluted** | | **$(0.00)** | $(0.00) |
| **Weighted average number of common shares outstanding – basic and diluted** | | **177,688,641** | 101,712,311 |

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

HONEY BADGER SILVER INC.

## Condensed Consolidated Interim Statements of Cash Flows (Unaudited)

(Expressed in Canadian dollars)

| | | March 31, | |
|---|---|---|---|
| **For the three months ended** | **Note** | **2022** | 2021 |
| | | **$** | $ |
| **Operating activities** | | | |
| Loss for the period | | **(633,865)** | (1,087,467) |
| Items not affecting cash: | | | |
| Share-based compensation | 9 | **16,307** | 673,991 |
| Unrealized (gain) loss on marketable securities | 4 | **52,784** | 179,376 |
| Flow-through share premium gain | 8 | **(19,913)** | |
| Net change in non-cash working capital items: | | | |
| Taxes and other receivables | | **6,962** | (67,217) |
| Prepaid expenses | | **79,778** | (3,247) |
| Accounts payable and accrued liabilities | | **(198,150)** | 80,057 |
| **Net cash used in operating activities** | | **(696,097)** | (224,507) |
| **Financing activities** | | | |
| Proceeds from private placement | 9 | — | 3,000,000 |
| Share issue costs | 9 | — | (31,185) |
| Proceeds from the exercise of warrants | 9 | — | 58,750 |
| Proceeds from the exercise of options | 9 | — | 18,750 |
| **Net cash provided by financing activities** | | — | 3,046,315 |
| **Change in cash and cash equivalents** | | **(696,097)** | 2,821,808 |
| **Cash and cash equivalents, beginning of period** | | **2,143,956** | 235,650 |
| **Cash and cash equivalents, end of period** | | **1,447,859** | 3,057,458 |

| | | |
|---|---|---|
| **Supplemental cash flow disclosure:** | | |
| Income tax paid | — | — |
| Interest paid | — | — |

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

HONEY BADGER
SILVER INC.

## Statements of Changes in Shareholders' Equity

(Expressed in Canadian dollars)

| | | Share Capital | | Reserves | | Shareholder Equity (deficit) | |
|---|---|---|---|---|---|---|---|
| | Note | Common Shares | Share Capital | Warrants | Contributed Surplus | Accumulated Deficit | Total |
| | | # | $ | $ | $ | $ | $ |
| **Balance at December 31, 2020** | | **94,853,224** | **9,957,368** | **635,247** | **2,849,201** | **(13,121,929)** | **319,887** |
| Shares issued for private placement | | 42,857,143 | 3,000,000 | — | — | — | **3,000,000** |
| Share issue costs | | — | (31,185) | — | — | — | **(31,185)** |
| Warrants issued | **8** | — | (406,532) | 406,532 | — | — | **—** |
| Exercise of warrants | **8** | 375,000 | 25,731 | (6,981) | — | — | **18,750** |
| Exercise of options | **8** | 1,050,000 | 119,577 | — | (60,826) | — | **58,750** |
| Share-based compensation | **8** | — | — | — | 673,991 | — | **673,991** |
| Loss for the period | | — | — | — | — | (1,087,467) | **(1,087,467)** |
| **Balance at March 31, 2021** | | **139,135,367** | **12,664,959** | **1,034,798** | **3,462,366** | **(14,209,396)** | **2,952,726** |
| Shares issued for private placement | **9** | 1,681,798 | 252,270 | — | — | — | 500,000 |
| Share issue costs | **9** | — | (64,312) | — | — | — | (64,312) |
| Shares issued for claims acquisitions | | 35,908,224 | 4,601,858 | — | — | — | 4,601,858 |
| Warrants issued | **9** | — | (451,911) | 451,911 | — | — | — |
| Exercise of warrants | **9** | 313,250 | 62,487 | (31,162) | — | — | 31,325 |
| Exercise of options | **9** | 650,000 | 75,000 | — | (36,000) | — | 39,000 |
| Deferred flow-through premium | | — | (84,090) | — | — | — | (84,090) |
| Expiry of warrants | **9** | — | — | (368,883) | 368,883 | — | — |
| Share-based compensation | **9** | — | — | — | 187,898 | — | 225,000 |
| Loss for the period | | — | — | — | — | (321,493) | (321,493) |
| **Balance at December 31, 2021** | | **177,688,639** | **17,056,261** | **1,086,664** | **3,983,146** | **(20,368,507)** | **1,757,564** |
| Share-based compensation | **9** | — | — | — | 52,782 | — | **52,782** |
| Loss for the period | | — | — | — | — | (633,865) | **(633,865)** |
| **Balance at March 31, 2022** | | **177,688,639** | **17,056,261** | **1,086,664** | **4,035,928** | **(21,002,372)** | **1,176,481** |

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

### 1. Nature of operations and going concern

Honey Badger Silver Inc. (“Honey Badger” or the “Company”) was incorporated in Ontario, in 1992. The Company’s corporate office is located at 401 Bay Street, Suite 2704, Toronto, Ontario M5H 2Y4 and its common shares are traded on the TSX Venture Exchange (“TSXV”) under the symbol “TUF” and on the OTCQB Market Exchange under the trading symbol "HBEIF”.

Honey Badger is engaged in the identification and acquisition of silver-based and other metals-based assets, including high-grade properties, projects with existing mineral resources/reserves and cash flowing metal royalties and streams

The accompanying condensed consolidated interim financial statements (“Interim Financial Statements”) have been prepared on a going concern basis of presentation, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations. For the three months ended and as at March 31, 2022, the Company had a loss of $633,865 (2021 – $1,087,467) and an accumulated deficit of $21,002,374 (December 31, 2021 – $20,368,507).

These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and, therefore, need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying interim financial statements. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, nine months from the end of the reporting period.

Although the Company has taken steps to verify title to exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company’s title. Property title may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company’s assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, and political uncertainty.

Working capital at March 31 2022 is $1,176,481 (at December 31, 2021 - $1,757,564). Management believes it has sufficient funding to meet the ongoing general and administrative expenses incurred to maintain operations for the balance of 2022. However, depending on exploration results and the Company’s plans for future acquisitions, the Company may need to raise additional funds, through the issuance of equity or debt. Although the Company has been successful in raising funding to date there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. In the event the Company is unable to secure further financing, it may not be able to make additional acquisitions or advance exploration, therefore, for these reasons, there may exist material uncertainties that cast significant doubt on the ability of the Company to continue as a going concern.

Covid 19

Since March 2020 there has been a continuing global outbreak of COVID-19 (coronavirus), which has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial, and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus.

## 2. Significant Accounting Policies

**Statement of compliance**

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”). These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IASB”) 34, *Interim Financial Reporting*. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these condensed consolidated interim financial statements are based on IFRS issued and outstanding as of the date of filing this report. The same accounting policies and methods of computation followed in these condensed consolidated interim financial statements are set out in note 2 of the most recently filed annual (audited) financial statements as at and for the year ended December 31, 2021, except where noted below. Any subsequent changes to IFRS that are given effect in the Company’s annual (audited) financial statements for the year ending December 31, 2022, could result in restatement of these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements are presented in Canadian dollars, the Company's functional currency, and have been prepared on a historical cost basis. All amounts have been rounded to the nearest dollar, unless otherwise noted.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May 26, 2022.

**Basis of presentation**

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

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company, and its wholly owned subsidiaries 606596 Alberta Ltd., The Thunder Bay Silver & Cobalt Corp. and 2815210 Ontario Limited, all of which have no assets in the current or prior period. All intercompany balances and transactions have been eliminated.

**Significant accounting judgments, estimates and assumptions**

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* – the preparation of the condensed consolidated interim financial statements requires Management to make judgments regarding the going concern of the Company as previously discussed in note 1 of the condensed consolidated interim financial statements.
- *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 the condensed consolidated interim 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 9 of the condensed consolidated interim financial statements.
- *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.

**Adoption of New Accounting Standards**

Certain pronouncements have been issued by the IASB or the IFRIC that are effective for accounting periods on or after January 1, 2022. The Company has reviewed these updated standards and determined that none of these updates are applicable or consequential to the Company and have been excluded from discussion within these condensed consolidated interim financial statements.

## 3. Cash and cash equivalents

| As at | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Cash | **91,622** | $629,666 |
| Term deposits | **1,356,238** | 1,514,290 |
| | **$1,447,860** | $2,143,956 |

## 4. Marketable securities

On June 8, 2020, the Company received common shares of Blue Thunder Mining Inc. in consideration for the sale of exploration data valued at $320,000.

The following sets out the changes to marketable securities during the year ended December 31, 2021 and the three months ended March 31, 2022:

| | |
|---|---|
| **Balance, December 31, 2020** | **$423,929** |
| Unrealized loss on marketable securities | (309,781) |
| **Balance, December 31, 2021** | **$114,148** |
| Unrealized loss on marketable securities | (16,307) |
| **Balance, March 31 2022** | **$97,841** |

At the end of each reporting period, Management revalues the fair value of the marketable securities held at period end, using the closing price of the Company's shares, as reported on the TSXV. For the three months ended March 31, 2022, the Company recorded an unrealized loss of $16,307, using this pricing mechanism.

## 5. Exploration and Evaluation Expenditures ("E&E")

**Thunder Bay, Ontario Properties**

The following table summarizes the cumulative E&E expenditures the Company has incurred on its Thunder Bay, Ontario properties to March 31, 2022:

| | |
|---|---|
| **Balance, December 31, 2020** | **$2,919,136** |
| Claims acquisition – for 1,103,506 common shares | 77,245 |
| Claims maintenance | 67,061 |
| Exploration and evaluation | 22,675 |
| **Balance, December 31, 2021** | **$3,086,666** |
| Claims maintenance | 7,705 |
| E&E | — |
| **Balance, March 31, 2022** | **$3,094,371** |

*Thunder Bay Silver & Cobalt Corp*

On June 7, 2018, the Company acquired Thunder Bay Silver & Cobalt Corp., a private company that holds certain mineral claims in the historic Thunder Bay Silver District ("Thunder Bay"). The property is subject to a 2.5% net smelter royalty ("NSR") which may be repurchased for $1,500,000.

On January 8, 2021, the Company staked additional claims in Thunder Bay.

On July 20, 2021, the Company acquired an 80% interest in certain additional silver properties in Thunder Bay, from Romios Gold Resources ("Romios Gold"), for the issuance of 1,103,506 common shares, valued at $77,245. The Company was also granted a right of first refusal by Romios Gold on the remaining 20% interest.

*Beaver Silver Property*

On July 20, 2018, the Company entered into an option agreement to acquire a 100% interest in the Beaver Silver Property from Cairngorm Mines Ltd. (the "Optionor"). Under the terms of the option agreement, the Company may exercise the option over a three-year period, by a) making cash payments totaling $75,000, by b) incurring exploration expenditures of $750,000 over the option period and c) by issuing common shares with a market value of $410,000, over the option period. Once the three conditions are met, the Optionor shall be granted a 2% NSR which may be repurchased by the Company for $1,000,000. The Company is currently in default under the terms of the agreement. However, negotiations continue to enter into a new option agreement.

*Yukon Silver Properties*

On June 4, 2021, the Company acquired the rights, title and 100% interest in three advanced, silver-focused properties located in southeast and south-central Yukon, Canada, from Strategic Metals Ltd. ("Strategic Metals"). The properties are comprised of Plata, Groundhog, and Hy. Consideration for 100% interest in the properties was the issuance of 34,804,715 common shares, valued at $0.13 per common share, for a total value of $4,524,613.

The following table summarizes the cumulative E&E expenditures the Company has incurred on its Thunder Bay, Ontario properties to March 31, 2022:

| | |
|---|---|
| **Balance, December 31, 2020** | **$—** |
| Claims acquisition – for shares | 4,524,613 |
| Exploration and evaluation | 160,462 |
| Community relations | 15,000 |
| **Balance, December 31, 2021** | **$4,700,075** |
| Claims maintenance | 5,761 |
| Exploration and evaluation | 44,406 |
| **Balance, March 31, 2022** | **$4,750,242** |

*Clear Lake, Yukon*

On March 29, 2022 the Company completed the acquisition of a 100% interest in a deposit in the Whitehorse Mining District of the Yukon ("Clear Lake"). Total consideration for Clear Lake was comprised of $250,000 cash and the grant of a 1% Net Smelter Royalty ("NSR") on all metals other than silver.

**Other Properties**

**LG Diamond Property, Quebec**

During the year ended December 31, 2015, the Company entered into an agreement to acquire the LG Diamond Project located in the James Bay Region of Quebec. As consideration, the Company issued 10,000,000 common shares at a fair value of $0.01 each and granted a 2% NSR to the vendor. One half, or 1%, of the NSR can be bought back for $1,000,000 and the remaining 1% for $2,000,000.

## 6. Amounts payable and accrued liabilities

| As at | **March 31, 2022** | December 31, 2021 |
|---|---|---|
| Accounts payable | **$129,845** | $323,708 |
| Accrued liabilities | **30,000** | 34,284 |
| | **$159,845** | $357,992 |

## 7. Flow-through provision

The Company has determined, through historical audits conducted for the years ended December 31, 2011 and 2014, by the Canada Revenue Agency ("CRA") and by independent public company auditors, that it may continue to have a shortfall on previously renounced flow-through ("FT") financings and has recorded a provision for shareholder identification.

The following table sets out the changes, if any, to the provision for the obligation to FT subscribers as at March 31, 2022:

| | |
|---|---|
| **Balance, December 31, 2020** | **$265,031** |
| Part XII.6 tax and penalties | 33,000 |
| **Balance, December 31, 2021 and March 31, 2022** | **$298,031** |

## 8. Flow-through share premium

The flow-through shares issued pursuant to the July 2021 FT Offering were issued at a premium to the then-market trade price, in recognition of the tax benefits accruing to the subscribers of the Offering. A liability of $84,090 was recorded accordingly. During the three months ended March 31, 2022, the Company incurred $59,738 of qualified expenditures and a liability of $19,913 was derecognized through income as a gain on the statement of profit and loss. (For the year ended December 31, 2021, the Company incurred $169,924 of qualified expenditures and a liability of $56,640 was derecognized through income as a gain on the statement of profit and loss).

## 9. Shareholders' equity

### a) Common shares

The authorized share capital consists of an unlimited number of common shares (issued 177,688,641 common shares) having no par value. All issued shares are fully paid for.

i. On March 18, 2021, the Company closed a non-brokered private placement that resulted in the issuance of 42,857,143 units ("March 2021 Units") for aggregate gross proceeds of $3,000,000 (the "March 2021 Offering"). Each March 2021 Unit was priced at $0.07 and consists of one Common Share in the capital of the Company and one-half of one Common Share purchase warrant (the "March 2021 Warrants"). Each whole March 2021 Warrant entitles the holder to acquire one Common Share at price of $0.10 per share, for a period of three years. The Common Shares issued in the March 2021 Offering are subject to a statutory four months and one day hold period. A relative fair value of $856,579 using the Black-Scholes pricing model was assigned to the 2021 Warrants.

ii. On June 8, 2021, the Company issued 34,804,718 Common Shares to Strategic Metals at $0.13 per Common Share for a total value of $4,524,613, to acquire the rights, title and interest in three silver-focused properties located in southeast and south-central Yukon, Canada.

iii. On July 2, 2021, the Company closed a private placement that resulted in the issuance of 1,681,800 FT common shares of the Company (the "July 2021 FT Offering") at $0.15 per share for gross proceeds of $252,270. A total of 114,926 finders warrants were issued for the purchase of 114,926 Common Shares at $0.15 per Common Share, for two years from closing. The Common Shares issued in the July 2021 Offering were subject to a statutory four months and one day hold period. In relation to the July 21 FT Offering, a flow-through liability of $84,090 was recognized for the premium paid by the subscribers for the tax benefits attached to the Common Shares.

iv. On July 26 2021, the Company issued 1,103,506 Common Shares valued at $77,245 for the acquisition of certain properties situated in the Thunder Bay Silver District, from Romios Gold Resources Inc.

v. During the three months ended March 31, 2022 there were no share issuances for the exercise of warrants or options.

**b) Reserve for Warrants**

The Company has issued warrants as part of equity financings. The fair value of warrants is recognized upon issuance to reserve for warrants, until expiration or exercise.

i. On March 18, 2021, the Company issued 21,428,571 Warrants in connection with the March 2021 Offering. The March 2021 Warrants have an exercise price of $0.10 and expire on March 19, 2024. A fair value of $406,532 was assigned to the Warrants, using the Black-Scholes option pricing model, using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 231%, and an expected life of 3 years.

ii. In relation to the July 2021 Offering, a total of 114,926 finder warrants were issued with an exercise price of $0.15. The July 2021 finder warrants expire July 2, 2023. The fair value assigned for the 2021 finder warrants was $1,864 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.48%; volatility of 135%, and an expected life of 2 years

iii. During the year ended December 31, 2021, 6,182,346 warrants expired with a fair value of $419,786.

iv. During the year ended December 31, 2021, 688,250 warrants were exercised for cash proceeds of $50,075.

The following is the activity to reserve for warrants as at and during the year ended December 31, 2021 and the three months ended March 31 2022:

| | **Number of warrants** | **Weighted average exercise price** |
|---|---|---|
| **Balance, December 31, 2020** | **18,995,596** | **$0.08** |
| Issued (i) | 21,428,571 | 0.10 |
| Issued (ii) | 114,926 | 0.15 |
| Expired (iii) | (6,182,346) | (0.08) |
| Exercised (iv) | (688,250) | (0.07) |
| **Balance, December 31, 2021 and March 31 2022** | **33,668,497** | **$0.08** |

v. The following table reflects the warrants issued and outstanding as at March 31, 2022:

| Date of issue | Expiry date | Weighted Average Exercise price | Number of warrants | Remaining life (years) |
|---|---|---|---|---|
| August 21, 2020 | August 21, 2022 | $0.05 | 12,125,000 | 0.39 |
| July 2, 2021 | July 2, 2023 | $0.15 | 114,926 | 1.25 |
| March 18, 2021 | March 18, 2024 | $0.10 | 21,428,571 | 1.96 |
| | | **$0.08** | **33,668,497** | |

**c) Stock Options**

The Company has a stock option plan (the "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 TSXV 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 Plan cannot exceed 10% of the issued shares. The fair value of the share-based compensation is recognized as contributed surplus upon vesting.

The following is the stock option activity of the Company as at and during the year ended December 31, 2021 and the three months ended March 31, 2022:

| | Number of stock options | Weighted average exercise price |
|---|---|---|
| **Balance, December 31, 2020** | **6,575,000** | **$0.06** |
| Granted (ii) to (vi) | 13,884,800 | 0.10 |
| Exercised (vii) | (1,700,000) | (0.10) |
| Expired (viii) | (1,300,000) | 0.06 |
| **Balance, December 31, 2021 and March 31, 2022** | **17,459,800** | **$0.09** |

i. From February 11 to February 19, 2021, the Company granted an aggregate of 550,000 five-year options to directors, officers, employees and consultants; 250,000 of the stock options are exercisable at a price of $0.08 per share and the remaining 300,000 stock options are exercisable at $0.12. The fair value assigned for the stock options was $43,489 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.49%; volatility of 135%, and an expected life of 5 years.

ii. On March 23, 2021, the Company granted a total of 6,175,000 stock options to directors, officers, employees and consultants of the Company. The options are exercisable at a price of $0.125 per share, for a period of five years from the date of grant. The fair value assigned for the stock options was $636,833 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.95%; volatility of 131%, and an expected life of 5 years.

iii. On August 3, 2021, the Company granted a total of 1,500,000 stock options to two newly appointed directors. The options are exercisable at a price of $0.08 per share, for a period of five years from the date of grant. These 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 assigned to these stock options was $111,951 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.78%; volatility of 163%, and an expected life of 5 years. To March 31, 2022, a total of $70,353 has been recorded as share-based compensation expense for the options vested to date.

iv. On October 28, 2021, the Company granted a total of 750,000 stock options to a director of the Company. The options are exercisable at a price of $0.065 per share, for a period of five years from the date of grant. These 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 assigned to these stock options was $38,024 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.42%; volatility of 127.41%, and an expected life of 5 years. To March 31, 2022, a total of $20,205 has been recorded as share-based compensation expense for the options vested to date.

v. On November 1, 2021, the Company granted a total of 100,000 stock option to a consultant. The options fully vest on February 1, 2022. The options are exercisable at a price of $0.07 per share for a period of three years from the date of grant. The fair value assigned to these stock options was $5,696 and 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. To March 31, 2022, a total of $4,210 has been recorded as share-based compensation expense for the options vested to date.

vi. On December 30, 2021, the Company granted a total of 4,809,800 stock options to directors, officers, employees, and consultants of the Company. The options are exercisable at a price of $0.075 per share, for a period of five years from the date of grant. These 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 assigned to these stock options was $303,784 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.28%; volatility of 124.77%, and an expected life of 5 years. To March 31, 2022, a total of $139,581 has been recorded as share-based compensation expense for the options vested to date.

vii. During the year ended December 31, 2021, 1,700,000 options were exercised for cash proceeds of $97,750 and the fair value of $96,827 was reclassified to share capital.

viii. During the year ended December 31, 2021, a total of 1,300,000 options expired for employees/consultants no longer working for or engaged by the Company.

ix. The following table reflects the stock options outstanding as of March 31, 2022:

| Outstanding options | Options exercisable | Exercise price | Expiry date | Weighted average life (years) |
|---|---|---|---|---|
| 675,000 | 675,000 | $0.10 | August 20, 2023 | 1.39 |
| 100,000 | 100,000 | $0.07 | November 1, 2024 | 2.59 |
| 2,900,000 | 2,900,000 | $0.06 | August 28, 2025 | 3.41 |
| 250,000 | 250,000 | $0.08 | February 11, 2026 | 3.87 |
| 300,000 | 300,000 | $0.10 | February 19, 2026 | 3.87 |
| 6,175,000 | 6,175,000 | $0.125 | March 23, 2026 | 3.97 |
| 1,500,000 | 500,000 | $0.08 | August 3,2026 | 4.34 |
| 750,000 | 250,000 | $0.065 | October 28,2026 | 4.57 |
| 4,809,800 | 1,603,267 | $0.075 | December 30, 2026 | 4.75 |
| **17,459,800** | **12,753,267** | **$0.09** | | |

## 10. Related party disclosures and key management compensation

**Related party transactions**

Related parties as defined by IAS 24 - *Related Party Disclosures* include members of the Board of Directors, Key Management Personnel, and any companies controlled by these individuals. Key Management Personnel include those persons having authority and responsibility for planning, directing, and controlling activities of the Company being directors and executive management, comprising of the Chief Executive Officer and the Chief Financial Officer.

i. During the three months ended March 31, 2022, and 2021, the Company entered the following transactions with related parties:

a) A corporation controlled by an Executive officer received cash compensation of $75,000 (2021 - $55,000).
b) A company of which a director is a minority interest shareholder, billed the Company $39,213 (2021 - $nil) for technical fees and expenses.
c) Commencing February 2021, the Company has retained Grove Corporate Services Ltd. ("Grove") to provide accounting, governance and administrative services, including that provided by a new Chief Financial Officer ("CFO") and Corporate Secretary. Grove charges the Company $7,000 per month plus HST for the services and charged a total of $21,000 (2021 - $14,000) to the Company, for services rendered in the reporting period.
d) On June 4, 2021, the Company acquired 100% of right, title and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada, from Strategic Metals Ltd. (“Strategic Metals”). A director of the Company is also Chief Executive Officer, President, and a director of Strategic Metals.

ii. Compensation for key management personnel of the Company is as follows:

| Three months ended March 31, | 2022 | 2021 |
|---|---|---|
| Management fees [1] | **$125,500** | $131,600 |
| Share-based compensation [2] | **43,888** | 514,107 |
| | **$169,388** | $645,707 |

[1] Management fees are comprised of salaries, consulting fees and exploration expenditures.
[2] Represents the FV expense of the stock options that vested during the period, to Key Management. No new options were granted during the period.

At March 31, 2022, a total of $83,935 (2021 -$57,785) is included in accounts payable for unpaid management and consulting fees and E&E. These transactions were conducted in the normal course of operations.

## 11. Commitments

i. Effective January 25, 2021, the Company engaged Chad Williams to serve as the Chairman of the Company. His base fee salary is $25,000 per month and he is eligible to participate in the Company's stock option plan. Certain success fees may also be payable, at the discretion of the Board of Directors. Early termination of the contract and/or a change of control transaction may result in an additional compensation payout of up to 24 months base salary fees plus bonus fees.

ii. Since February 2021, the Company has retained Grove to provide corporate services as described in note 10. The fees paid for the Services is $7,000 per month. This contract is renewable annually with an early termination penalty of two months' fees.

iii. In order to maintain the Company's property interests and claims in good standing, certain claims fees and/or work expenditures must be incurred. For NSRs related to the Company's properties see note 5.

## 12. Capital Management

As of March 31, 2022, the Company had working capital of $1,176,481 (December 31, 2021 – 1,757,564).

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.

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.

The Company considers its capital to be comprised of share capital, warrants reserve, contributed surplus, and accumulated deficit which, at March 31,2022, totaled $1,176,481 (December 31, 2021 - $1,757,564).

## 13. Financial instrument risk factors

Financial instruments are exposed to certain financial risks, which may include credit risk, liquidity risk and market risks.

The following disclosures enable users of the consolidated financial statements to evaluate the nature and extent of risks arising from financial instruments at the end of the reporting period:

### *a) Credit risk*

The Company's credit risk is the risk of counterparty default on cash and cash equivalents 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.

### *b) 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 March 31, 2022, the Company had a cash balance of $1,447,860 (December 31, 2021 – $2,143,956) to settle current accounts payable and accrued liabilities of $159,845 (December 31, 2021 – $357,992. The Company has also recorded a flow-through share liability of $7,537. As exploration expenses are incurred, this liability will be reduced by the amount expended.

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

### *c) Market risks*

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

- 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.

- 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.

- 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.