Condensed Interim Consolidated Financial Statements

For the three months ended March 31, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

Notice of No Auditor Review of Interim Financial Statements

As per National Instrument 51-102 *Continuous Disclosure Obligations* Part 4.3 *Disclosure of Auditor Review*, the auditors of Honey Badger Exploration Inc. have not performed a review of these interim financial statements.

Honey Badger Exploration Inc.
Condensed Interim Consolidated Statements of Financial Position
(Unaudited - Expressed in Canadian dollars)

		As at March 31, 2018		As at December 31, 2017
Assets				
Current assets				
Cash and cash equivalents (note 4)	**$**	**169,392**	$	332,356
Amounts receivable		**96,935**		67,399
Prepaid expenses		**-**		1,350
	$	**266,327**	$	401,105
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities (note 5)	**$**	**345,508**	$	219,223
Deferred flow-through premium (note 6)		**22,961**		33,188
Flow-through provision (note 7)		**265,031**		265,031
		633,500		517,442
Shareholders' deficiency (note 8)				
Share capital		**6,824,073**		6,824,073
Contributed surplus		**1,671,410**		1,622,584
Warrant reserve		**786,990**		786,990
Accumulated deficit		**(9,649,646)**		(9,349,984)
Total shareholders' deficiency		**(367,173)**		(116,337)
Total liabilities and shareholders' deficiency	**$**	**266,327**	$	401,105

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

Nature of operations and going concern (note 1)
Commitments and contingencies (note 13)
Subsequent events (note 16)

Honey Badger Exploration Inc.
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Unaudited - Expressed in Canadian dollars)

	For the three months ended March 31,	
	2018	2017
Expenses		
Exploration expenditures (notes 9, 10)	$ **224,764**	$ 701
Payroll and professional fees (note 9)	**21,534**	19,786
General and administrative	**12,842**	4,727
Share-based compensation	**48,826**	-
Part XII.6 tax	**1,923**	1,323
Deferred flow-through premiums (note 6)	**(10,227)**	-
	(299,662)	(26,537)
Net loss and comprehensive loss	$ **(299,662)**	$ (26,537)
Basic loss per share (note 12)	$ **(0.01)**	$ (0.00)
Diluted loss per share (note 12)	$ **(0.01)**	$ (0.00)

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

Honey Badger Exploration Inc.
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited - Expressed in Canadian dollars)

	For the three months ended March 31, 2018	2017
Operating activities		
Net loss	$ (299,662)	$ (26,537)
Adjustments to reconcile net loss to net cash used in operating activities:		
Deferred flow-through premiums (note 6)	(10,227)	-
Share-based compensation (note 8(b))	48,826	-
Changes in non-cash working capital		
Increase in amounts receivable	(29,536)	26,222
(Increase) decrease in prepaid expenses	1,350	(3,320)
Increase (decrease) in accounts payable and accrued liabilities	126,285	(525)
Net cash used in operating activities	(162,964)	(4,160)
Investing activities		
Proceeds from sale of marketable securities	-	-
Net cash provided by investing activities	-	-
Financing activities		
Proceeds from private placement	-	-
Share issue costs	-	-
Net cash provided by financing activities	-	-
Net (decrease) increase in cash and cash equivalents	(162,964)	(4,160)
Cash and cash equivalents, beginning of year	332,356	51,263
Cash and cash equivalents, end of year	$ 169,392	$ 47,103
Supplemental cash-flow disclosures:		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

Honey Badger Exploration Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

(Unaudited - Expressed in Canadian dollars)

	Number of Shares (#)		Share Capital		Contributed Surplus		Warrant Reserve		Accumulated Deficit		Total
Balance, January 1, 2018	**48,615,605**	**$**	**6,824,073**	**$**	**1,622,584**	**$**	**786,990**	**$**	**(9,349,984)**	**$**	**(116,337)**
Net loss	-		-		-		-		**(299,662)**		**(299,662)**
Other comprehensive income (loss)	-		-		-		-		-		-
Total comprehensive loss											**(299,662)**
Share issue costs	-		-		48,826		-		-		**48,826**
Balance, March 31, 2018	**48,615,605**	**$**	**6,824,073**	**$**	**1,671,410**	**$**	**786,990**	**$**	**(9,649,646)**	**$**	**(367,173)**
Balance, January 1, 2017	20,957,770	$	5,591,833	$	1,479,986	$	417,793	$	(8,193,175)	$	(703,563)
Net loss	-		-		-		-		(26,537)		(26,537)
Other comprehensive income	-		-		-		-		-		-
Total comprehensive loss											(26,537)
											-
Balance, March 31, 2017	20,957,770	$	5,591,833	$	1,479,986	$	417,793	$	(8,219,712)	$	(730,100)

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

1. Nature of operations and going concern

Honey Badger Exploration Inc. (the "Company") was founded in 1992 for the purpose of the acquisition, exploration, and development of mining properties. The Company's head office and the primary location of its registered records is 145 Wellington Street West, Suite 1001, Toronto, Ontario M5J 1H8. The Company owns a wholly owned subsidiary 606596 Alberta Ltd.

As at March 31, 2018, the Company had a working capital deficit of $367,173 (December 31, 2017 - $116,337) and an accumulated deficit of $9,649,646 (December 31, 2017 - $9,349,984). These conditions cast significant doubt about the Company's ability to continue as a going concern.

The accompanying condensed interim consolidated financial statements have been prepared on the basis of a going concern, 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.

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, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These condensed interim consolidated 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 condensed interim consolidated financial statements.

2. Significant Accounting Policies

(a) Statement of compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). IFRS comprise IFRSs, International Accounting Standards (“IAS”) and interpretations issued by the IFRS Interpretation Committee (“IFRIC”s) and the former Standing Interpretations Committee (“SIC”s).

The consolidated financial statements were approved by the Board of Directors on May 30, 2018.

(b) Basis of presentation

These consolidated 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 consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary 606596 Alberta Ltd., which is not active and has no assets in the current or prior year. All intercompany balances and transactions have been eliminated.

3. Significant accounting judgements, estimates and assumptions

The preparation of financial statements in accordance with IFRS requires management to make judgement, 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. Judgements, 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 financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the financial statements.

Deferred taxes

The estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the Company's ability to utilize the underlying future tax deductions against future taxable income prior to expiry of those deductions. Management assesses whether it is probable that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income, which in turn is dependent upon the successful discovery, extraction, development and commercialization of mineral reserves. To the extent that management's assessment of the Company's ability to utilize future tax deductions changes, the Company would be required to recognize more or fewer deferred tax assets, and deferred tax provisions or recoveries could be affected.

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. The fair values of the flow-through premiums are disclosed in Note 7 of the financial statements.

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 year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 8(b) of the financial statements.

Deferred Compensation

From time to time the Company accrues compensation, included in accounts payable and accrued liabilities, which represents future compensation for management services and involves significant management judgments. The Company reviews the deferred compensation balance annually to ensure the balance appropriately represents the Company's estimate of what will be paid in cash or settled through share-based payments in future periods. Any reduction is recorded as a forgiveness of deferred compensation costs.

4. Cash and cash equivalents

As at March 31, 2018 and December 31, 2017, cash and cash equivalents were held as follows:

		March 31, 2018		December 31, 2017
Cash deposits	$	**159,392**	$	273,366
Term deposits		**10,000**		10,000
Undeposited subscriptions		**-**		48,990
	$	**169,392**	$	332, 356

5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

		March 31, 2018		December 31, 2017
Accounts payable	$	**328,585**	$	149,164
Accrued liabilities		**16,923**		70,059
	$	**345,508**	$	319,089

6. Deferred flow-through premium

The following table sets out the changes to the deferred premium balances:

		Total
Balance - December 31, 2015	**$**	**80,865**
Recognition of deferred premium		48,200
Decrease of deferred premium		(80,865)
Balance - December 31, 2016	**$**	**48,200**
Recognition of deferred premium		34,188
Decrease of deferred premium		(49,200)
Balance - December 31, 2017	**$**	**33,188**
Decrease of deferred premium		(10,227)
Balance – March 31, 2018	**$**	**22,961**

7. Flow-through provision

The following table sets out the changes to the provision for the obligation to flow-through subscribers:

Balance – December 31, 2015	**$ 335,015**
Recognition of F/T Provision	72,300
Increase of F/T Provision	255,994
Reclassification to accounts payable	(233,015)
Balance – December 31, 2016	**$ 430,294**
Reclassification to accounts payable	(202)
Shares issued to settle obligations	(165,061)
Balance – December 31, 2017	**$ 265,031**
Balance – March 31, 2018	**$ 265,031**

8. Shareholders' deficiency

(a) *Common shares*

The Company's authorized capital stock includes an unlimited number of common shares (issued 48,615,605 common shares) having no par value. *(See Note 15 – Subsequent Events.)*

(b) *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 at the discretion of the Board of Directors. 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 determined the vesting period. 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.

During the three months ended March 31, 2018, the Company granted 850,000 (Q1 2017 - nil) to a director and officer at a weighted average exercise price of $0.055 (Q1 2017 - $Nil). These three-year options vested immediately upon grant. The fair value of the stock options granted during the year has been determined to be $48,826 and has been included in the statement of loss and comprehensive loss for the three months ended March 31, 2018.

The fair value of the stock options was calculate using the Black-Scholes option pricing model and utilized the following weighted average assumptions: risk-free rate - 1.94%; volatility – 230.6%; expected life - 3 years; dividend yield - 0% and forfeiture rate - 0% and resulted in a weighted average fair value of $0.057 per stock option.

(c) *Warrants*

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

As at March 31, 2018, the Company had 16,684,411 (Q1 2017 – 3,804,960) warrants outstanding with a weighted average exercise price of $0.069 (Q1 2017 - $0.29).

9. Related party disclosures

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel include the Board of Directors and the executive management team. The executive management team comprises the President and Chief Executive Office, Chief Financial Officer and Vice-President Exploration.

Compensation for key management personnel of the Company was as follows:

		March 31, 2018		March 31, 2017
Short-term benefits(1)	$	**22,500**	$	13,500
Share-based payments(2)		**-**		-
	$	**22,500**	$	13,500

(1) Includes salary and professional fees.
(2) Represents the expense of stock options during the year.

As at March 31, 2018, the following related party balances were outstanding:

a) a balance of nil (December 31, 2017 - $38,092) owing to related parties was included in accounts payable and accrued liabilities.

10. Mineral properties

Exploration and Evaluation Expenditures

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its various properties:

	Thunder Bay Property	Barite-Zinc Property	LG Diamond & Wemindji Properties	Other Properties	Total
Balance, January 1, 2018	$ -	$ 560,348	$ 517,212	$ 2,776,758	$ 3,854,318
Exploration expenditures	220,238	-	3,051	1,475	224,764
Total exploration expenditures	220,238	-	3,051	1,475	224,764
Balance, March 31, 2018	**$ 220,238**	**$ 560,348**	**$ 520,263**	**$ 2,778,233**	**$ 4,079,082**
Balance, January 1, 2017	$ -	$ -	$ 508,169	$ 2,412,954	$ 2,921,123
Exploration expenditures	-	-	701	-	701
Total exploration expenditures	-	-	701	-	701
Balance, March 31, 2017	$ -	$ -	$ 508,870	$ 2,412,954	$ 2,921,824

Thunder Bay Property, Ontario

On December 18, 2017, the Company signed a non-binding letter of intent (the "LOI") to earn a 100% interest in the Beaver Silver Property, located in Thunder Bay, Ontario. The LOI provides that, subject to completion of a definitive option agreement and satisfaction of certain other terms and conditions including the receipt of all necessary corporate, shareholder, regulatory and stock exchange approvals, the vendor will grant the Company an option to acquire the Beaver Silver Property by making payments in cash, issuing securities of the Company and incurring exploration expenditures. Upon signing the LOI, the Company made a cash payment of $50,000 to the vendor.

During the three months ended March 31, 2018, the Company staked additional ground in the Thunder Bay area, within a prospective silver, cobalt, zinc, lead and gold district.

Barite-Zinc Property, Quebec

On August 8, 2017, the Company acquired certain claims located in southeastern Quebec (the "Barite-Zinc Property") by issuing 8,000,000 common shares valued at $500,000 and granted a 2% net smelter return royalty ("NSR") to the property vendor. The Company may re-purchase the NSR for $1,000,000.

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 value of $0.01 each and granted a 2% NSR. One half, or 1% of the NSR can be bought back for $1,000,000 and the remaining 1% for $2,000,000.

Wemindji Property, Quebec

During the year ended December 31, 2016, the Company entered into an agreement to acquire the Wemindji Property, which consists of certain claims located in the James Bay region of Québec. The acquisition costs consisted of the payment of $10,000 cash (paid) and the issuance of 4,000,000 common shares (issued) of the Company with a fair value of $120,000. The Company is also required to grant of a 2% NSR to the property vendors. The NSR may be bought back from the vendors for $2,000,000.

Other Properties

Blue Thunder, Quebec

On October 5, 2017, the Company entered into an option agreement whereby it can earn up to a 10% interest in certain mining claims located in Quebec, by spending $150,000 over a 24-month period, with a minimum of $75,000 being spent in the first 12-months. The Company has met the requirement and earned a 10% interest in the mineral claims as at December 31, 2017.

Bear Limonite Creek property

The Bear Limonite Creek property in British Columbia consisted of 2 claims with early stage copper and gold exploration targets. The Company decided in 2015 that it would not pursue any further activities on the property and the claims were allowed to lapse during the year ended December 31, 2016.

Sagar Property, Quebec

On February 28, 2014, the Company entered into a purchase and sale agreement with Energizer Resources Inc. ("Energizer"), a company related by common management. On July 31, 2014 (the "Effective Date") the purchase and sale agreement was replaced by an option agreement (the "Option Agreement") entered into between the Company and Energizer pursuant to which the Company was granted an earn-in option to acquire up to a 100% interest in the Sagar Property in consideration of cash payments, share issuances and work commitment expenditures. This option agreement was further revised on May 8, 2015. As of December 31, 2015, the Company had not satisfied the terms of the option agreement. The Company no longer has an interest in this project.

11. Earnings (Loss) per share ("EPS")

		March 31, 2018			
		Earnings/(Loss) (Numerator)	**Shares (Denominator)**		**Per Share Amount**
Basic EPS	$	**(299,662)**	48,615,605	$	(0.01)
Effect of dilutive securities		-	-		-
Diluted EPS	$	**(299,662)**	48,615,605	$	(0.01)

		March 31, 2017			
		Earnings/(Loss) (Numerator)	Shares (Denominator)		Per Share Amount
Basic EPS	$	(26,537)	20,957,770	$	(0.00)
Effect of dilutive securities		-	-		-
Diluted EPS	$	(26,537)	20,957,770	$	(0.00)

12. Commitments and contingencies

Flow-Through Expenditure Commitments

The Company competed flow-through share financings that involve a commitment to incur Canadian Exploration Expenditures ("CEEs") prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. The flow-through commitments as at March 31, 2018 is $365,942 (December 31, 2017 - $531,003).

13. Capital management

As of March 31, 2018, the Company had a working capital deficit of $367,173.

There were no changes in the Company's approach to capital management during the three months ended March 31, 2018.

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. The Company's operations to date have been funded by issuing equity.

The Company's investment policy is to invest excess cash in very low risk financial instruments such as term deposits or by holding funds in high yield savings accounts with major Canadian banks. Financial instruments are exposed to certain financial risks, which may include currency risk, credit risk, liquidity risk and interest rate risk.

The Company's mineral property interests are all in the exploration stage, as such the Company is dependent on external financing to fund its exploration activities and administrative costs. Management continues to assess the merits of mineral properties on an ongoing basis and may seek to acquire new properties or to increase ownership interests if it believes there is sufficient geologic and economic potential.

Management mitigates the risk and uncertainty associated with raising additional capital in current economic conditions through cost control measures that minimizes discretionary disbursements and reduces exploration expenditures that are deemed of limited strategic value.

The Company manages the capital structure (consisting of shareholders' deficiency) on an ongoing basis and makes adjustments in response to changes in economic conditions and risks characteristics of its underlying assets. Adjustments to the Company capital structure may involve the issue of new shares, issue of new debt, acquisition or disposition of assets, or adjustments to the amounts held in cash, cash equivalents and short-term investments.

The Company is not subject to any externally imposed capital requirements other than flow-through spending.

14. Financial instrument risk factors

The following disclosures are to 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 year:

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 amounts receivable related to sales taxes have negligible counterparty default risk. The Company's amounts receivable related to companies related by common management are subject to 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, 2018, the Company had a cash balance of $169,392 (December 31, 2017 - $332,356) to settle current liabilities of $633,500 (December 31, 2017 - $517,442). As a result, the Company is exposed to liquidity risk.

While the Company has been successful in obtaining required funding in the past, 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 risks, particularly with respect to diamonds, is the sensitivity of the fair value of or 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 or development of its mineral assets, or for the acquisition or disposition of mineral 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 were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.

15. Subsequent event

(a) Private Placement

On May 14, 2018, the Company announced a non-brokered private placement which will comprise flow-through common shares of the Company at $0.13 per flow-through share (a "FT Share") and non-flow-through units at a price of $010 per unit (a "Unit"), for aggregate gross proceeds of up to $2.0 million. Each unit shall comprise one common share and one-half purchase share warrant, with each whole warrant having an exercise price of $0.16 per common share and an expiry of 36 months from the date of issue. The Company may pay finder's fees of up to 7% of the gross amount raised from investors and may issue compensation options to such finder's of up to 7% of the FT Shares and Units sold to investors. Each compensation option will entitle the holder to acquire one common share of the Company at a price of $0.10 per share for a period of 36 months from the date of closing.

On May 17, 2018, the Company announced the closing of the initial tranche of the private placement for gross proceeds of $1,618,000 by issuing 8,550,000 Units and 5,869,230 FT Shares. The Company paid cash commissions of $110,600 and issued 984,846 compensation options.

(b) Warrant Exercises

Subsequent to the quarter end, 150,000 warrants were exercised for gross proceeds of $11,250.