Management's Discussion and Analysis

For the Year Ended December 31, 2018

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of financial position and results of operations of Honey Badger Exploration Inc. ("Honey Badger" or the "Company") has been prepared based on information available to Honey Badger as at April 26, 2019, and should be read in conjunction with Honey Badger's audited consolidated financial statements and related notes as at and for the year ended December 31, 2018 and 2017. The audited consolidated financial statements and MD&A are presented in Canadian dollars and have been prepared in accordance with International Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Readers are cautioned that the MD&A may contain forward-looking statements and that actual events may vary from management's expectations. Readers are encouraged to read the "Cautionary Statement on Forward-Looking Information" at the end of this MD&A and to consult Honey Badger's audited consolidated financial statements for the years ended December 31, 2018 and 2017 and the corresponding notes to the financial statements which are available on our website at www.honeybadgerexp.com and on SEDAR at www.sedar.com.

Business Overview and Strategy

Honey Badger is a publicly-listed corporation on the TSX Venture Exchange ("TSXV") under the symbol TUF, is incorporated under the laws of Ontario and is involved primarily in the identification, acquisition and advancement of mineral exploration properties with a particular focus on mineral exploration projects located in northern Ontario and Quebec. Honey Badger's mineral properties are currently in the exploration stage. The Company does not operate any mines.

Honey Badger's continued operations are dependent upon the ability of the Company to obtain financing for the continued exploration of its mineral properties. The Company has not yet determined whether any of its mineral properties contain mineralization that is economically recoverable.

As of December 31, 2018, the Company had no employees other than the President & Chief Executive Officer and Chief Financial Officer. Certain professional, administrative and geological services are provided to the Company by independent contractors, including corporations and/or individuals who may be officers or directors of Honey Badger.

The long-term business objectives of the Company are to:

1. acquire mineral properties it considers prospective to strengthen its portfolio of properties,
2. advance the geological knowledge of its mineral properties through successive exploration programs, and
3. if deemed advantageous, dispose of its mineral properties

The value of an exploration property is highly dependent upon the discovery of economically recoverable mineralization, the long-term preservation of the Company's ownership interest in the underlying mineral property, the ability of the Company to obtain the necessary funding to complete sufficient exploration activities on the property, and the prospects of any future profitable production therefrom, or alternatively upon the Company's ability to dispose of its property interests on an advantageous basis.

Risk factors that must be considered in achieving the Company's business objectives include the risk that exploration activities may not result in the discovery of minerals or definition of any mineral resources or reserves, that significant expenses could be required to define mineral reserves, that environmental, land title and competitive issues may prevent the development of any mineral reserves, and that the Company may fail to generate adequate funding to development mineral reserves.

The Company accepts the risks which are inherent to mineral exploration programs and the exposure to the cyclical nature of mineral prices. The Company relies on the geological and industry expertise of its Toronto-based management team and engages sub-contractors to complete certain aspects of its exploration programs.

Corporate Developments

Thunder Bay Silver & Cobalt Corp.

On June 7, 2018, the Company acquired Thunder Bay Silver & Cobalt Corp., a private company, which increased the Company's interests in the Thunder Bay area. Under the terms of the acquisition, the Company issued 7,000,000 common shares, valued at $1,050,000 and made a cash payment of $53,000.

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

Cairngorm Property

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.

On July 19, 2018, the Company entered into an option agreement to acquire up to a 100% interest in the Beaver Silver Property from Cairngorm Mines Ltd. Under the terms of the option agreement, the Company may exercise the option over a three-year period, by making cash payments totalling $75,000 (which has been paid), issuing common shares with a market value of $410,000 over the option period and incurring exploration expenditures of $750,000 over the option period.

On August 10, 2018, the Company issued 357,143 common shares, valued at $42,857, in connection with the Cairngorm option agreement.

Barite-Zinc Property, Quebec

On August 8, 2017, the Company acquired a block of three (3) properties 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. The Company did not renew these claims which lapsed in April 2018.

The following table summarizes the cumulative exploration and evaluation expenditures on the Company's various properties as at December 31, 2018 and 2017:

		Thunder Bay Properties		Cairngorm Property		LG Diamond & Wemindji Properties		Other Properties		Total
Balance, January 1, 2018	$	-	$	-	$	517,212	$	3,337,106	$	3,854,318
Property acquisition		1,103,000		117,857		-		-		1,220,857
Exploration expenditures		534,033		1,864		22,375		(25,306)		532,966
Total exploration expenditures	$	1,637,033	$	119,721	$	22,375	$	(25,306)	$	1,753,823
Balance, December 31, 2018	**$**	**1,637,033**	**$**	**119,721**	**$**	**539,587**	**$**	**3,311,800**	**$**	**5,608,141**
Balance, January 1, 2017	$	-	$	-	$	507,468	$	2,412,954	$	2,920,422
Property acquisition		-		-		-		560,000		560,000
Exploration expenditures		-		-		9,744		364,152		373,896
Total exploration expenditures	$	-	$	-	$	9,744	$	924,152	$	933,896
Balance, December 31, 2017	$	-	$	-	$	517,212	$	3,337,106	$	3,854,318

Capital

2018
During 2018, the Company completed a private placement, raising gross proceeds of $1,941,501 and incurring $129,495 in share issue costs. The Company issued a total of 7,357,143 common shares pursuant to the private placement. In addition, 1,000,000 common shares were issued in connection with the exercise of warrants with proceeds of $75,000.

During 2018, the Company granted 3,390,000 stock options to directors, officers, employees and consultants at a weighted average price of $0.089. These three and five-year options vested immediately upon grant. The fair value of the stock options granted during the year has been determined to be $301,502. In addition, 350,000 stock options were cancelled during the year.

2017
During 2017, the Company completed three separate equity financings by way of private placements, raising gross proceeds of $974,880, in aggregate, and incurring $64,316 in share issue costs. The Company issued a total of 27,657,835 common shares in 2017 from the private placements, property acquisition and debt settlements, and 12,879,481 warrants with a weighted average exercise price of $0.08 per common share with maturities ranging from August 2020 to December 2020.

In November 2017, the Company issued 2,934,421 common shares to settle certain of its obligations totalling $165,061.

During 2017, the Company granted 2,815,000 stock options to directors, employees and officers at a weighted average exercise price of $0.065. These three-year options vested immediately upon grant. The fair value of the stock options granted during the year has been determined to be $142,598.

Outlook

A 1,573 meter ("m") drill program at the Thunder Bay project was completed in April 2018. Complete assay results for the program was received on September 17, 2018 and were as initially expected. High-grade silver, with grades up to 1330 gram per tonne ("g/t") over 1.13m, intersected in the down-dip extension of the Beaver Mine and defined a compelling exploration target. This intersection is also proving, contrary to the historic perception in the district, that high-grade silver mineralization extends below a geological formation named the Rove shale. Of significant interest were the cobalt values and widths intersected by the drill holes of up to 0.13% over 12.9m (intersection length). The cobalt mineralization is near surface and is so far devoid of arsenides (i.e. environmentally friendly).

The Company applied for exploration permits for the remaining unpatented land on September 21, 2018 and received the permits in 2019 following First Nations and the obligatory public consultations. In 2019, following the reception of the exploration permits, the Company plans to conduct further drilling to assess the extent of the zones of high-grade silver and cobalt mineralization identified in the 2018 exploration program.

The drill targets for the 2019 exploration program will be selected following a thorough examination and analysis of all available data collected from the 2018 exploration program that included diamond drilling, geophysical studies, prospecting results, and the review and re-interpretation of historical data. The main objectives of the 2019 drilling program will be to follow-up on the successful 2018 drilling program in the Beaver Mine area, but also to evaluate select targets along an east-west trending regional structure interpreted as the regional control on silver and cobalt mineralization on the Beaver property.

The main target of the 2019 drilling program will be high-grade silver mineralization in the down-dip extension of the vein mined in the Beaver Mine where the 2018 drilling program intersected significant high-grade silver mineralization. Additionally, Honey Badger is planning to target high-grade silver mineralization in the extension of the structures exploited in the late 1800s in the Elgin and Stewardson mine. Following the 2019 drilling program, Honey Badger will review the options to continue to explore its considerable land position in the promising Thunder Bay Silver-Cobalt district.

Selected Financial Information

(Expressed in Canadian dollars)	For the years ended December 31, **2018**	2017	2016
Statement of Loss and Comprehemsive Loss			
Exploration ependitures	**$ 1,753,823**	$ 933,896	$ 345,744
Payroll and professional fees	**163,322**	136,098	150,544
General and administrative	**181,178**	(17,997)	166,808
Share-based payments	**301,502**	142,598	-
Contingent provisions	-	-	328,294
Net loss	**(2,368,258)**	(1,156,809)	(919,581)
Basic earnings (loss) per share	**$ (0.04)**	$ (0.04)	$ (0.05)
Statement of Cash Flows			
Net cash used in operating activities	**(1,077,229)**	(629,471)	(591,518)
Net cash provided by investing activities	-	-	81,729
Net cash provided by financing activities	**1,877,835**	910,564	279,396
Statement of Financial Position			
Cash and cash equivalents	**$ 1,132,962**	$ 332,356	$ 51,263
Total assets	**1,156,854**	401,105	94,020
Total liabilities	**486,641**	517,442	797,583
Shareholders' equity (deficiency)	**670,213**	(116,337)	(703,563)
Weighted average shares outstanding	**63,688,166**	28,068,174	19,753,487

Results of Operations

Q4 2018

The Company realized net loss of $3,730 (Q4 2017 – net loss of $509,728) due to a significant decrease in exploration activities and share-based compensation recorded in Q4 2018 compared to Q4 2017.

The Company incurred a recovery of $22,638 in exploration expenditures in Q4 2018 (Q4 2017 – expense of $341,933).

During the fourth quarter of 2018, no stock options were granted (Q4 2017 - 2,815,000 stock options), which resulted in share-based compensation expense of $142,598 in Q4 2017.

General and administrative expenses totaled $44,159 in Q4 2018 (Q4 2017 - $21,471), with the increase due to higher rent and investor relation expenses.

The Company recorded a recovery on deferred flow-through premiums of $6,897 in Q4 2018 (Q4 2017 - $41,848), related to cumulative eligible expenditures incurred during the period.

Fiscal 2018

For 2018, the Company realized a net loss of $2,368,258 (2017 - $1,156,809) due to higher exploration activities, payroll and professional fees and general and administrative expenses.

Exploration expenditures increased to $1,753,823 in 2018 (2017 - $933,896) as indicated in the table in the section "*Corporate Developments*". The majority of the exploration expenditures is due to the acquisition costs of the Thunder Bay and Cairngorm properties of $1,220,857 (2017 - $560,000 related to the Barite-Zinc property).

Payroll and professional fees were $163,322 for the year (2017 - $136,098). The increase was due to higher legal fees associated with the Thunder Bay and Cairngorm acquisitions and audit fees.

General and administrative costs were $181,178 (2017 – recovery of $17,981) for 2018 which include investor relation activities, transfer agent and filing fees, and rent/overheads.

Share-based compensation resulting from the grant of 3,390,000 stock options in 2018 (2017 – 2,815,000) was $301,502 (2017 - $142,598) which was the fair value of the stock options using the Black-Scholes option pricing model.
The Company recorded a recovery of $33,490 (2017 - $49,200) related to the deferred flow-through premium on the flow-through common shares issued as part of the Company's private placements.

Summary of Quarterly Information

(Expressed in Canadian dollars)		Q4 2018		Q3 2018		Q2 2018		Q1 2018
Statement of Loss and Comprehemsive Loss								
Exploration ependitures	**$**	**(22,638)**	$	173,970	$	1,377,727	$	224,764
Share-based payments		**-**		252,676		-		48,826
Net (loss) income		**(3,729)**		(534,690)		(1,530,176)		(299,662)
Basic earnings (loss) per share	**$**	**(0.00)**	$	(0.01)	$	(0.03)	$	(0.01)
Statement of Financial Position								
Cash & cash equivalents	**$**	**1,132,962**	$	1,096,028	$	1,225,242	$	169,392
Total assets		**1,156,854**		1,127,430		1,387,936		266,327
Total liabilities		**486,641**		326,930		348,279		633,500
Shareholders' equity (deficiency)	**$**	**670,213**	$	800,500	$	1,039,657	$	(367,173)

		Q4 2017		Q3 2017		Q2 2017		Q1 2017
Statement of Loss and Comprehemsive Loss								
Exploration ependitures	$	341,933	$	587,563	$	3,699	$	701
Share-based payments		142,598		-		-		-
Net (loss) income		(509,728)		(650,985)		30,441		(26,537)
Basic earnings (loss) per share	$	(0.01)	$	(0.02)	$	0.00	$	(0.00)
Statement of Financial Position								
Cash & cash equivalents	$	332,356	$	105,350	$	35,333	$	47,103
Total assets		401,105		132,402		52,122		66,958
Total liabilities		517,442		593,930		751,780		797,058
Shareholders' deficiency	$	(116,337)	$	(461,528)	$	(699,658)	$	(730,100)

Exploration and Evaluation Activities

During 2018, the Company acquired properties in the Thunder Bay region of northern Ontario. *(See Corporate Developments section above).*

The Company incurred exploration and evaluation expenditures of $532,966 (2017 - $373,896) and acquisition costs of $1,220,857 (2017 – $560,000) on the Thunder Bay properties as outlined above.

Other Mineral Properties

Barite-Zinc Property, Quebec

On August 8, 2017, the Company acquired a block of three (3) properties located in southeastern Quebec (the “Barite-Zinc Property”) by issuing 8,000,000 common shares valued at $500,000 and granted a 2% NSR to the property vendor. The Company may re-purchase the NSR for $1,000,000.

LG Diamond Property, Quebec

On September 29, 2015, the Company entered into an agreement with 9019-5504 Quebec Inc. (the “Vendor”) to acquire the LG Diamond Project located in the Jamesie County Municipality, 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% net smelter returns ("NSR") royalty 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. The purchase transaction closed on October 23, 2015.

Wemindji Property

On May 26, 2016, the Company entered into an agreement to acquire the Wemindji Property, which consists of 29 claims located south-east of Wemindji, in the James Bay region of Québec. The acquisition costs consisted of the payment of $10,000 cash and the issuance of 4,000,000 common shares of the Company with a fair value of $120,000. The Company is also required to grant of a 2% net smelter return (“NSR”) royalty to the property vendors. The 2% NSR may be bought back from the vendors for $2,000,000. The vendors are at arm's length to the Company. The cash payments were completed in August 2016. On September 16, 2016, the Company issued the 4,000,000 common shares owed to the property vendors.

Private Placements

May and June 2018 financing

On May 17, 2018 and June 5, 2018, the Company completed a non-brokered private placement financing for gross proceeds of $1,941,501 through the sale of 10,675,000 units (the “2018 Units”) and 6,723,086 flow-through common shares (the “2018 FT Shares”). Each 2018 Unit was priced at $0.10 per 2018 Unit and consisted of one common share and one half of one share purchase warrant, with each such full warrant exercisable to acquire one common share in the capital of the Company for a period of three years following the issuance thereof at a price of $0.16 per common share. Each 2018 FT Shares was priced at $0.13 per 2018 FT Share. The Company paid finder’s fees totalling $129,495.

In connection with the private placement, the Company paid $138,665 cash commission and issued 1,158,096 non-transferable compensation warrants entitling the holder to acquire one common share for a price of $0.10 per share with an expiry date of three years from date of issuance, with each compensation option having a fair value of $0.10.

December 2017 financing

On December 13, 2017, the Company completed a non-brokered private placement financing for gross proceeds of $303,250 through the sale of 4,033,334 flow-through units (the “December 2017 FT Units”) and 1,088,889 units (the “December 2017 Units”). Each December 2017 FT Unit was priced at $0.06 per FT Unit and consisted of one “flow-through” common share and one half of one non-flow-through share purchase warrant, with each such full warrant exercisable to acquire one common share in the capital of the Company (each a “Common Share”) for a period of three years following the issuance thereof at a price of $0.10 per Common Share. Each December 2017 Unit was priced at $0.05625 per December 2017 Unit and consisted of one Common Share and one share purchase warrant, with each warrant exercisable to acquire one Common Share for a period of three years following the issuance thereof at a price of $0.075 per Common Share.

The Company issued 72,000 non-transferable compensation units (the “December Compensation Units”), with each such unit exercisable at a price of $0.05625 for a period of three years following the issuance thereof to acquire one Common Share and one non-flow-through warrant. Each non-flow-through warrant is exercisable to acquire one Common Share at a price of $0.075 for a period of three years following the issuance thereof.

October 2017 financing

On October 31, 2017, the Company completed a non-brokered private placement financing for gross proceeds of $285,942 through the sale of 2,433,333 flow-through units (the “October 2017 FT Units”) and 2,487,858 units (the “October 2017 Units”). Each October 2017 FT Unit was priced at $0.06 per FT Unit and consisted of one “flow-through” common share and one half of one non-flow-through share purchase warrant, with each such full warrant exercisable to acquire one common share in the capital of the Company (each a “Common Share”) for a period of three years following the issuance thereof at a price of $0.10 per Common Share. Each October 2017 Unit was priced at $0.05625 per October 2017 Unit and consisted of one Common Share and one share purchase warrant, with each warrant exercisable to acquire one Common Share for a period of three years following the issuance thereof at a price of $0.075 per Common Share.

The Company issued 108,000 non-transferable compensation units (the “October Compensation Units”), with each such unit exercisable at a price of $0.05625 for a period of three years following the issuance thereof to acquire one Common Share and one non-flow-through warrant. Each non-flow-through warrant is exercisable to acquire one Common Share at a price of $0.075 for a period of three years following the issuance thereof.

August 2017 financing

On August 23, 2017, the Company completed a non-brokered private placement financing for gross proceeds of $385,688 through the sale of 2,650,000 flow-through units (the “August 2017 FT Units”) and 4,030,000 units (the “August 2017 Units”). Each August 2017 FT Unit was priced at $0.06 per FT Unit and consisted of one “flow-through” common share and one half of one non-flow-through share purchase warrant, with each such full warrant exercisable to acquire one common share in the capital of the Company (each a “Common Share”) for a period of three years following the issuance thereof at a price of $0.10 per Common Share. Each August 2017 Unit was priced at $0.05625 per August 2017 Unit and consisted of one Common Share and one share purchase warrant, with each warrant exercisable to acquire one Common Share for a period of three years following the issuance thereof at a price of $0.075 per Common Share.

The Company issued 534,400 non-transferable compensation units (the “August Compensation Units”), with each such unit exercisable at a price of $0.05625 for a period of three years following the issuance thereof to acquire one Common Share and one non-flow-through warrant. Each non-flow-through warrant is exercisable to acquire one Common Share at a price of $0.075 for a period of three years following the issuance thereof.

Liquidity and Capital Management

Cash flow (used in)/provided by for 2018 and 2017 was as follows:

	For the three months ended December 31,		**For the year ended December 31,**	
	2018	2017	**2018**	2017
Net cash provided by (used in) operating activitites	**$ 46,104**	$ (344,506)	**$ (1,077,229)**	$ (629,471)
Net cash used in investing activities	-	-	-	-
Net cash provided by financing activities	**$ - 9,170**	$ 571,512	**$ 1,877,835**	$ 910,564

As of December 31, 2018, the Company had working capital of $670,213 (2017 – deficit of $116,337).

There were no changes in the Company's approach to capital management during the year ended December 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.

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 December 31, 2018 is $872,038 (2017: $531,003).

Related Party Transactions

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:

		2018		2017
Short-term benefits(1)	$	**96,652**	$	62,625
Share-based payments(2)		**222,913**		111,140
	$	**319,565**	$	173,765

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

As at December 31, 2018, a balance of $55,600 (2017 - $38,092) owing to related parties was included in accounts payable and accrued liabilities.

Outstanding Share Data

Honey Badger is authorized to issue an unlimited number of common shares.

As of April 26, 2019, the number of common shares outstanding or issuable pursuant to other outstanding securities is as follows:

Common Shares	Number
Outstanding	74,370,824
Issuable upon the exercise of share purchase warrants(1)	21,708,037
Issuable upon the exercise of stock options(2)	5,855,000
Diluted common shares	101,933,861

(1) There were 21,708,037 share purchase warrants outstanding with exercise prices ranging from $0.056 to $0.50 per warrant.
(2) There were 5,855,000 stock options under the Company's Stock Option Plan outstanding to directors, officers and consultants with exercise prices ranging from $0.055 to $0.10 per share.

Critical Accounting Estimates

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.

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.

New and amended standard adopted by the Company

The following standard was adopted by the Company as of January 1, 2018. The impact of the adoption of this standard and the new accounting policies are disclosed below.

IFRS 9 Financial Instruments ("IFRS 9")

IFRS 9 replaced the provisions of IAS 39 *Financial Instruments, Recognition and Measurement* ("IAS 39") and was effective for annual periods beginning on or after January 1, 2018. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

The adoption of IFRS 9 on January 1, 2018 resulted in changes in accounting policies but did not result in any adjustments to the amounts recognized in the financial statements. The Company has applied the changes in accounting policies retrospectively.

Financial assets within the scope of IFRS 9 are classified in the following measurement categories: amortized cost, fair value through profit and loss (“FVTPL”), or fair value through other comprehensive income (“FVTOCI”). Financial liabilities are classified in the following measurement categories: FVTPL, or amortized cost.

The following table summarizes the changes in the classification of the Company’s financial instruments upon adoption of IFRS 9. The adoption of the new classifications did not result in any changes in the measurement or carrying amount of the financial instruments.

Financial Assets	Classification under IAS 39	Classification under IFRS 9
Cash and cash equivalents	Loans and receivables	Amortized cost
Amounts receivable	Loans and receivables	Amortized cost
Financial Liabilities		
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Financial Assets
Within the scope of IFRS 9, financial assets are classified as financial assets at amortized costs, FVTPL or FVTOCI, as appropriate. The Company classifies its financial assets as amortized cost or FVTPL.

Amortized cost
Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Fair value through profit and loss
Financial assets classified as FVTPL are measured at fair value with changes in fair value recognized in net loss.

Classification
The Company determines the classification of its financial assets at initial recognition. All financial assets are recognized initially at fair value plus or minus, in the case of financial assets not classified as FVTPL, directly attributable transaction costs. The Company’s financial assets include cash and cash equivalent, amounts receivable and marketable securities.

Recognition and measurement
Financial assets are initially recognized at fair value plus transaction costs.

Subsequent to initial recognition, financial assets are measured at amortized cost.

Determination of fair values
The determination of fair value requires judgement and is based on market information, where available and appropriate. At the end of each financial reporting period, the Company’s management estimates the fair value of securities based on quoted trading prices at the end of the reporting period or the closing trade price on the last day the security traded if there were no trades at the end of the reporting period.

Impairment of financial assets
Financial assets not measured at FVTPL are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition pf the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include: significant financial difficulty of the issuer or counterparty; default or delinquency in interest or principal payments; or the likelihood that the borrower will enter bankruptcy or financial reorganization.

The carrying amounts of the Company's financial assets are reviewed at each reporting date to determine if there is any indication of impairment. As at December 31, 2018, the fair values of the financial assets approximate their amortized costs due to their short-term nature.

Financial instruments recorded at fair value

Financial instruments recorded at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on unadjusted quoted prices in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

<u>Financial liabilities</u>

Financial liabilities are measured at amortized cost.

Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective yield basis is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

As at December 31, 2018, the fair values of accounts payable and accrued liabilities approximate their amortized costs due to the short-term nature of the financial liabilities.

Derecognition of financial liabilities

The Company de-recognizes financial liabilities when the obligations are discharged, cancelled or expire.

IFRIC 22 Foreign Currency Transactions ("IFRIC 22")

IFRIC 22 provides requirements about which exchange rate to use in reporting foreign currency transactions (such as revenue transactions) when payment is made or received in advance. The Interpretations Committee concluded that the exchange rate should be the rate used to initially measure the non-monetary asset (prepaid asset) or liability (deferred credit) when the advance was made. If there were multiple advances, each receipt or payment would be measured at the date the non-monetary asset or liability is recognized. This interpretation is effective for annual periods beginning on or after January 1, 2018, is consistent with the Company's existing policies, and therefore does not have any effect on the Company's financial results.

Accounting Standards issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the December 31, 2018 reporting period. Management believes the following standards will not have a significant impact on the Company's financial statements:

In January 2016, the IASB issued IFRS 16, Leases (IFRS 16). IFRS 16 is effective for periods beginning on or after January 1, 2019, with early adoption permitted. IFRS 16 eliminates the current dual model for lessees, which distinguishes between on-statement of financial position finance leases and off- statement of financial position operating leases. Instead, there is a single, on- statement of financial position accounting model that is similar to current finance lease accounting. The extent of the impact of adoption of IFRS 16 has not yet been determined.

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 December 31, 2018, the Company had a cash balance of $1,132,962 (2017 - $332,356) to settle current liabilities of $486,641 (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.

Off Balance Sheet Arrangements

The Company does not have off-balance sheet arrangements including any arrangements that would affect the liquidity, capital resources, market risk support and credit risk support or other benefits.

Dividends

The Company has neither declared nor paid any dividends on its Common Shares. The Company intends to retain its earnings, if any, to finance growth and expand its operations and does not anticipate paying any dividends on its common shares in the foreseeable future.

Internal Controls Over Financial Reporting

The Company has established procedures and internal control systems to ensure the timely and accurate preparation of financial, management and other reports. The Chief Executive Officer and Chief Financial Officer certify financial reports. Disclosure controls are in place to ensure all reporting meets statutory reporting requirements. The Company's management is responsible for establishing and maintaining adequate internal controls. These controls have been designed to provide reasonable, but not absolute, assurance with respect to the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Internal controls, however well-conceived, will provide only reasonable and not absolute assurance that the objectives of the internal controls over financial reporting will be met. It should not be expected that the disclosure and internal controls and procedures would prevent all errors or fraud.

Due to the small size of the Company's finance department, there are a limited number of personnel handling accounting and financial matters and as a result, there is a lack of segregation of duties. Management believes that it has designed sufficient compensating internal controls to mitigate these limitations, including dual signatories on all cheques. Additional internal controls include audit committee and senior management review and oversight.

The Company's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures as a whole. Based on their review, including a review of the compensating controls relating to the lack of segregation of duties noted above, they have concluded that the Company's internal controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Filings of the Canadian Securities Regulators, were effective overall.

Disclosure Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable, but not absolute, assurance that all material information is obtained, analyzed and reported to senior management on a timely basis in order for management to make reasonable decisions regarding public disclosure.

The Company's certifying officers, the Chief Executive Officer and the Chief Financial Officer, have reviewed the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on their review, they have concluded that the Company's disclosure controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuer's Annual and Filings of the Canadian Securities Regulators, were effective and provide reasonable assurance that information required to be disclosed in interim, annual and special filings are submitted under Canadian securities laws and are recorded, processed, summarized and reported in a timely fashion.

Other Information

Additional information relating to the Company is also available on the SEDAR at www.sedar.com.

Cautionary Statement of Forward-Looking Information

Forward-looking information is broadly defined as disclosures regarding possible events, conditions or financial performance that is based on assumptions about future economic conditions and courses of action and includes future-oriented financial information with respect to prospective financial performance, financial position or cash flows that is presented either as a forecast or a projection.

This MD&A contains forward-looking information and forward-looking statements, including statements relating to going concern and capital raising and capital requirements, that are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Factors that could cause such differences include: changes in commodity prices, changes in equity markets, changes in costs and supply of materials relevant to the exploration and mine development, changes in governments, changes to government mining regulations as well as numerous other risk factors.

Readers are cautioned not to place undue reliance on forward-looking statements contained within this document, which speak only to the date of this MD&A or as of the date otherwise specifically indicated herein. Due to risks and uncertainties, actual events may differ materially from stated expectations. Although the Company believes its expectations are reasonable, results may vary, and the Company cannot guarantee future results, levels of activity, performance or achievements.

Although the Company believes that the assumptions and factors used in preparing the forward-looking information in this MD&A are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this MD&A. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.