



HONEY BADGER
S I L V E R I N C .

(FORMERLY HONEY BADGER EXPLORATION INC.)

Management's Discussion and Analysis

For the Three Months Ended March 31, 2021 and 2020

(Expressed in Canadian Dollars)

This Management's Discussion and Analysis ("MD&A") of the financial position and results of operations of Honey Badger Silver Inc. (formerly, "Honey Badger Exploration Inc.") ("Honey Badger" or the "Company") has been prepared based on information available to the Company as at May 28, 2021, and should be read in conjunction with Honey Badger's audited annual financial statements for the years ended December 31, 2020 and 2019 (the "Annual Financial Statements") and the related notes thereto, and the Company's unaudited condensed consolidated interim financial statements as at and for the three months ended March 31, 2021 and 2020 (the "Interim Financial Statements") and the related notes thereto. The Interim Financial Statements and MD&A are expressed in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements. A copy of the Interim Financial Statements and other information are available on the Company's website at www.honeybadgersilver.com and on SEDAR at www.sedar.com.

2.0 CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Except for statements of historical fact relating to the Company, certain information contained in this MD&A constitutes "forward-looking information" under Canadian securities legislation. All statements, other than statements of historical fact, included herein including, without limitation, statements regarding the anticipated content, commencement, anticipated exploration program results, the ability to complete future financings, the ability to complete the required permitting, the ability to complete the exploration program and drilling, and the anticipated business plans and timing of future activities of the Company, are forward-looking statements. Although the Company believes that such statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by words such as: believe, expect, anticipate, intend, estimate, postulate and similar expressions, or are those, which, by their nature, refer to future events. The Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance, and that actual results may differ materially from those in forward looking statements as a result of various factors, including, but not limited to, the state of the financial markets for the Company's equity securities, the state of the commodity markets generally, variations in the nature, quality and quantity of any mineral deposits that may be located, variations in the market price of any mineral products the Company may produce or plan to produce, the inability of the Company to obtain any necessary permits, consents or authorizations required, including Toronto Stock Exchange Venture ("TSXV") acceptance, for its planned activities, the analytical results from surface trenching and sampling programs, including diamond drilling programs, the results of IP surveying, the inability of the Company to produce minerals from its properties successfully or profitably, to continue its projected growth, to raise the necessary capital or to be fully able to implement its business strategies, the potential impact of COVID-19 (coronavirus) on the Company's exploration program and on the Company's general business, operations and financial condition, and other risks and uncertainties. Readers are urged to access www.sedar.com to review additional information about the Company, including the technical reports filed with respect to the Company's mineral properties interests. This document contains information with respect to adjacent or similar mineral properties interests in the Thunder Bay Silver District in respect of which the Company has no interest or rights to explore or mine. Readers are cautioned that the Company has no interest in or right to acquire any interest in any such adjacent properties, and that mineral deposits, and the results of any mining thereof, on adjacent or similar properties, are not indicative of mineral deposits on the Company's properties or any potential exploitation thereof.

3.0 BACKGROUND

3.1 DIRECTORS, OFFICERS AND MANAGEMENT

Chad Williams – Executive Chairman, Interim CEO

Chad Gilfillan – Director

Donna McLean – CFO

Igor Zonenschein – Corporate Secretary

Edmond Thorose – VP Corporate Development

3.2 CORPORATE OFFICE

Ste. 2704 – 401 Bay St.

Toronto, ON M5H 2Y4

3.3 EXCHANGE LISTINGS

Honey Badger is a publicly listed company, and its common shares are traded on the TSXV under the symbol “TUF”.

3.4 CORPORATE INFORMATION

Honey Badger was incorporated pursuant to the Business Corporations Act (Ontario) in 1992 and is engaged in the identification and acquisition of silver properties in mining-friendly jurisdictions. Led by a highly experienced leadership and technical team, the Company’s primary focus is on the acquisition, development, and integration of accretive transactions of silver ounces to build the Company’s portfolio of assets.

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 ongoing exploration of its mineral properties and the possible expansion of its portfolio of assets. The Company has not yet determined whether any of its mineral properties contain mineralization that is economically recoverable. In consideration of future acquisitions, the company will conduct detailed due diligence as appropriate to determine to the viability of any undertaking.

4.0 MISSION, STRATEGY AND KEY DRIVERS

Mission

Honey Badger’s mission is to acquire silver properties and conduct operations safely, sustainably and profitability.

Strategy

The strategy to achieve the Company’s mission includes:

- Acquiring mineral properties and interests in mining-related opportunities it considers prospective to strengthen its portfolio of silver-driven assets;
- Advancing the geological knowledge of its mineral properties through successive exploration programs, the comprehensive conduct of due diligence on select assets under consideration, broaden the Company’s participation in joint ventures where it can foster accretive acquisitions;
- Investigating and sourcing mining-related opportunities and interests in existing and prospective

- silver-driven mining assets primarily in mining-friendly jurisdictions in the Americas; and
- If deemed advantageous, disposing of any non-performing mineral properties.

Key Performance Drivers

- Honey Badger's land package hosts 12 past-producing high-grade silver mines
- The Company has an experienced exploration team and a diverse Board with strong technical backgrounds
- Projects acquired so far have a very good local infrastructure and access, and are amenable to year-round exploration

4.1 YEAR-TO-DATE RESULTS

The Company currently holds a dominant land position in Ontario's prolific, historic Thunder Bay Silver District covering approximately 20,000 hectares, and 45 claims covering approximately 2,275 hectares in the James Bay Region of Québec.

Building on Honey Badger's portfolio of assets

- On January 8, 2021, the Company announced the additional acquisition of 82 map registered cell claims, contiguous and to the west of its property holdings, within the prolific historic Thunder Bay Silver District. The Company's operational land portfolio now consists of 959 cell claims and 7 mining patents, covers 12 past-producing high-grade silver mines and encompasses approximately 20,000 hectares of ground;
- On March 12, 2021, the Company signed a definitive agreement (the "Agreement") with Strategic Metals Ltd. ("Strategic Metals"), pursuant to which Honey Badger Silver has agreed to acquire 100% of Strategic Metals' right, title and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada (the "Acquisition"). The Agreement follows the announcement on February 11, 2021 of a letter of intent between the parties regarding the Acquisition. In consideration for 100% interest in the properties, Honey Badger has agreed to issue to Strategic Metals 34,762,104 common shares in the capital of Honey Badger Silver, being 19.9% of the issued and outstanding common shares of the Company after the closing of the previously announced unit offering for gross proceeds of \$3 million, which is a condition precedent of the Acquisition, and the closing of the Acquisition; and
- On April 27, 2021, the Company announced that it had signed a letter of intent (the "LOI") with Romios Gold Resources Inc. ("Romios Gold") to acquire an 80% interest and control of 1,870 hectares (4,620 acres) in 87 mining claims covering additional historic silver properties in the Thunder Bay Silver District in exchange for shares and payment of exploration expenses (see 6.1, *EXPLORATION PROPERTIES*).

5.0 CORPORATE HIGHLIGHTS

Board and Management Changes

- Effective January 25, 2021, Mr. Ed Baer resigned as Chief Executive Officer ("CEO") and director of the Company;

- On January 25, 2021, the Company appointed Chad Williams as Chairman and Interim CEO; and
- On January 28, 2021, Honey Badger Silver appointed a new Chief Financial Officer and Corporate Secretary through the engagement of Grove Corporate Services Ltd. (“Grove”).

Financings and Equity Transactions

- On March 18, 2021, the Company closed a non-brokered private placement that resulted in the issuance of 42,857,143 units (“Units”) for aggregate gross proceeds of \$3,000,000. Each Unit was priced at \$0.07 and consists of one common share in the capital of the Company (“Common Share”) and one-half of one Common Share purchase warrant (each whole warrant, a “Warrant”). Each Warrant entitles the holder to acquire one common share at a price of \$0.10 up to March 18, 2024;
- During the three months ended March 31, 2021, 375,000 warrants were exercised for gross proceeds of \$18,750; and
- During the three months ended March 31, 2021, 1,050,000 options were exercised for gross proceeds of \$58,750.

6.0 TECHNICAL PERFORMANCE AND 2021 WORK PROGRAM

During 2021, the Company will pursue a two-pronged approach to adding exposure to silver ounces on an accretive per-share basis, chiefly by:

- finding additional silver resources on its existing properties by applying conventional and innovative mineral deposit targeting tools.
- acquiring new assets in silver-rich districts around the world. Well over 100 such targets — appropriate in scale and scope for the Company at the current time — are being reviewed in detail
- advance exploration on existing project(s) to meet expenditure requirements and continue to collect data for future planning of subsequent exploration programs

For 2021, a modest \$530,000 summer-fall exploration program is planned for the Company’s Thunder Bay property, comprising surface geochemical exploration work (collection of rock and soil samples) and airborne geophysics.

6.1 EXPLORATION PROPERTIES

THUNDER BAY PROPERTIES, Ontario

Thunder Bay Silver & Cobalt Corp.

On June 7, 2018, the Company acquired Thunder Bay Silver & Cobalt Corp., a private company. 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. Thunder Bay Silver Cobalt Corp held no other assets other than the mineral claims. The property is subject to a 2.5% net smelter royalty (“NSR”) which may be repurchased for \$1,500,000.

Honey Badger’s two properties in this district are:

- (i) *Beaver Silver Property* covers some of the most productive silver-bearing veins of the Rabbit Mountain group of deposits. including the high-grade Beaver Silver Mine that operated between 1884 and 1891 and produced over 500,000 oz silver at an average grade of 0.25% with zones grading up to 3.42% Ag (Ingall, 1889, Szetu, 1969).

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 totaling \$75,000 (paid), by 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. At that point the optionor will be granted a 2% NSR which may be repurchased by the Company for \$1,000,000.

As of March 31, 2021, the Company has issued 357,143 common shares valued at \$42,857 on August 10, 2018 and 6,000,000 common shares, valued at \$240,000 on August 7, 2019.

(ii) *Silver Mountain/Mink Property* is approximately 50 metres south of the Silver Mountain Group of deposits which produced 700,000 oz of silver from 1888-1903 and in 1911 (Franklin et al., 1986). The veins in Silver Mountain were up to 1,500 metres in strike length, trending east-west (Franklin et al., 1986). The historical Mink and Silver Wolverine mines fall within the property claims, but little is known about these historical mines and their historical silver production and grade.

Acquisition:

- On January 8, 2021, the Company acquired 82 map registered cell claims, contiguous and to the west of the Company's other historic Thunder Bay Silver District properties. Following this acquisition, The Company's operational land portfolio now consists of 959 cell claims and 7 mining patents, covering 12 past-producing high-grade silver mines with historic production of 1.7 million ounces of silver, and encompasses approximately 20,000 hectares of ground.

LOI to acquire:

- *Romios Gold Resources LOI*
On April 27, 2021, the Company announced that it had signed a letter of intent (the "LOI") with Romios Gold Resources Inc. ("Romios Gold") to acquire an 80% interest and control of 1,870 hectares (4,620 acres) in 87 mining claims covering additional historic silver properties in the Thunder Bay Silver District.

In consideration for an 80% interest in the project, Honey Badger Silver has agreed to: a) issue shares of the Company to Romios Gold for a value of \$150,000 at a price equal to the volume weighted average price of its common shares, trading on the TSXV for the thirty trading days immediately preceding the date of the transaction's announcement, and b) free-carry all costs and expenses related to the maintenance and advancement of the Project to pre-feasibility. Romios Gold shall grant a right of first refusal to Honey Badger Silver on its 20% remaining interest, post-transaction. If any party is diluted to a 10% or less interest in the joint venture, such party's interest shall be converted to a 2% net smelter return royalty (2% NSR). The transaction is expected to close on or before July 30, 2021.

YUKON SILVER PROPERTIES, the Yukon

On February 11, 2021, the Company signed a binding Letter of Intent ("LOI") with Strategic Metals Ltd. ("Strategic Metals") to acquire its right, title and interest in three advanced, silver-focused properties located in southeast and south-central Yukon, Canada (the "Acquisition"). A definitive agreement was signed on March 12, 2021. The properties, comprised of Plata, Groundhog, and Hy, are located near major historical silver camps or workings. Pursuant to the agreement, in consideration for 100% interest in the properties, Honey Badger Silver will issue to Strategic Metals 34,762,104 common shares in the capital of Honey Badger Silver.

(i) Plata

Plata lies within the Tintina Gold Belt and displays many similarities to the Keno Hill Silver Camp located about 180 km to the west. The Keno Hill Silver Camp is Canada's second largest primary producer of silver with production from approximately thirty-five vein deposits between 1913 and 1989. A reported 2,041 tonnes of hand sorted material were shipped from high grade veins on the Plata property to a smelter, yielding about 9,020 kg (290,000 ounces) of silver; this equates to a recovered silver grade of approximately 4,420 grams per tonne (g/t) silver (Turner, 2009).

(ii) Groundhog

Silver mineralization was first discovered in the road-accessible Groundhog area in 1956. Since that time over one hundred showings have been discovered in the district by various operators. One of these showings was bulk sampled in 1988 and 1995. This work resulted in the removal of 52.5 tonnes grading approximately 3,800 g/t silver. A rock sample from the property returned 11,663.5 g/t silver (Kammerer and Turner, 2010).

(iii) Hy

The road accessible Hy property covers many silver occurrences that were first discovered on the property in 1964. Three mineralized zones were the primary focus of past exploration with the areas between them essentially unexplored. Bulldozer trenching uncovered a chip sample that yielded 370.3 g/t silver over 3.2 metres (Mitchell, 2015).

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.

6.2 EXPLORATION AND EVALUATION EXPENDITURES

Pursuant to the Company's accounting policy for exploration and evaluation expenditures, Honey Badger expenses all costs relating to the acquisition and exploration of mineral claims and credits all revenues received against the exploration expenditures. Such costs include, but are not limited to acquisition costs, geological, geophysical studies, exploratory drilling and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

Exploration and evaluation expenditures are capitalized if the Company can demonstrate that these expenditures meet the criteria of an identifiable intangible asset. To date, no such exploration and evaluation expenditures have been identified and capitalized.

During Q1 2021, the technical team focused on a) planning summer/winter program at the Company's Thunder Bay properties, and b) evaluating, targeting and acquiring new properties as described above. The Company incurred exploration and evaluation expenditures of \$18,579 during the three months ended March 31, 2021 on its Thunder Bay properties (March 31, 2020 – \$20,416). These expenditures were incurred for consulting fees and claims management fees.

The following table summarizes the cumulative exploration and evaluation expenditures the Company has incurred on its Thunder Bay, Ontario properties:

Balance, December 31, 2019	\$2,867,416
Property acquisition costs	—
Exploration expenditures	52,269
Balance, December 31, 2020	\$2,919,685
Exploration expenditures	18,579
Balance, March 31, 2021	\$2,938,264

6.3 FINANCIAL PERFORMANCE

The Company's exploration activities are at an early stage, and it has not yet been determined whether its properties contain economically recoverable material. As a result, the Company has no current sources of revenue other than interest earned on cash which is derived from issuances of share capital. There are no known economic deposits of minerals on any of the mineral exploration properties of the Company and any planned activities of the Company consist of exploratory searches for minerals.

SELECTED PERIOD FINANCIAL INFORMATION

For the three months ended March 31,	2021	2020
	\$	\$
Statement of Loss and Comprehensive Loss		
Exploration expenditures	18,579	20,416
General and administrative ("G&A")	215,571	41,819
Share-based compensation	673,991	—
Interest income	(50)	(36)
Net (loss) and comprehensive loss	(1,087,467)	(62,199)
Basic loss per share	\$0.00	\$0.01
Weighted average shares outstanding	101,712,311	80,370,824
Statement of Cash Flows		
Net cash used in operating activities	(224,507)	(282,848)
Net cash provided by financing activities	3,046,315	—
Increase (decrease) of cash for the period	2,821,808	(282,848)
As at	March 31,	December 31,
	2021	2020
Statement of Financial Position	\$	\$
Cash and cash equivalents	3,057,458	235,650
Total assets	244,553	728,209
Total liabilities	488,379	408,322
Shareholders' equity	2,952,726	319,887
Accumulated deficit	14,209,396	13,121,929

6.4 QUARTERLY RESULTS

	2021		2020	
	March 31	December 31	September 30	June 30
Statement of Loss and Comprehensive Loss	\$	\$	\$	\$
Exploration expenditures	18,579	549	4,785	26,519
G&A	215,571	355,176	185,166	35,051
Share-based compensation	673,991	—	225,000	—
Other income	(50)	(262,266)	—	(57,645)
Net (loss) earnings	(1,087,467)	(93,459)	(414,951)	3,925
Basic and diluted (loss) earnings per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	0.00
Statement of Financial Position				
Cash & cash equivalents	3,057,458	235,650	537,066	40,704
Total assets	3,441,105	728,209	583,136	233,785
Total liabilities	488,379	408,322	447,506	405,765
Shareholders' equity (deficiency)	2,952,726	319,887	135,630	(171,979)

	2020		2019	
	March 31	December 31	September 30	June 30
Statement of Loss and Comprehensive Loss	\$	\$	\$	\$
Exploration expenditures	20,416	551,699	173,080	325,553
G&A	41,694	(35,339)	74,737	114,710
Other (income) expense	(89)	8,676	(83,551)	(175,498)
Loss and comprehensive loss	(62,199)	(525,335)	(164,266)	(264,765)
Basic and diluted loss per share ⁽¹⁾	(0.00)	(0.00)	(0.00)	(0.00)
Statement of Financial Position				
Cash & cash equivalents	32,710	315,558	710,511	884,703
Total assets	144,393	429,598	853,874	1,083,706
Total liabilities	320,299	543,306	562,246	747,813
Shareholders' (deficiency) equity	(175,906)	(113,708)	291,628	335,893

⁽¹⁾ Net loss per share on a diluted basis is the same as basic net loss per share as all factors which were considered in the calculation are anti-dilutive.

Three months ended March 31, 2021 compared to March 31, 2020

The Company realized a net loss of \$1,087,467 during the three months ended March 31, 2021 compared to a net loss of \$62,199 during the same period in the prior year. The principal contributors to the net loss during Q1 2021 are a) the fair value of the 6,725,000 stock options granted, of \$673,991 (2020 - \$nil), and b) an unrealized loss on marketable securities of \$179,376 (2020 - \$nil) which reflects the decline in market value of shares held since December 31, 2020. Management fees of \$131,600 were also higher compared to \$21,634 incurred in the same period in Q1 2020. \$85,000 of the management fees were negotiated settlement payments for the former CFO and CEO, who left the Company in December 2020 and January 2021 respectively. 2020 was a year of transition whereby the Company experienced several changes in management and directorships. This change of personnel continued into Q1 2021 including changes to the positions of Chairman, CEO, CFO and Corporate Secretary.

The Company incurred \$18,579 in exploration expenditures in Q1 2021 (Q1 2020 – \$20,416). The Company’s principal activities during the first quarter in each year were comprised of technical assessment, program planning and claims management. These costs in both periods pertained to the existing claims related to the Company’s Thunder Bay Properties.

6.5 CASH FLOW ANALYSIS

Cash flow (used in)/provided by for the three months ended March 31, 2021 and 2020 was as follows:

Period ended March 31,	2021	2020
Net cash (used in) provided by:		
Operating activities	\$(224,507)	\$(282,848)
Financing activities	3,046,315	—
Increase (decrease) in cash and cash equivalents	2,821,808	(282,848)
Cash and cash equivalents, beginning of period	235,650	315,558
Cash and cash equivalents, end of period	\$3,057,458	\$32,710

Net cash used in operating activities during the three months ended March 31, 2021 was \$224,507. This was largely comprised of management fees, exploration expenditures and ongoing corporate costs. The lower operating costs in Q1 2020 reflect the reduced level of activity during the period.

Net cash of \$3,046,315 was provided to treasury from the \$3,000,000 non-brokered financing completed in March, and the proceeds from 1,050,000 options and 375,000 warrants which were exercised during the current quarter. The Company did not engage in any financing activity during the three months ended March 31, 2020 and relied on funds raised in the prior year.

6.6 RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

i. 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.

During the three months ended March 31, 2021 and 2020, the Company entered into the following transactions with related parties:

Three months ended	March 31, 2021	March 31, 2020
Compensation paid to a company controlled by a key management person ⁽¹⁾	\$55,000	\$ —
	\$55,000	\$ —

⁽¹⁾ During the three months ended March 31, 2021, a total of \$55,000 (2020 - \$nil) was charged to the Company by a personal management company (“Crimson”) controlled by the Chairman for management services. At March 31, 2021, a total of \$55,000 (2020 - \$nil) is included in accounts payable and accrued liabilities for Crimson’s unpaid management fees. This transaction was conducted in the normal course of operations.

ii. Key Management Compensation

During the three months ended March 31, 2021, the compensation of Key Management Personnel, including directors and officers of the Company, was as follows:

Three months ended	March 31, 2021	March 31, 2020
Compensation ⁽¹⁾	\$131,600	\$21,634
Share-based payments	514,107	—
	\$645,707	\$21,634

⁽¹⁾ Included in management fees, professional fees, and exploration expenditures

⁽²⁾ Represents the expense of stock options granted during the period to Key Management Personnel

Directors do not receive cash compensation but may be eligible for stock option grants as the Plan allows.

As at March 31, 2021, a balance of \$57,785 (December 31, 2020 – \$22,373) owing to related parties is included in accounts payable and accrued liabilities on the Condensed Consolidated Interim Statements of Financial Position. These amounts are unsecured, non-interest-bearing, with no fixed terms of repayment.

7.0 LIQUIDITY AND CAPITAL MANAGEMENT

As of March 31, 2021, the Company had working capital of \$2,952,726 (December 31, 2020 – \$319,887). During Q1 2021, the Company raised gross proceeds of \$3,000,000 from the issuance of 42,857,142 Units, comprised of one common share and one-half purchase warrant for \$0.07 for each unit. Each whole warrant may be exercised until March 18, 2024 for \$0.10 per common share. The Company also received proceeds of \$77,500 from the exercise of options and warrants.

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 continue to carry out its planned exploration activities is uncertain and dependent upon securing additional financing. As at March 31, 2021, Management believes the Company is well funded to complete its planned exploration and evaluation activities during the year however depending on exploration results and any successful acquisitions of additional assets, the Company may seek additional funding through equity or debt financings.

The Company considers its capital to be comprised of share capital, warrants reserve and contributed surplus, and accumulated deficit which, at March 31, 2021, totaled \$2,952,726 (December 31, 2020 - \$319,887).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other

investing and financing activities. The forecast is updated based on activities related to its mineral properties. The Company's capital management objectives, policies and processes have remained significantly unchanged during the three months ended March 31, 2021 and 2020.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSXV which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2021, the Company believes it is compliant with the working capital policy of the TSXV.

7.1 FINANCIAL RISK MANAGEMENT

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 period:

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and price risk).

Risk management is carried out by the Company's management team with oversight of these risks by the Company's Board of Directors.

(i) 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 first tier Canadian banks and financial institutions. The Company's receivables related to sales taxes have negligible counterparty default risk. The Company's receivables related to companies related by common management are subject to counterparty default risk.

(ii) 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.

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at March 31, 2021, the Company had a cash balance of \$3,057,458 (December 31, 2020 – \$235,650) to settle current accounts payable and accrued liabilities of \$190,348 (December 31, 2020 – \$110,291). While the Company has been successful in obtaining required funding in the past, there is no assurance that future financings will be available. All of the Company's financial liabilities have contractual maturities of less than 30 days.

(iii) Market risk

The Company's market risk arises from changes in interest rates, foreign exchange 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 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.

8.0 OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements.

9.0 PROPOSED TRANSACTION

Other than the hereinbefore discussed acquisition of the Yukon silver properties and the LOI with Romios Gold, the Company has no other proposed transactions pending. See section 6.0 – *Strategy and Performance*.

10.0 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES, AND ASSUMPTIONS

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its consolidated financial statements. In addition, the preparation of financial data requires that the Company's management make assumptions and estimates of effects of uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting effects on the carrying amounts of the Company's assets and liabilities are accounted for prospectively.

Management of the Company applies assumptions and makes judgments in determining the going concern, deferred flow-through premium estimates, deferred taxes, share-based compensation, and warrant fair value estimates.

For additional details, the accounting policies, and critical judgments, estimates and assumptions applied in the preparation of the Company's consolidated financial statements are reflected in note 2 of the Annual Financial Statements for the year ended December 31, 2020.

11.0 NEW ACCOUNTING STANDARDS

Basis of Consolidation

The Company's consolidated financial statements include the accounts of the Company, and its wholly owned subsidiaries, 606596 Alberta Ltd., and The Thunder Bay Silver & Cobalt Corp.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

New Accounting Standards Not Yet Effective

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in January 2020 to provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments clarify that the classification of liabilities as current or noncurrent is based solely on a company’s right to defer settlement at the reporting date. The right needs to be unconditional and must have substance. The amendments also clarify that the transfer of a company’s own equity instruments is regarded as settlement of a liability, unless it results from the exercise of a conversion option meeting the definition of an equity instrument. The amendments are effective for annual periods beginning on January 1, 2023.

IAS 37 – Provisions, Contingent Liabilities, and Contingent Assets (“IAS 37”) was amended. The amendments clarify that when assessing if a contract is onerous, the cost of fulfilling the contract includes all costs that relate directly to the contract – i.e., a full-cost approach. Such costs include both the incremental costs of the contract (i.e., costs a company would avoid if it did not have the contract) and an allocation of other direct costs incurred on activities required to fulfill the contract – e.g., contract management and supervision, or depreciation of equipment used in fulfilling the contract. The amendments are effective for annual periods beginning on January 1, 2022.

12.0 INCOME TAX

See note 12 of the Annual Financial Statements for the year ended December 31, 2020.

13.0 SHARE CAPITAL

Activity in the Company’s equity accounts is more fully described in note 8 of the Interim Financial Statements for the three months ended March 31, 2021.

Changes in issued share capital during the year ended December 31, 2020 and the three months ended March 31, 2021 were as follows:

	Number of common shares	Amount
Balance, December 31, 2019	80,370,824	\$9,540,406
Shares issued for private placement (ii)	12,500,000	\$500,000
Less: share issue costs	—	(23,149)
Warrants issued (ii)	—	(232,704)
Shares issued for the exercise of warrants	1,982,400	172,815
Balance, December 31, 2020	94,853,224	\$9,957,368
Private placements	42,857,143	3,000,000
Less: share issue costs	—	(31,185)
Warrants	—	(406,532)
Exercise of warrants	375,000	25,371
Exercise of stock options	1,050,000	119,576
Balance, March 31, 2021	139,135,367	\$12,664,958

- (i) On August 21, 2020, the Company completed a non-brokered private placement financing at a price of \$0.04 per Unit for total gross proceeds of \$500,000 consisting of 12,500,000 units (the "Units"). Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one share for a period of 24 months at a price

of \$0.05.

- (ii) On March 18, 2021, the Company closed a non-brokered private placement that resulted in the issuance of 42,857,143 units ("Units") for aggregate gross proceeds of \$3,000,000. Each Unit was priced at \$0.07 and consists of one common share in the capital of the Company ("Common Share") and one-half of one Common Share purchase warrant. A relative fair value of \$406,532 using the Black-Scholes pricing model was assigned to the Warrants. See 13.1 – *Warrants*.

13.1 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.

The following table reflects the warrants activity during the year ended December 31, 2020 and the three months ended March 31, 2021:

	Number of warrants	Weighted average exercise price	Fair value on the date of issuance
Balance, December 31, 2019	18,375,077	\$0.11	\$746,172
Issued (i)	12,500,000	0.05	232,704
Exercised	(1,982,400)	0.07	(61,305)
Expired	(9,897,081)	0.09	(282,324)
Balance, December 31, 2020	18,995,596	\$0.08	\$635,247
Issued (ii)	21,428,571	0.10	406,532
Exercised (iii)	(375,000)	0.05	(6,981)
Balance, March 31, 2021	40,049,167	\$0.09	\$1,034,798

- i. On August 21, 2020, as part of a non-brokered private placement, the Company issued 12,500,000 units (the "Units"). Each Unit is comprised of one common share of the Company and one common share purchase warrant. Each warrant entitles the holder to acquire one share for a period of 24 months at a price of \$0.05. Using the Black-Scholes option pricing model, a fair value of the \$232,704 was assigned to the warrants using the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 231%, and an expected life of 24 months.
- ii. On March 18, 2021, the Company issued 21,428,571 warrants in connection with a non-brokered private placement to raise gross proceeds of \$3,000,000. Each warrant entitles the holder to acquire one common share at a price of \$0.10 for a period of three years from the date of closing of the Financing. 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.
- iii. During the three months ended March 31, 2021, 375,000 warrants were exercised for gross proceeds of \$18,750.

The following table reflects the warrants issued and outstanding as of March 31, 2021:

Date of issue	Expiry date	Exercise price	Number of warrants	Remaining life (years)
May 17, 2018	May 17, 2021	\$0.16	4,275,000	0.37
May 17, 2018	May 17, 2021	\$0.10	984,846	0.37
June 5, 2018	June 5, 2021	\$0.16	1,062,500	0.43
June 5, 2018	June 5, 2021	\$0.10	173,250	0.43
August 21, 2020	August 21, 2022	\$0.05	12,125,000	1.64
March 18, 2021	March 18, 2024	\$0.10	21,428,571	2.97
		\$0.09	40,049,167	

13.2 STOCK OPTIONS

The following table reflects the options activity during the year ended December 31, 2020 and the three months ended March 31, 2021:

	Number of options	Weighted average exercise price
Balance, December 31, 2019	5,855,000	\$0.08
Granted(i)	3,750,000	0.06
Expired/cancelled (ii)	(3,030,000)	0.05
Balance, December 31, 2020	6,575,000	\$0.06
Granted (iii, iv)	6,725,000	0.12
Exercised (v)	(1,050,000)	0.06
Balance, March 31, 2021	12,250,000	\$0.10

- i. On August 28, 2020, the Company granted 3,750,000 stock options (2019 – nil) to directors, officers, employees and consultants of the Company. The options are exercisable at a price of \$0.06 per common share for a period of 5 years from the date of grant and vested immediately upon grant.
- ii. During the year ended December 31, 2020, a total of 3,030,000 stock options previously granted to directors, officers and consultants expired, unexercised, or were cancelled as the grantees no longer work for, or are retained by the Company.
- iii. From February 11 to February 14, 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 \$0.10. The fair value assigned for the stock options was \$37,158 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.25%; volatility of 199%, and an expected life of 5 years.
- iv. 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 0.25%; volatility of 199%, and an expected life of 5 years.

- v. During the three months ended March 31, 2021, 1,050,000 options were exercised for gross proceeds of \$58,750.

The following table reflects the options outstanding as of March 31, 2021:

Outstanding options	Options exercisable	Exercise price	Expiry date	Weighted average life (years)
1,975,000	1,975,000	0.100	August 20, 2023	2.39
3,550,000	3,550,000	0.060	August 28, 2025	4.41
300,000	300,000	0.080	February 11, 2026	4.87
250,000	250,000	0.120	February 14, 2026	4.88
6,175,000	6,175,000	0.125	March 23, 2026	4.98
12,250,000	12,250,000			

14.0 COMMITMENTS AND PROVISION

- (i) Flow-through expenditure commitments: From time to time, the Company completes 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 Company has determined, through historical audits by the Canada Revenue Agency (“CRA”), and the Company’s independent auditors, that it may continue to have a shortfall on previously renounced flow-through financings and has recorded a provision of \$298,031 for shareholder identification.
- (ii) COVID-19: see the discussion entitled *Novel Coronavirus (“COVID-19”)* at the end of this MD&A.
- (iii) Effective January 25, 2021, Ed Baer resigned as Chief Executive Officer of the Company. Management negotiated a settlement of four months’ base salary as severance.
- (iv) Effective January 25, 2021 the Company engaged Chad Williams to serve as Chairman of the Company. His base fee 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 and 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 fees plus bonus fees.
- (v) Effective February 1, 2021 the Company engaged Grove to provide corporate services (the “Services”) to the Company including those provided by the Chief Financial Officer (“CFO”) and Corporate Secretary. 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.

15.0 OUTSTANDING SHARE DATA

As of May 28, 2021, the number of common shares outstanding or issuable pursuant to option and warrant entitlements is as follows:

As at	Common Shares	Warrants ⁽¹⁾	Stock Options ⁽¹⁾	Fully Diluted
December 31, 2020	94,853,224	18,995,596	6,575,000	120,423,820
March 31, 2021	139,135,367	40,049,167	12,250,000	191,434,534
May 28, 2021	139,345,367	34,789,318	12,250,000	186,384,685

16.0 CONTROLS

16.1 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 CEO and CFO 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 CEO and the CFO, 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 Interim Filings of the Canadian Securities Regulators, were effective overall.

17.0 RISKS

Risk factors that must be considered in achieving the Company's business objectives include the risk that exploration or joint venture 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 or its prospective joint venture partners may fail to generate adequate funding to develop mineral reserves.

The Company accepts the risks which are inherent to mineral exploration programs, venturing into certain joint venture relationships, 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 and acquisition programs.

An investment in the securities of the Company is highly speculative and involves numerous and

significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

- *Exploration Stage Company and Exploration Risks*

The Company is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Company have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Company will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Company will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time that even a combination of management's careful evaluation, experience and knowledge may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration program of the Company will result in profitable commercial mining operations. The profitability of the Company's operations will be, in part, directly related to the cost and success of its exploration and development programs, which may be affected by a number of factors. Substantial expenditures are required to establish reserves that are sufficient to commercially mine some of the Company's properties and to construct complete and install mining and processing facilities on those properties that are actually mined and developed.

- *No History of Profitability*

The Company is an exploration stage company with no history of profitability. There can be no assurance that the operations of the Company will be profitable in the future. The Company has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Company may become unable to acquire and retain its mineral concessions and carry out its business plan.

- *Government Regulations*

The Company's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labor standards. In order for the Company to carry out its mining activities, its exploitation must be kept current. There is no guarantee that the Company's exploitation will be extended or that new exploitation will be granted. In addition, such exploitation could be changed and there can be no assurances that any application to renew any existing will be approved. The Company may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Company will also have to obtain and comply with permits and that may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Company will be able to comply with any such conditions.

- *Market Fluctuation and Commercial Quantities*

The market for minerals is influenced by many factors beyond the control of the Company such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing companies, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Company's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors that may affect commercial viability so that any adverse combination of such factors may result in the Company not receiving an adequate return on invested capital.

- *Mining Risks and Insurance*

The Company is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Company may become subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator if its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse effect on the financial position of the Company.

- *Environmental Protection*

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Company or require it to expend significant funds.

- *Capital Investment*

The ability of the Company to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing. There is no assurance that adequate financing will be available to the Company or that the terms of such financing will be. Should the Company not be able to obtain such financing, its properties may be lost entirely.

- *Conflicts of Interest*

Certain of the directors and officers of the Company may also serve as directors and officers of other companies involved in base and precious metal exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Company will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Company

and such other companies. In addition, such directors will declare, and refrain from voting on, any matters in which they may have a conflict of interest.

- *Current Global Financial Conditions*

Current global financial conditions have been characterized by increased volatility, declining liquidity and the exit of a number of traditional investors from public markets. Access to public financing has been made more challenging by a global contraction of commercial and consumer credit markets. The ensuing decline in consumption has led to a marked erosion of investor confidence and risk tolerance. A major consequence/contributor to these factors may be seen in the unparalleled number of established financial institutions facing involuntary corporate reorganization, insolvency, bankruptcy and/or governmental intervention. While the most sensational of the corporate casualties have occurred in the United States, the global nature of today's economic reality has left no interrelated public market unscathed. These factors may affect the ability of the Company to obtain equity or debt financing in the future on terms favourable to the Company or at all. Any or all of these economic factors, as well as other factors not specifically identified herein, may cause a decline in asset values that could be deemed to be other than temporary, resulting in impairment losses. If such conditions continue, the Company's operations could be negatively impacted, and the trading price of its common shares may be adversely affected.

Securities of mining and mineral exploration companies, including the common shares of the Company, have experienced substantial volatility in the past, often based on factors unrelated to the financial performance or prospects of the companies involved. These factors include macroeconomic developments in Canada and globally, and market perceptions of the attractiveness of particular industries. The price of the securities of the Company is also significantly affected by short-term changes in commodity prices, base and precious metal prices or other mineral prices, currency exchange fluctuation and the political environment in the countries in which the Company does business.

- *Novel Coronavirus ("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

18.0 FURTHER INFORMATION

Additional information relating to the Company can be found on the Company's website at www.honeybadgersilver.com.