



**Condensed Interim Consolidated Financial Statements**

For the three and nine months ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

(Unaudited)

---

**Notice of No Auditor Review of Interim Financial Statements**

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

**Honey Badger Exploration Inc.**  
**Condensed Interim Consolidated Statements of Financial Position**

*(Unaudited - Expressed in Canadian dollars)*

	As at September 30, 2018	As at December 31, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	\$ 1,096,028	\$ 332,356
Amounts receivable	28,509	67,399
Prepaid expenses	2,893	1,350
	<b>\$ 1,127,430</b>	<b>\$ 401,105</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 5)	\$ 55,304	\$ 219,223
Deferred flow-through premium (note 6)	6,595	33,188
Flow-through provision (note 7)	265,031	265,031
	<b>326,930</b>	<b>517,442</b>
<b>Shareholders' equity deficiency (note 8)</b>		
Share capital	9,357,140	6,824,073
Contributed surplus	1,924,086	1,622,584
Warrant reserve	1,233,786	786,990
Accumulated deficit	(11,714,512)	(9,349,984)
<b>Total shareholders' equity deficiency</b>	<b>800,500</b>	<b>(116,337)</b>
<b>Total liabilities and shareholders' deficiency</b>	<b>\$ 1,127,430</b>	<b>\$ 401,105</b>

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

Nature of operations and going concern (note 1)

Commitments and contingencies (note 13)

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

	For the three months ended September 30,		For the nine months ended September 30,	
	2018	2017	2018	2017
<b>Expenses</b>				
Exploration expenditures (notes 9, 10)	\$ 173,970	\$ 587,563	\$ 1,776,461	\$ 591,963
Payroll and professional fees (note 9)	62,102	45,239	174,924	101,919
General and administrative	48,471	26,815	137,019	45,706
Recovery from related party	-	-	-	(85,000)
Share-based compensation	252,676	-	301,502	-
Part XII.6 tax	-	(1,323)	1,923	-
Deferred flow-through premiums (note 6)	(2,069)	(7,352)	(26,593)	(7,352)
	<b>(535,150)</b>	<b>(650,942)</b>	<b>(2,365,236)</b>	<b>(647,236)</b>
(Loss) gain on foreign exchange	(31)	-	64	(135)
	<b>(535,181)</b>	<b>(650,942)</b>	<b>(2,365,172)</b>	<b>(647,371)</b>
<b>Finance items</b>				
Interest income	505	(41)	658	293
Interest expenses	(14)	-	(14)	-
<b>Net (loss) income and comprehensive (loss) income</b>	\$ <b>(534,690)</b>	\$ <b>(650,983)</b>	\$ <b>(2,364,528)</b>	\$ <b>(647,078)</b>
Basic (loss) earnings per share (note 12)	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.03)
Diluted (loss) earnings per share (note 12)	\$ (0.01)	\$ (0.02)	\$ (0.04)	\$ (0.03)

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

**Honey Badger Exploration Inc.**  
**Condensed Interim Consolidated Statements of Cash Flows**

(Unaudited - Expressed in Canadian dollars)

For the nine months ended September 30,  
**2018** **2017**

	2018	2017
<b>Operating activities</b>		
Net (loss) income	\$ (2,364,528)	\$ (647,078)
Adjustments to reconcile net loss to net cash used in operating activities:		
Shares issued for properties	1,092,857	560,000
Deferred flow-through premiums (note 6)	(26,593)	(7,352)
Share-based compensation (note 8(b))	301,502	-
Changes in non-cash working capital		
Increase in amounts receivable	38,890	17,494
(Increase) decrease in prepaid expenses	(1,543)	(1,789)
Increase (decrease) in accounts payable and accrued liabilities	(163,919)	(206,240)
<b>Net cash used in operating activities</b>	<b>(1,123,334)</b>	<b>(284,965)</b>
<b>Investing activities</b>		
Proceeds from sale of marketable securities	-	-
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>-</b>
<b>Financing activities</b>		
Proceeds from private placement	1,941,501	339,052
Share issue costs	(129,495)	-
Proceeds from the exercise of warrants	75,000	-
<b>Net cash provided by financing activities</b>	<b>1,887,006</b>	<b>339,052</b>
Net (decrease) increase in cash and cash equivalents	763,672	54,087
Cash and cash equivalents, beginning of period	332,356	51,263
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,096,028</b>	<b>\$ 105,350</b>
<b>Supplemental cash-flow disclosures:</b>		
Cash paid for interest	-	-
Cash paid for income taxes	-	-

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

**Honey Badger Exploration Inc.**

**Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**

*(Unaudited - Expressed in Canadian dollars)*

	Number of Shares (#)	Share Capital	Contributed Surplus	Warrant Reserve	Accumulated Deficit	Total
<b>Balance, January 1, 2018</b>	<b>48,615,605</b>	<b>\$ 6,824,073</b>	<b>\$ 1,622,584</b>	<b>\$ 786,990</b>	<b>\$ (9,349,984)</b>	<b>\$ (116,337)</b>
Net loss	-	-	-	-	(2,364,528)	(2,364,528)
Other comprehensive income (loss)	-	-	-	-	-	-
Total comprehensive loss						(2,364,528)
Private placement	17,398,086	1,941,501	-	-	-	1,941,501
Fair value of warrants issued	-	(354,630)	-	354,630	-	-
Fair value of broker units issued	-	(116,722)	-	116,722	-	-
Fair value of flow-through premium recognized	-	-	-	-	-	-
Share issue costs	-	(129,495)	-	-	-	(129,495)
Share-based compensation	-	-	301,502	-	-	301,502
Fair value of shares issued for property acquisition	7,357,143	1,092,857	-	-	-	1,092,857
Fair value of warrants exercised	1,000,000	99,556	-	(24,556)	-	75,000
<b>Balance, September 30, 2018</b>	<b>74,370,834</b>	<b>\$ 9,357,140</b>	<b>\$ 1,924,086</b>	<b>\$ 1,233,786</b>	<b>\$ (11,714,512)</b>	<b>\$ 800,500</b>
<b>Balance, January 1, 2017</b>	<b>20,957,770</b>	<b>\$ 5,591,833</b>	<b>\$ 1,479,986</b>	<b>\$ 417,793</b>	<b>\$ (8,193,175)</b>	<b>\$ (703,563)</b>
Net loss	-	-	-	-	(647,078)	(647,078)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss						(647,078)
Private placement	6,680,000	385,687	-	-	-	385,687
Fair value of warrants issued	-	(160,686)	-	160,686	-	-
Fair value of broker warrants issued	-	(29,513)	-	29,513	-	-
Fair value of flow-through premium recognized	-	(9,938)	-	-	-	(9,938)
Fair value of expired warrants	-	-	-	-	-	-
Share issue costs	-	(46,636)	-	-	-	(46,636)
Fair value of shares issued for property acquisition	8,000,000	560,000	-	-	-	560,000
<b>Balance, September 30, 2017</b>	<b>35,637,770</b>	<b>\$ 6,290,747</b>	<b>\$ 1,479,986</b>	<b>\$ 607,992</b>	<b>\$ (8,840,253)</b>	<b>\$ (461,528)</b>

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

## **Honey Badger Exploration Inc.**

### **Notes to condensed interim consolidated financial statements**

*For the three and nine months ended September 30, 2018 and 2017*

---

#### **1. Nature of operations and going concern**

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

As at September 30, 2018, the Company had a working capital of \$800,500 (December 31, 2017 – working capital deficit of \$116,337) and an accumulated deficit of \$11,714,512 (December 31, 2017 - \$9,349,984).

The accompanying condensed interim consolidated financial statements have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company is currently in the exploration stage and has not commenced commercial operations.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mining interest expenditures is dependent on management's ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore need to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying condensed interim consolidated financial statements.

#### **2. Significant Accounting Policies**

##### *(a) Statement of compliance*

These unaudited condensed interim financial statements 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 condensed interim financial statements, including IAS 34 *Interim Financial Reporting*. These condensed interim financial statements should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2017 and were prepared using the same accounting policies, method of computation and presentation as were applied in the annual financial statements for the year ended December 31, 2017, except as noted in Note 2(b). These unaudited condensed interim financial statements were approved by the Board of Directors on November 28, 2018.

The financial information included herein reflects all adjustments, consisting of normal recurring adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods presented. The results of operations for the three and nine months ended September 30, 2018 are not necessarily indicative of the results to be expected for the full year. Seasonality is not considered to have a significant impact over the condensed interim financial statements.

We have reclassified certain amounts on the Statement of (Loss) Income to conform to the current year's presentation.

##### *(b) Basis of consolidation*

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

##### *(c) New and amended standards 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.

**Honey Badger Exploration Inc.**  
**Notes to condensed interim consolidated financial statements**  
*For the three and nine months ended September 30, 2018 and 2017*

---

**IFRS 9 Financial Instruments**

IFRS 9 *Financial Instruments* (“IFRS 9”) replaces the provisions of IAS 39 *Financial Instruments, Recognition and Measurement* (“IAS 39”) that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 on January 1, 2018 resulted in changes in accounting policies and adjustments to the amounts recognized in the financial statements. The Company has applied the changes in accounting policies retrospectively; however, in accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

The adoption of IFRS 9 did not result in the carrying values of the Company’s financial instruments on January 1, 2018.

**3. Significant accounting judgements, estimates and assumptions**

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

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

*Going concern*

The preparation of the financial statements requires management to make judgments regarding the going concern of the Company as previously discussed in Note 1 of the financial statements.

*Deferred taxes*

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

*Deferred Flow-Through Premium Estimates*

Recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability. The fair values of the flow-through premiums are disclosed in Note 7 of the financial statements.

*Share-based compensation*

Estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the year along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in Note 8(b) of the financial statements.

## Honey Badger Exploration Inc.

### Notes to condensed interim consolidated financial statements

For the three and nine months ended September 30, 2018 and 2017

---

#### Deferred Compensation

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

#### 4. Cash and cash equivalents

As at September 30, 2018 and December 31, 2017, cash and cash equivalents were held as follows:

	<b>September 30, 2018</b>	December 31, 2017
Cash deposits	\$ 1,086,028	\$ 273,366
Term deposits	10,000	10,000
Undeposited subscriptions	-	48,990
	<b>\$ 1,096,028</b>	<b>\$ 332,356</b>

#### 5. Accounts payable and accrued liabilities

Accounts payable and accrued liabilities comprise the following:

	<b>September 30, 2018</b>	December 31, 2017
Accounts payable	\$ 40,304	\$ 149,164
Accrued liabilities	15,000	70,059
	<b>\$ 55,304</b>	<b>\$ 219,223</b>

#### 6. Deferred flow-through premium

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

	Total
<b>Balance - December 31, 2016</b>	<b>\$ 48,200</b>
Recognition of deferred premium	34,188
Decrease of deferred premium	(49,200)
<b>Balance - December 31, 2017</b>	<b>\$ 33,188</b>
Decrease of deferred premium	(10,227)
<b>Balance - March 31, 2018</b>	<b>22,961</b>
Decrease of deferred premium	(14,297)
<b>Balance - June 30, 2018</b>	<b>\$ 8,664</b>
Decrease of deferred premium	(2,069)
<b>Balance - September 30, 2018</b>	<b>\$ 6,595</b>

**Honey Badger Exploration Inc.**  
**Notes to condensed interim consolidated financial statements**  
*For the three and nine months ended September 30, 2018 and 2017*

---

**7. Flow-through provision**

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

<b>Balance – December 31, 2016</b>	<b>\$ 430,294</b>
Reclassification to accounts payable	(202)
Shares issued to settle obligations	(165,061)
<hr/>	
<b>Balance – December 31, 2017</b>	<b>\$ 265,031</b>
<b>Balance – September 30, 2018</b>	<b>\$ 265,031</b>

**8. Shareholders' deficiency**

(a) *Common shares*

The Company's authorized capital stock includes an unlimited number of common shares (issued 74,370,824 common shares) having no par value (December 31, 2017 – 48,615,605).

*Cairngorm Option Agreement*

On July 19, 2018, the Company announced that it had 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 \$125,000 (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.

*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 \$129,495 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 \$0.07 (See Note 11(c) - Warrants).

(b) *Stock Options*

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

**Honey Badger Exploration Inc.**  
**Notes to condensed interim consolidated financial statements**  
*For the three and nine months ended September 30, 2018 and 2017*

---

During the three and nine months ended September 30, 2018, the Company granted 2,525,000 (2017 – nil) and 3,375,000 stock options (2017 – nil), respectively, to directors, officers and consultants at a weighted average exercise prices of \$0.10 (2017 - \$Nil) and \$0.55 (2017 – nil), respectively. These three and five year options vested immediately upon grant. The fair value of the stock options granted during the three and nine months ended September 30, 2018 has been determined to be \$252,676 (2017 – nil) and \$301,502 (2017 – nil), respectively, and has been included in the statement of loss and comprehensive loss for the three and nine months ended September 30, 2018.

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

(c) *Warrants*

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

Pursuant to the 2018 Unit offering, the Company issued 5,337,500 warrants pursuant to the non-brokered private placement financing. The fair value of the warrants was estimated using a relative fair value attribution of the Black-Scholes model for pricing options using the following weighted average assumptions: volatility – 180.10%; risk-free rate – 2.16%; dividend yield – 0%; and expected life – 3 years, and resulted in a weighted average fair value of \$0.0664 per warrant.

Pursuant to the non-brokered private placement, the Company issued 1,158,096 compensation warrants. The fair value of the compensation warrants was estimated using a relative fair value attribution of the Black-Scholes model for pricing options using the following weighted average assumptions: volatility – 180.10%; risk-free rate – 2.17%; dividend yield – 0%; and expected life – 3 years, and resulted in a weighted average fair value of \$0.101 per compensation warrant.

During the three and nine months ended September 30, 2018, nil and 1,000,000 warrants, respectively, were exercised for gross proceeds of \$nil and \$75,000 (2017 – nil), respectively.

As at September 30, 2018, the Company had 22,180,037 (2017 – 3,804,960) warrants outstanding with a weighted average exercise price of \$0.139 (2017 - \$0.06).

**9. Related party disclosures**

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

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

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Short-term benefits <sup>(1)</sup>	\$ 22,500	\$ 13,500	\$ 67,500	\$ 40,500
Share-based payments <sup>(2)</sup>	174,087	-	222,913	-
<b>Total</b>	<b>\$ 196,587</b>	<b>\$ 13,500</b>	<b>\$ 290,413</b>	<b>\$ 40,500</b>

<sup>(1)</sup> Includes salary and professional fees.

<sup>(2)</sup> Represents the expense of stock options during the year.

As at September 30, 2018, the following related party balances were outstanding:

- a) a balance of \$7,827 (December 31, 2017 - \$38,092) owing to related parties was included in accounts payable and accrued liabilities.

**Honey Badger Exploration Inc.**  
**Notes to condensed interim consolidated financial statements**  
*For the three and nine months ended September 30, 2018 and 2017*

---

**10. Mineral properties**

*Exploration and Evaluation Expenditures*

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

	<b>Thunder Bay Property</b>	<b>Cairngorm Property</b>	<b>LG Diamond &amp; Wemindji Properties</b>	<b>Other Properties</b>	<b>Total</b>
Balance, January 1, 2018	\$ -	\$ -	\$ 517,212	\$ 3,337,106	\$ 3,854,318
Property acquisition	1,103,000	117,857	-	-	1,220,857
Exploration expenditures	600,722	1,865	22,375	(69,358)	555,604
Total exploration expenditures	\$ 1,703,722	\$ 119,722	\$ 22,375	\$ (69,358)	\$ 1,776,461
<b>Balance, September 30, 2018</b>	<b>\$ 1,703,722</b>	<b>\$ 119,722</b>	<b>\$ 539,587</b>	<b>\$ 3,267,748</b>	<b>\$ 5,630,779</b>
Balance, January 1, 2017	\$ -	\$ -	\$ 507,468	\$ 2,412,954	\$ 2,920,422
Property acquisition	-	-	-	566,642	566,642
Exploration expenditures	-	-	3,567	21,754	25,321
Total exploration expenditures	\$ -	\$ -	\$ 3,567	\$ 588,396	\$ 591,963
Balance, September 30, 2017	\$ -	\$ -	\$ 511,035	\$ 3,001,350	\$ 3,512,385

**Thunder Bay Property, Ontario**

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

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.

During the three and nine months ended September 30, 2018, the Company staked additional ground in the Thunder Bay area, within a prospective silver, cobalt, zinc, lead and gold district.

**Cairngorm Property**

On July 19, 2018, the Company announced that it had 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 \$125,000 (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 certain claims located in southeastern Quebec (the “Barite-Zinc Property”) by issuing 8,000,000 common shares valued at \$500,000 and granted a 2% net smelter return royalty (“NSR”) to the property vendor. The Company may re-purchase the NSR for \$1,000,000.

**Honey Badger Exploration Inc.**  
**Notes to condensed interim consolidated financial statements**  
*For the three and nine months ended September 30, 2018 and 2017*

---

**LG Diamond Property, Quebec**

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

**Wemindji Property, Quebec**

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

**Other Properties**

*Blue Thunder, Quebec*

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

*Bear Limonite Creek property*

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

*Sagar Property, Quebec*

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

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

<b>Three Months Ended September 30, 2018</b>				
		<b>Net Loss</b>	<b>Shares</b>	<b>Per Share</b>
		<b>(Numerator)</b>	<b>(Denominator)</b>	<b>Amount</b>
Basic EPS	\$	<b>(534,690)</b>	74,371,244	\$ (0.01)
Effect of dilutive securities		-	294,650	-
Diluted EPS	\$	<b>(534,690)</b>	74,665,894	\$ (0.01)
<b>Three Months Ended September 30, 2017</b>				
		<b>Net Loss</b>	<b>Shares</b>	<b>Per Share</b>
		<b>(Numerator)</b>	<b>(Denominator)</b>	<b>Amount</b>
Basic EPS	\$	(650,985)	28,311,548	\$ (0.02)
Effect of dilutive securities		-	-	-
Diluted EPS	\$	(650,985)	28,311,548	\$ (0.02)

**Honey Badger Exploration Inc.**  
**Notes to condensed interim consolidated financial statements**  
*For the three and nine months ended September 30, 2018 and 2017*

---

Stock options and warrants totaling 24,320,637 common shares (Q3 2017 – nil) were excluded from the computation of basic and diluted loss per share as the potential effect was anti-dilutive.

<b>Nine Months Ended September 30, 2018</b>				
		<b>Net Loss</b>	<b>Shares</b>	<b>Per Share</b>
		<b>(Numerator)</b>	<b>(Denominator)</b>	<b>Amount</b>
Basic EPS	\$	<b>(2,364,528)</b>	60,088,149	\$ (0.04)
Effect of dilutive securities		-	281,418	-
<b>Diluted EPS</b>	<b>\$</b>	<b>(2,364,528)</b>	<b>60,369,567</b>	<b>\$ (0.04)</b>
<b>Nine Months Ended September 30, 2017</b>				
		<b>Net Loss</b>	<b>Shares</b>	<b>Per Share</b>
		<b>(Numerator)</b>	<b>(Denominator)</b>	<b>Amount</b>
Basic EPS	\$	(647,078)	22,796,214	\$ (0.03)
Effect of dilutive securities		-	-	-
<b>Diluted EPS</b>	<b>\$</b>	<b>(647,078)</b>	<b>22,796,214</b>	<b>\$ (0.03)</b>

Stock options and warrants totaling 24,320,637 common shares (Nine months ended September 30, 2017 – nil) were excluded from the computation of basic and diluted loss per share as the potential effect was anti-dilutive.

## **12. Commitments and contingencies**

### **Flow-Through Expenditure Commitments**

The Company competed flow-through share financings that involve a commitment to incur Canadian Exploration Expenditures (“CEEs”) prior to the end of specific calendar years and to renounce the CEE tax deductions to the subscribers. The flow-through commitments as at September 30, 2018 is \$979,523 (December 31, 2017 - \$531,003), of which \$105,521 is required to be spent by December 31, 2018 and \$874,002 is required to be spent by December 31, 2019.

## **13. Capital management**

As of September 30, 2018, the Company had working capital of \$800,500.

There were no changes in the Company's approach to capital management during the three and nine months ended September 30, 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.

## **Honey Badger Exploration Inc.**

### **Notes to condensed interim consolidated financial statements**

*For the three and nine months ended September 30, 2018 and 2017*

---

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

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

#### **14. Financial instrument risk factors**

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

##### ***a) Credit risk***

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

##### ***b) Liquidity risk***

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

As at September 30, 2018, the Company had a cash balance of \$1,096,028 (December 31, 2017 - \$332,356) to settle current liabilities of \$326,930 (December 31, 2017 - \$517,442). As a result, the Company is exposed to liquidity risk.

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

##### ***c) Market risks***

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

- Interest rate risk, is the sensitivity of the fair value or of the future cash flows of a financial instrument to changes in interest rates. The Company does not have any financial assets or liabilities that were subject to variable interest rates.
- Commodity price risks, particularly with respect to diamonds, is the sensitivity of the fair value of or of the future cash flows of mineral assets. The Company manages this risk by continually monitoring base and precious metal prices and commodity price trends to determine the appropriate timing for funding the exploration or development of its mineral assets, or for the acquisition or disposition of mineral assets.
- Currency risk, is the sensitivity of the fair value or of the future cash flows of financial instruments to changes in foreign exchange rates. The Company does not have any financial assets or liabilities that were subject to variable foreign exchange rates and as such the Company is not subject to currency risk.