



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

**(formerly Honey Badger Exploration Inc.)**

**Management's Discussion and Analysis**

**For the Nine Months Ended September 30, 2021**

(Expressed in Canadian Dollars)

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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 November 29, 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 nine months ended September 30, 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](http://www.honeybadgersilver.com) and on SEDAR at [www.sedar.com](http://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](http://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

Brian Briggs – Independent Director

W. Douglas Eaton - Independent Director

John H. Hill - Independent Director

Donna McLean – CFO

Igor Zonenschein – Corporate Secretary

Edmond Thorose – President

#### **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 trading symbol “TUF”. On August 23, 2021, the common shares of the Company commenced trading on the OTCQB under the trading symbol "HBEIF".

#### **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 finance: the exploration of its mineral properties, the possible expansion of its portfolio of assets and ongoing corporate costs. 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 to strengthen Honey Badgers's portfolio of silver-driven assets;

- Advancing the geological knowledge of its mineral properties through successive exploration programs;
- Broadening 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 situated in mining-friendly jurisdictions in the Americas; and
- If deemed advantageous, disposing of any non-performing mineral properties.

#### *Key Performance Drivers*

- Highly prospective property holdings in the Yukon and Ontario's Thunder Bay Silver District, in the vicinity of small but very high-grade historic silver mines;
- Management team and Board with deep capital markets experience and strong technical backgrounds, with ability to source and evaluate high quality asset acquisition opportunities with the aim of executing value-enhancing transactions.

### **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 55 claims covering approximately 2,275 hectares in the James Bay Region of Québec and three projects in the Yukon Territory. (See 6.1 - Exploration Properties).

#### **Building on Honey Badger's portfolio of assets**

- On January 8, 2021, the Company announced the 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 June 8, 2021, the Company announced the acquisition of 100% of the rights, title and interest in three advanced silver-focused properties, from Strategic Metals Ltd. ("Strategic Metals"), located in southeast and south-central Yukon, Canada. In consideration for the properties, Honey Badger issued 34,804,718 common shares to Strategic Metals valued at \$4,524,613, which was 19.9% of the issued and outstanding common shares of the Company; and
- On July 26, 2021, the Company completed an acquisition with Romios Gold Resources Inc. ("Romios Gold") to acquire 80% interest and control over an additional 1,870 hectares (4,620 acres) in 87 mining claims covering historic silver properties in the Thunder Bay Silver District. The new claims comprise substantial portions of the historic Victoria Mine and Federal Mine silver properties, plus the Lily of the Valley, Caribou and Cloud Bay prospects and solidifies Honey Badger Silver's dominant position in this historic high-grade silver camp.

In consideration for the additional claims, Honey Badger issued 1,103,506 common shares to Romios Gold, valued at \$88,820. As well, Honey Badger Silver has been granted a right of first refusal by Romios Gold on the 20% remaining interest. (see 6.1, Exploration Properties).

## 5.0 CORPORATE HIGHLIGHTS

### Board and Management Changes

- On January 25, 2021, the Company appointed Chad Williams as Executive Chairman;
- 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”);
- During June 2021, Brian Briggs P. Eng, and W. Douglas Eaton BA., BSc, accepted appointments to serve as Directors of the Board, until the next Annual General Meeting of Shareholders (set for *January 18, 2022*);
- On September 9, 2021, the Company appointed Edmond Thorose, MBA, B.Sc (Hons), to the position of President of the Company; and
- On October 28, 2021, Honey Badger appointed John H. Hill, M.Sc, CFA, to the Company’s Board of Directors to serve until the impending AGM

### Financings/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 nine months ended September 30, 2021, 688,250 warrants were exercised for cash proceeds of \$50,075 and 1,700,000 options were exercised for cash proceeds of \$97,750;
- On June 8, 2021, the Company issued 34,804,718 common shares with a value of \$4,524,613 to acquire certain Yukon properties from Strategic Metals;
- Effective July 2, 2021, the Company completed a non-brokered flow-through private placement by issuing 1,681,800 Flow Through Shares for gross proceeds of \$252,270. In connection with the private placement, the Company paid \$17,239 in finders’ fees; and issued non-transferable purchase warrants entitling the holder to purchase a total of 114,926 common shares of the Company at a price of \$0.15 per share for a period of 24 months;
- On July 26, 2021, the Company announced that it had acquired certain silver properties in the Thunder Bay Silver District from Romios Gold. The consideration for the additional claims included the issuance of 1,103,506 common shares valued at \$88,280. As well, Honey Badger shall be granted a right of first refusal by Romios Gold on the 20% remaining interest; and
- On August 23, 2021, the Company announced that its common shares have been approved for trading on the OTCQB Venture Market in the United States under the symbol ‘ HBEIF ’.

## 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; and
- advancing exploration on existing project(s) to meet expenditure requirements and continue to collect data for future planning of subsequent exploration programs.

For 2021, the technical team had planned a \$530,000 summer-fall exploration program for the Company’s Thunder Bay property, comprised of surface geochemical exploration work (collection of rock and soil samples) and airborne geophysics, however this program has been deferred to 2022.

On July 8, 2021, the Company announced that it had engaged Archer, Cathro & Associates (1981) Limited (“Archer Cathro”) to oversee the Phase 1 work program on its 100%-owned 5,690 hectare Plata Silver Property (“Plata”) located in east-central Yukon. The primary objective of the planned Phase 1 program is to complete detailed mapping and rock and channel sampling at a number of priority target zones at Plata in order to better understand structural controls of silver mineralization. The secondary objective of the Phase 1 program is to better define the full extent of mineralization at Plata. W. Douglas Eaton, newly-appointed director of Honey Badger is a minority shareholder of Archer Cathro. The Company is awaiting assay results from the Plata Phase 1 Work Program and post compilation and interpretation, they will be released.

## 6.1 EXPLORATION PROPERTIES

Honey Badger Silver Inc has mineral property interests in Ontario, Yukon Territory and Quebec, Canada.

Project/Property	Province/Territory	Number of Claims	Area (Hectares)
Thunder Bay	Ontario	1046	21,800 Ha
Plata	Yukon	281	5,690 Ha
Groundhog	Yukon	217	4,200 Ha
Hy Project	Yukon	348	7,160 Ha
LG Project	Quebec	55	2,800 Ha

### THUNDER BAY PROPERTIES, Ontario

Thunder Bay Silver & Cobalt Corp.

Honey Badger controls approximately 22,000 hectares of ground in the Thunder Bay Silver District, which historically has produced 4.7 million ounces of silver from over a dozen past-producing high-grade silver mines<sup>1</sup>. Certain claims are subject to a 2.5% net smelter royalty (“NSR”) which may be repurchased for \$1,500,000. The Company further expanded its land position in the district with two acquisitions in 2021, detailed below:

#### Acquisitions:

- 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.

<sup>1</sup> J. M. Franklin, S. A. Kissin, M. C. Smyk, and S. D. Scott. Silver deposits associated with the Proterozoic rocks of the Thunder Bay District, Ontario. Canadian Journal of Earth Sciences. 23(10): 1576-1591

- On July 26, 2021, the Company announced that it closed the purchase transaction with Romios Gold to acquire 80% interest and control over an additional 1,870 hectares (4,620 acres) in 87 mining claims covering historic silver properties in the Thunder Bay Silver District. The new claims comprise substantial portions of the historic Victoria Mine and Federal Mine silver properties, plus the Lily of the Valley, Caribou and Cloud Bay prospects and solidifies Honey Badger Silver's dominant position in this historic high-grade silver camp.

In consideration for the additional claims, Honey Badger has issued 1,103,506 common shares to Romios Gold valued at \$88,820. As well, Honey Badger has been granted a right of first refusal by Romios Gold on the 20% remaining interest.

### **YUKON SILVER PROPERTIES, the Yukon**

On June 8, 2021, the Company acquired 100% of Strategic Metals' right, title and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada. The properties, comprised of Plata, Groundhog, and Hy, are located near major historical silver camps or workings. In consideration for the properties, Honey Badger issued 34,804,718 common shares to Strategic Metals valued at \$4,524,613.

#### (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 the nine months ended September 30, 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 for acquisition, field program fees and expenses, consulting fees and claims management fees.

The following table summarizes exploration and evaluation expenditures for the nine months ended September 30, 2021:

	Nine months ended September 30,	
	2021	2020
<b>Thunder Bay Properties</b>		
Acquisition and holding costs	\$102,335	\$—
E&E	\$18,675	\$51,720
	\$121,010	\$51,720
<b>Yukon Properties</b>		
Acquisition and holding costs	\$4,524,613	\$—
E&E	133,705	—
	\$4,658,318	\$—
<b>Other</b>		
E&E	\$5,092	\$—
<b>Total E&amp;E</b>	<b>\$4,784,420</b>	<b>\$51,720</b>

### 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

<b>For the nine months ended September 30,</b>	<b>2021</b>	<b>2020</b>
	\$	\$
<b>Statement of Loss and Comprehensive Loss</b>		
Exploration expenditures - program	157,472	51,720
Exploration expenditures – acquisition costs	4,626,948	—
General and administrative (“G&A”) and business development	745,351	328,530
Share-based compensation	695,707	225,000
Other (income) loss	227,960	(132,027)
Net (loss) and comprehensive loss	(6,453,438)	(473,223)
Basic loss per share	(\$0.00)	(\$0.00)
Weighted average shares outstanding	143,376,117	85,959,536
<b>Statement of Cash Flows</b>		
Net cash used in operating activities	(831,717)	(276,052)
Net cash provided by financing activities	3,221,244	497,560
Increase (decrease) of cash for the period	2,389,527	221,508
<b>As at</b>	<b>September 30,</b>	<b>December</b>
	<b>2021</b>	<b>31, 2020</b>
<b>Statement of Financial Position</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,625,178	235,650
Total assets	2,926,517	728,209
Total liabilities	(597,496)	(408,322)
Shareholders' equity	2,329,021	319,887
Accumulated deficit	(19,575,367)	(13,121,929)

## 6.4 QUARTERLY RESULTS

	2021		2020	
	September 30	June 30	March 31	December 31
<b>Statement of Loss and Comprehensive Loss</b>	\$	\$	\$	\$
Exploration expenditures	172,350	4,563,491	18,579	549
G&A	236,800	420,771	215,571	355,176
Share-based compensation	21,716	—	673,991	—
Other income	(48,251)	(906)	(50)	(262,266)
Net (loss) earnings	(382,615)	(4,983,356)	(1,087,467)	(93,459)
Basic and diluted (loss) earnings per share <sup>(1)</sup>	(0.00)	(0.03)	(0.02)	(0.00)
<b>Statement of Financial Position</b>				
Cash & cash equivalents	2,625,178	2,748,622	3,057,458	235,650
Total assets	2,926,517	3,056,703	3,441,105	728,209
Total liabilities	597,496	581,338	488,379	408,322
Shareholders' equity (deficiency)	2,329,021	2,475,365	2,952,726	319,887

	2020		2019	
	September 30	June 30	March 31	December 31
<b>Statement of Loss and Comprehensive Loss</b>	\$	\$	\$	\$
Exploration expenditures	4,785	26,519	20,416	551,699
G&A	178,313	35,051	41,694	(35,339)
Share-based compensation	225,000	—	—	—
Other (income) expense	(7,149)	(57,645)	(89)	8,676
Loss and comprehensive loss	(415,247)	3,925	(62,199)	(525,335)
Basic and diluted loss per share <sup>(1)</sup>	(0.00)	0.00	(0.00)	(0.00)
<b>Statement of Financial Position</b>				
Cash & cash equivalents	235,650	40,704	32,710	315,558
Total assets	423,929	233,785	144,393	429,598
Total liabilities	66,075	405,765	320,299	543,306
Shareholders' (deficiency) equity	2,555	(171,979)	(175,906)	(113,708)

<sup>(1)</sup> 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.

### Nine months ended September 30, 2021 compared to September 30, 2020 (the "Reporting Period")

The Company realized a net loss of \$6,453,438 during the nine months ended September 30, 2021 (2020 - \$473,223). During the Reporting Period, the Company purchased mining assets in the Yukon by issuing shares valued at \$4,524,613. In addition, the changes made to management resulted in a \$60,000 severance payment to a former CEO and \$56,000 charged by a new corporate services provider ("Grove") for delivering certain professional services including those provided by a new CFO and Corporate Secretary. The Company incurred higher investor relations and business development costs (\$143,967 vs. \$25,068 in the prior year) as a result of an enhanced marketing effort in anticipation of the March hard dollar raise and the July flow-through financing (the "2021 Financings") and fees paid to certain M&A advisors. Fees for investor conferences also contributed to the increase year over year. Regulatory and transfer agent fees were higher in 2021 due to the costs associated with the 2021 Financings. Legal fees of approximately \$44,000 incurred during the Reporting Period were expended for advice on potential

acquisitions, severance negotiations and reviews of prospective consulting agreements. Legal costs directly incurred in connection with the 2021 Financings have been classified to the Statement of Financial Position as share issue costs. Four consultants have also been retained to provide leads and analysis of potential asset acquisitions and exploration properties. These retentions contributed approximately \$60,000 to the professional and consulting fees line item. Exploration and evaluation expenditures were significantly higher in 2021 principally due to the acquisition of certain claims and the completion of a summer field program in the Yukon. See 6.2 Exploration and Evaluation Expenditures.

Overall, 2020 was a year of re-building the corporate structure and re-envisioning the strategies and objectives of Honey Badger. Management continues to be engaged in planning programs and identifying new silver-based assets for acquisition in 2022.

### Three months ended September 30, 2021 compared to September 30, 2020

The Company realized a net loss of \$382,615 during the three months ended September 30, 2021 compared to \$415,247 for the three months ended September 30, 2020. The majority of transactions and activity more particularly described above, transpired in Q2. Q1 was a transitional period from old Management to new Management and a period of building the exploration and corporate development team. Q3 resulted in closing on two acquisitions at the end of much due diligence in the earlier part of the year. The hard dollar raise occurred at the end of Q1 but certain costs associated with the financing were charged in Q2. Similar to the share price of many junior exploration during 2021, the trading price of Blue Thunder Mining Inc. remained lower than the value recorded at the time of acquisition, and this resulted in an unrealized loss of \$293,474 being recorded for the Reporting Period. Further, as the price paid for the July 2021 FT Offering shares was higher than the market price at the time of the financing, a premium of \$67,272 was initially recorded as a liability; however, qualified expenditures were also made during the Reporting Period which offset the liability. The accounting treatment for this was a decrease to the liability and a gain on deferred premium has been recorded as an Other Item on the statement of loss and comprehensive loss.

### 6.5 CASH FLOW ANALYSIS

Cash flow (used in)/provided by for the six months ended June 30, 2021 and 2020 was as follows:

Period ended September 30,	2021	2020
Net cash (used in) provided by:		
Operating activities	<b>\$(831,717)</b>	\$(276,052)
Financing activities	<b>3,221,244</b>	497,560
Increase (decrease) in cash and cash equivalents	<b>2,389,527</b>	221,508
Cash and cash equivalents, beginning of period	<b>235,650</b>	315,558
<b>Cash and cash equivalents, end of period</b>	<b>\$2,625,177</b>	\$537,066

Net cash used in operating activities during the nine months ended September 30, 2021 was offset by successful financings in both 2020 and 2021.

Net cash of \$3,221,244 was provided to treasury during the nine months ended September 30, 2021 as a result of the closing of the \$3,000,000 non-brokered financing, the \$252,270 FT share raise, the exercise of 1,700,000 options and the exercise of 688,250 warrants. In the same period in 2020 a private placement was completed for net proceeds of \$487,300.

## 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 nine months ended September 30, 2021, and 2020, the Company entered into the following transactions with related parties:

<b>Nine months ended September 30,</b>	<b>2021<sup>(1)</sup></b>	<b>2020<sup>(2)</sup></b>
Compensation paid to a companies controlled by key management persons	<b>\$222,268</b>	\$62,121
Fees charged by a company controlled by a director	<b>111,205</b>	—
	<b>\$333,473</b>	—

- (1) A total of \$200,000 (2020 - \$12,685) was charged to the Company by a personal management company ("Crimson") controlled by the Chairman for management services. At September 30, 2021, a total of \$28,500 (2020 - \$nil) is included in accounts payable and accrued liabilities for Crimson's unpaid management fees.
- (2) During the nine months ended September 30, 2021, a settlement of \$22,268 was paid to a personal management company ("Longford") controlled by the former CFO. For the same period in 2020, Longford charged the Company a total of \$49,336 of for financial management services.
- (3) During the nine months ended September 30, 2021, a total of \$111,205 was charged to the Company for exploration work provided by a Company controlled by a director of the Company.

These transactions were conducted in the normal course of operations.

### ii. Key Management Compensation

During the nine months ended September 30, 2021 and 2020, the compensation of Key Management Personnel, including directors of the Company, was as follows:

<b>Nine months ended</b>	<b>September 30, 2021</b>	<b>September 30, 2020</b>
Management compensation <sup>(1)</sup>	<b>\$236,732</b>	\$138,347
Severance payment <sup>(2)</sup>	<b>82,268</b>	—
Share-based compensation <sup>(3)</sup>	<b>507,784</b>	189,000
	<b>\$826,784</b>	\$327,347

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

(2) Severance payments totaling \$82,268 were paid to a former CEO

(3) 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.

## **7.0 LIQUIDITY AND CAPITAL MANAGEMENT**

As of September 30, 2021, the Company had working capital of \$2,627,052 (December 31, 2020 – \$319,887). During the first quarter of 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 \$147,825 from the exercise of options and warrants.

In July 2021 a modest flow through share financing was completed for gross proceeds of \$252,270. 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 September 30, 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 September 30, 2021, totaled \$2,329,021 (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 nine months ended September 30, 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 September 30, 2021, the Company believes it is compliant with the working capital policy of the TSXV.

### **7.1 FINANCIAL RISK MANAGEMENT – see note 11 of the Interim Financial Statements**

For other business risks see 17.0 Risks.

## **8.0 OFF-BALANCE SHEET ARRANGEMENTS**

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

## 9.0 PROPOSED TRANSACTION

The Company has no other proposed transactions pending however Management has been actively reviewing potential property acquisitions, investment and joint venture transactions and other opportunities with a view to expand the asset base of the Company.

See section 6.0 – *Strategy and Performance*.

## 10.0 CRITICAL ACCOUNTING JUDGMENTS, 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 judgements 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 and IAS 37 have been amended but are not yet effective. A description of the amendments to these Accounting Standards is provided in note 2 of the Interim Financial Statements.

## 12.0 INCOME TAX

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

### 13.0 SHARE CAPITAL: common shares, warrants and stock options

Activity in the Company's equity accounts is more fully described in note 8 of the Interim Financial Statements for the nine months ended September 30, 2021.

Changes in issued share capital during the year ended December 31, 2020, and the nine months ended September 30, 2021 were as follows:

The following table reflects the common shares activity during the year ended December 31, 2020 and the nine months ended September 30, 2021:

	Number of common shares	Amount
<b>Balance, December 31, 2019</b>	<b>80,370,824</b>	<b>\$9,540,406</b>
Private placements (i)	12,500,000	500,000
Less: share issue costs	—	(23,149)
Warrants issued (ii)	—	(232,704)
Exercise of warrants	1,982,400	172,815
<b>Balance, December 31, 2020</b>	<b>94,853,224</b>	<b>\$9,957,368</b>
Private placements (ii)(v)	44,538,943	3,252,270
Less: share issue costs	—	(178,851)
Shares issued for acquisitions (iii)(v)	35,908,224	4,612,893
Warrants issued (ii)	—	(408,396)
Exercise of warrants	688,250	88,218
Exercise of stock options	1,700,000	194,576
Deferred flow-through premium	—	(67,272)
<b>Balance, September 30, 2021</b>	<b>177,688,541</b>	<b>\$17,450,806</b>

The following table reflects the warrants issued and outstanding at September 30, 2021:

Date of issue	Expiry date	Exercise price	Number of warrants	Remaining life (years)
August 21, 2020	August 21, 2022	\$0.05	12,125,000	.88
July 2, 2021	July 2, 2023	\$0.15	114,926	1.75
March 18, 2021	March 18, 2024	\$0.10	21,428,571	2.30
		<b>\$0.08</b>	<b>33,668,497</b>	

The following table reflects the stock options outstanding as of September 30, 2021:

Outstanding options	Options exercisable	Exercise price	Expiry date	Weighted average life (years)
1,975,000	1,975,000	\$0.10	August 20, 2023	2.13
2,900,000	2,900,000	\$0.06	August 28, 2025	4.16
300,000	300,000	\$0.08	February 11, 2026	4.62
250,000	250,000	\$0.12	February 14, 2026	4.63
6,175,000	6,175,000	\$0.125	March 23, 2026	4.73
1,500,000	500,000	\$0.08	August 3, 2026	4.84
<b>13,100,000</b>	<b>12,100,000</b>			

## 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, the former Chief Executive Officer of the Company resigned. Management negotiated a settlement of four months’ base salary as severance.
- (iv) Effective January 25, 2021, the Company engaged Chad Williams to serve as Executive 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 Service 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 November 29, 2021, the number of common shares outstanding or issuable pursuant to option and warrant entitlements is as follows:

As at	Common Shares	Warrants	Stock Options	Fully Diluted
December 31, 2020	94,853,224	18,995,596	6,575,000	120,423,820
September 30, 2021	177,688,641	33,668,497	13,100,000	224,457,138
<b>November 26, 2021</b>	<b>177,688,641</b>	<b>33,668,497</b>	<b>13,100,000</b>	<b>224,457,138</b>

## 16.0 CONTROLS

### 16.1 INTERNAL CONTROLS OVER FINANCIAL REPORTING

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.

## 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](http://www.honeybadgersilver.com).