HONEY BADGER
SILVER INC.

Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

(*Expressed in Canadian Dollars*)

Jones & O'Connell LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

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Independent Auditor's Report

To the Shareholders of Honey Badger Silver Inc.

Opinion

We have audited the consolidated financial statements of **Honey Badger Silver Inc.** ("the Company"), which comprise the consoldiated statement of financial position as at December 31, 2022 and the consolidated statement of loss and comprehensive loss, consolidated statement of changes in shareholders' equity (deficit) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of **Honey Badger Silver Inc.** as at December 31, 2022 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter - Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which indicates that the Company has not commenced commercial operations and therefore has no source of income and has net comprehensive loss for the year of $1,636,801 and accumulated deficit of $22,005,308. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2 indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Evaluation of Material Uncertainty Related to Going Concern

Description of the matter

We draw attention to Note 2 to the financial statements. At each reporting date, the Company assesses its ability to continue as a going concern. Whether the Company is able to continue as a going concern is a significant management judgment.

Why the matter is a key audit matter

We identified the evaluation of the Company's ability to continue as a going concern as a key audit matter. This matter represented an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter included the following:
We evaluated the appropriateness of the Company's key strategy to resolve the situation given the current financial position and cash flows from operations.

To the Shareholders of Honey Badger Silver Inc. (Continued)

Key Audit Matters (Continued)

Reversal of Historical Flow-Through Provision

Description of the matter

We draw attention to Note 10 to the financial statements. At each reporting date, the Company must assess and adjust its recorded provisions to reflect management's current best estimate including the related probability in line with IAS 37. Assessments of such are considered a significant management judgment.

Why the matter is a key audit matter

We identified the evaluation of the Company's historical provision as a key audit matter. This matter represented an area of higher assessed risk of material misstatement, which required significant auditor judgment in the evaluation of the results of our procedures.

How the matter was addressed in the audit

The primary procedure we performed to address this key audit matter included the following:

We evaluated the appropriateness and probability of the funds required for shareholder indemnification in relation to the historical short-falls on previously renounced flow-through financings.

Other Matter

The consolidated financial statements of **Honey Badger Silver Inc.** for the year ended December 31, 2021, were audited by another auditor who expressed an unmodified opinion on those statements on May 2, 2022.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for other information. Other information comprises the information included in Management’s Discussion and Analysis filed with the relevant Canadian Securities Commissions. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors’ report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

To the Shareholders of Honey Badger Silver Inc. (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

As a part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identity and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as a fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities with the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter, or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wayne O'Connell.

Jones & O'Connell LLP

Jones & O'Connell LLP
Chartered Professional Accountants
Licensed Public Accountants
St. Catharines, Ontario
April 26, 2023

Jones & O'Connell LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

HONEY BADGER SILVER INC.

Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at December 31,	Note	2022	2021
Assets			
Current assets			
Cash and cash equivalents	5	**$544,478**	$2,143,956
Marketable securities	6	**32,613**	114,148
Taxes and other receivables		**34,443**	152,402
Prepaid expenses		**27,443**	30,531
Total Assets		**$638,977**	$2,441,037
Liabilities and Shareholders' Equity			
Current liabilities			
Accounts payable and accrued liabilities	8, 12	**$307,086**	$357,992
Flow-through share premium liability	9	**—**	27,450
Flow-through provision	10	**—**	298,031
Total Liabilities		**$307,086**	$683,473
Shareholders' Equity			
Share capital	11	**$17,056,261**	$17,056,261
Warrants	11	**858,442**	1,086,664
Contributed surplus	11	**4,422,496**	3,983,146
Accumulated deficit		**(22,005,308)**	(20,368,507)
Total Shareholders' Equity		**$331,891**	$1,757,564
Total Liabilities and Shareholders' Equity		**$638,977**	$2,441,037

Nature of Operations and Going Concern (notes 1,2)
Commitments (note 14)
Subsequent events (note 16)

Approved on behalf of the Board of Directors:

(Signed) "Chad Williams" — Director

(Signed) "John Hill" — Director

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

Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian dollars)

	Note	For the years ended December 31, 2022	2021
Expenses			
Exploration expenditures	7	**$634,015**	$4,902,140
Management fees	12	**473,700**	527,601
Investor relations and business development		**339,185**	313,683
Professional and consulting fees		**102,070**	224,515
Regulatory and transfer agent fees		**68,546**	107,583
General and administrative		**60,258**	60,386
		$1,677,774	$6,135,908
Share-based compensation	11	**211,128**	861,889
Loss before under-noted items:		**$1,888,902**	$6,997,797
Reversal of flow-through provision	10	**(298,031)**	—
Unrealized loss on marketable securities	6	**81,535**	309,781
Gain on flow-through premium	9	**(27,450)**	(56,640)
Interest income		**(9,228)**	(4,340)
Foreign exchange loss		**1,073**	(20)
Loss and comprehensive loss		**$(1,636,801)**	$(7,246,578)
Loss per share - basic and diluted		**$(0.05)**	$(0.27)
Weighted average number of common shares outstanding – basic and diluted [1]		**31,173,446**	26,675,178

[1] Reflects a share consolidation of 1 new share for every 5.7 old shares that became effective on January 20, 2023.

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

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the years ended December 31, **2022**	2021
Operating activities		
Loss for the year	**$(1,636,801)**	$(7,246,578)
Items not affecting cash:		
Shares issued for properties	**—**	4,601,858
Share-based compensation	**211,128**	861,889
Unrealized gain (loss) on marketable securities	**81,535**	309,781
Reversal of flow-through provision	**(298,031)**	—
Gain on flow-through premium	**(27,450)**	(56,640)
Net change in non-cash working capital items:		
Taxes and other receivables	**117,959**	(27,976)
Prepaid expenses	**3,088**	(86,327)
Accounts payable and accrued liabilities	**(50,906)**	247,701
Net cash used in operating activities	**$(1,599,478)**	$(1,396,292)
Financing activities		
Proceeds from private placement	**—**	3,252,270
Share issue costs	**—**	(95,497)
Proceeds from the exercise of warrants	**—**	97,750
Proceeds from the exercise of options	**—**	50,075
Net cash provided by financing activities	**$—**	$3,304,598
Change in cash and cash equivalents	**$(1,599,478)**	$1,908,306
Cash and cash equivalents, beginning of year	**2,143,956**	236,650
Cash and cash equivalents, end of year	**$544,478**	$2,143,956

Supplemental cash flow information:

Finder warrants issued in connection with private placements (note 11)	**$—**	$1,864
Income tax paid	**$—**	$—
Interest paid	**$—**	$—

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

HONEY BADGER SILVER INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(Expressed in Canadian dollars)

	Share Capital		Reserves		Shareholder Equity	
	Common Shares	Share Capital	Warrants	Contributed Surplus	Accumulated Deficit	Total
	#	$	$	$	$	$
Balance at December 31, 2020	**94,853,224**	**9,957,368**	**635,247**	**2,849,201**	**(13,121,929)**	**319,887**
Shares issued for private placements	44,538,941	3,252,270	—	—	—	**3,252,270**
Share issue costs	—	(95,497)	—	—	—	**(95,497)**
Shares issued for claims acquisitions	35,908,224	4,601,858	—	—	—	**4,601,858**
Warrants issued	—	(858,443)	858,443	—	—	**—**
Expiry of warrants	—	—	(368,883)	368,883	—	**—**
Exercise of warrants	688,250	88,218	(38,143)	—	—	**50,075**
Exercise of options	1,700,000	194,577	—	(96,827)	—	**97,750**
Deferred flow-through premium	—	(84,090)	—	—	—	**(84,090)**
Share-based compensation	—	—	—	861,889	—	**861,889**
Loss for the year	—	—	—	—	(7,246,578)	**(7,246,578)**
Balance at December 31, 2021	**177,688,639**	**17,056,261**	**1,086,664**	**3,983,146**	**(20,368,507)**	**1,757,564**
Expiry of warrants	—	—	(228,222)	228,222	—	**—**
Share-based compensation	—	—	—	211,128	—	**211,128**
Loss for the year	—	—	—	—	(1,636,801)	**(1,636,801)**
Balance at December 31, 2022	**177,688,639**	**17,056,261**	**858,442**	**4,422,496**	**(22,005,308)**	**331,891**

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

1. Nature of Operations

Honey Badger Silver Inc. ("Honey Badger" or the "Company") was incorporated in Ontario, in 1992. The Company's corporate office is located at 401 Bay Street, Suite 2704, Toronto, Ontario M5H 2Y4 and its common shares are traded on the TSX Venture Exchange ("TSXV") under the symbol "TUF" and on the OTCQB Market Exchange under the trading symbol "HBEIF".

Honey Badger is engaged in identifying, evaluating, acquiring, and exploring silver-based and other metals-based assets, including high-grade properties, and projects with existing mineral resources/reserves and cash-flowing metal royalties and streams. The Company has several projects in Canada and a pending acquisition in Chile, South America. See note 7 – *Exploration and Evaluation Expenditures ("E&E")*.

2. Going Concern

The accompanying consolidated financial statements for the years ended December 31, 2022, and 2021 ("Annual Financial Statements") have been prepared on a going concern basis of presentation, which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company has not commenced commercial operations and therefore has no source of income except for interest income earned on interest-bearing investments. For the year ended December 31, 2022, the Company had a loss of $1,636,801 (2021 – $7,246,578) and an accumulated deficit of $22,005,308 (December 31, 2021 – $20,368,507).

These Annual 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 Annual Financial Statements. In assessing whether the going concern assumption is appropriate, management ("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.

Although the Company has taken steps to verify title to the exploration and evaluation properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property titles may be subject to government licensing requirements or regulations, social licensing requirements, unregistered prior agreements, unregistered claims, aboriginal claims, and non-compliance with regulatory and environmental requirements. The Company's assets may also be subject to increases in taxes and royalties, renegotiation of contracts, expropriation of properties, and political uncertainty.

Working capital at December 31, 2022 is $331,891 (December 31, 2021 - $1,757,564). Management believes it has sufficient funding to meet the ongoing general and administrative expenses incurred to maintain operations for the short term. However, depending on exploration results and the Company's plans for future acquisitions, the Company may need to raise additional funds, through the issuance of equity or debt. Although the Company has been successful in raising funding to date there can be no assurance that adequate or sufficient funding will be available in the future, or available under terms acceptable to the Company. In the event the Company is unable to secure further financing, it may not be able to make additional acquisitions or advance exploration, therefore, for these reasons, there may exist material uncertainties that cast significant doubt on the ability of the Company to continue as a going concern.

3. Significant Accounting Policies

(a) Statement of compliance

These Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). IFRS comprise IFRSs, International Accounting Standards ("IAS"), and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"s) and the former Standing Interpretations Committee ("SIC"s).

These Annual Financial Statements were authorized for issue by the Board of Directors on April 26, 2023.

(b) Basis of presentation

These Annual Financial Statements have been prepared on a historical cost basis except for certain financial instruments that have been measured at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

(c) Basis of consolidation

These Annual Financial Statements include the accounts of the Company, and its wholly owned subsidiaries 606596 Alberta Ltd., The Thunder Bay Silver & Cobalt Corp., Silver Storm Royalties Inc. (formerly 2815210 Ontario Limited), Honey Badger Silver (Nunavut) Ltd. and Honey Badger Chile, SpA., all of which are not active and have no assets in the current or prior period. All intercompany balances and transactions have been eliminated.

Controls exist when the Company has the power, directly or indirectly to govern the financial and operating policies or an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(d) Foreign currencies

The presentation and functional currency of the Company and its subsidiaries is the Canadian dollar.

(e) Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash equivalents have maturities of three months or less at the date of acquisition. Interest earned is included in finance income on the statement of loss and comprehensive loss.

(f) Mineral properties and exploration expenditures

The Company expenses all costs relating to the acquisition and exploration of mineral claims. 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.

(g) Asset retirement obligation

IAS 37 - *Provisions, Contingent Liabilities, and Contingent Assets*, provides guidance relating to asset retirement obligations. An obligation to incur restoration, rehabilitation, and environmental costs arises when an environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and charged to expenses as an exploration cost, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. The related liability is adjusted each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount, or timing of the underlying cash flows needed to settle the obligation.

As at December 31, 2022 and 2021, the Company had no asset retirement obligations.

(h) Flow-through shares

The Company will from time to time, issue flow-through common shares to finance a significant portion of its exploration program. Pursuant to the terms of the flow-through share agreements, these shares transfer the tax deductibility of qualifying resource expenditures to investors. On issuance, the Company bifurcates the flow-through share into i) a flow-through share premium, equal to the estimated premium, if any, investors pay for the flow-through feature, which is recognized as a liability, and ii) share capital. Upon expenditures being incurred, the Company derecognizes the liability and recognizes a gain on flow-through premium for the amount of tax reduction renounced to the shareholders.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures. The Company may also be subject to a Part XII.6 tax on flow-through proceeds renounced under the 'Look-back Rule', in accordance with Government of Canada flow-through regulations. When applicable, this tax is accrued as a financial expense until paid.

(i) Share capital

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares and share purchase warrants are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash, are valued based on their market value at the date the shares are issued.

Proceeds received on the issuance of units, consisting of common shares and share purchase warrants, are allocated to common shares and warrants reserve on a relative fair value basis whereby the common shares are valued based on the quoted market price of the common shares at the time the units are issued, and the share purchase warrants are valued using the Black-Scholes option pricing model. The fair value of the warrants upon issuance is reflected in the reserve for warrants account until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.

(j) Income taxes

Income tax expense consists of current and deferred tax expenses. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in loss and comprehensive loss depending on the item to which the adjustment relates.

The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

Deferred tax assets are recognized to the extent that future recovery is probable. At each reporting period end, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all or part of the asset to be recovered.

(k) Share-based payment transactions

The Company stock option plan (“SOP”) allows the Company’s employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value is measured at the grant date and each tranche is recognized on a graded-vesting basis over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each period end, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

In situations where equity instruments are granted to non-employees and some or all goods and services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payments. Otherwise, share-based payments are measured at the fair value of goods or services received.

In situations where shares are issued for acquisitions, the fair value of the shares is based on market value at the time of the issuance of shares.

(l) Loss per share

The Company presents the basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

(m) New standards adopted by the Company

Certain pronouncements have been issued by the IASB or the IFRIC that are effective for accounting periods on or after January 1, 2022. The Company has reviewed these updated standards and determined that none of these updates are applicable or consequential to the Company and have been excluded from discussion within these Annual Financial Statements.

(n) New standards not yet adopted by the Company

Future accounting policies

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.

(o) Financial Instruments

The Company provides information about its financial instruments measured at fair value at one of three levels according to the relative reliability of the inputs used to estimate the fair value:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Non-derivative financial assets and liabilities

Recognition

The Company recognizes financial assets and financial liabilities on the date the Company becomes a party to the contractual provisions of the instruments.

Classification

The Company classifies its financial assets and financial liabilities using the following measurement categories:

(a) Those to be measured subsequently at fair value (either through other comprehensive income (loss) or through profit or loss); and

(b) Those to be measured at amortized cost.

The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at fair value through profit or loss (an irrevocable election at the time of recognition). For assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income (loss).

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

The Company's marketable securities are classified as FVTPL. Marketable securities held in companies with an active market are classified as current assets at fair value. Marketable securities held in non-public companies without an active market are classified as non-current assets and are valued at fair value. In situations where fair value is indeterminable or impracticable to determine, the shares are recorded at cost. This may occur when non-public company shares are received as payment for mineral property interests.

In such situations, cost is determined by reference to the issue price of similar shares issued by the non-public entity for cash, at or near the time of issue of the investment shares, and in similar volumes. When, at future measurement dates fair value is still indeterminable, or impracticable, cost is used as the measure of fair value.

Cash and cash equivalents and reclamation deposits are classified as FVTPL and are accounted for at fair value. Cash equivalents include highly liquid investments with original maturities of three months or less, and which are subject to an insignificant risk of change in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Other receivables are classified as financial assets at amortized cost.

(ii) Derivative financial assets

Warrants are classified as derivative financial assets and are recorded at FVTPL. Warrants without an active market that are received as attachments to common share units are valued at measurement date using a valuation technique, such as the Black-Scholes option pricing model, which is equal to the higher of the market value of the underlying security, less the exercise price of the warrant, or zero.

(iii) Other financial liabilities

The Company has the following other financial liabilities: accounts payable and accrued liabilities.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of financial statements in accordance with IFRS requires Management to make judgments, 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. Judgments, 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 consolidated financial statements requires Management to make judgments regarding the going concern of the Company as previously discussed in note 2 – *Going Concern*.

• Income taxes and the recovery of deferred taxes – the measurement of income taxes payable and deferred income tax assets and liabilities requires Management to make judgments in the interpretations and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of consolidated financial statements.

• Deferred flow-through premium estimates – recorded costs of flow-through share premium liabilities reflect premiums received by the Company on the issue of flow-through shares. The premium is subject to measurement uncertainties and requires the Company to assess the value of non-flow-through shares. The determination is subjective and does not necessarily provide a reliable single measure of the fair value of the premium liability.

• Share-based compensation – estimating fair value for granted stock options requires determining the most appropriate valuation model which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility, dividend yield, and rate of forfeitures and making assumptions about them. The value of the share-based payment expense for the period along with the assumptions and model used for estimating fair value for share-based compensation transactions are disclosed in note 11(c) - *Stock Options*.

• Warrants – The Company may issue units in their financings, comprised of common shares and common share purchase warrants. The fair value of the warrants issued on the closing is estimated, and reflected in the reserve for warrants account until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to contributed surplus.

5. Cash and Cash Equivalents

As at December 31, 2022 and 2021, cash and cash equivalents were held as follows:

At December 31,	**2022**	2021
Cash deposits	**$44,478**	$629,666
Term deposits	**$500,000**	$1,514,290
	$544,478	$2,143,956

During the year ended December 31, 2022, the Company invested $500,000 (2021 - $1,500,000) in an interest-bearing, redeemable, guaranteed investment certificate. Accrued interest income in the amount of $9,228 (2021 - $4,340) has been recorded on the statement of profit and loss, as interest income.

6. Marketable Securities

At the end of each reporting period, Management revalues the fair value of the marketable securities held at period end, using the closing price of the marketable securities, as reported on the TSXV. For the year ended December 31, 2022, the Company recorded an accumulated, unrealized loss of $81,535 (2021 - $309,781) using this pricing mechanism.

The following sets out the changes to marketable securities during the years ended December 31, 2022 and 2021:

	Marketable securities
Balance – December 31, 2020	**$423,929**
Unrealized gain on marketable securities	(309,781)
Balance – December 31, 2021	**$114,148**
Unrealized loss on marketable securities	(81,535)
Balance – December 31, 2022	**$32,613**

7. Exploration and Evaluation Expenditures ("E&E")

Yukon Silver Properties

On June 4, 2021, the Company acquired the rights, title and 100% interest in three advanced, silver-focused properties located in southeast and south-central Yukon, Canada (the “Acquisition”), from Strategic Metals Ltd. (“Strategic Metals”). The properties are comprised of Plata, Groundhog, and Hy. Consideration for 100% interest in the properties was the issuance of 34,804,718 common shares, valued at $0.13 per common share, for a total value of $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).

(iv) *Clear Lake*

On March 29, 2022, the Company completed the acquisition of a 100% interest in a deposit in the Whitehorse Mining District of the Yukon (“Clear Lake”). Total consideration for Clear Lake was $250,000 cash and the grant of a 1% Net Smelter Royalty (“NSR”) on all metals other than silver.

<u>Thunder Bay, Ontario Properties</u>

Thunder Bay Silver & Cobalt Corp.

On June 7, 2018, the Company acquired Thunder Bay Silver & Cobalt Corp., a private company that holds certain mineral claims in the historic Thunder Bay Silver District ("Thunder Bay"). The property is subject to a 2.5% net smelter royalty (“NSR”) which may be repurchased for $1,500,000.

On July 20, 2021, the Company acquired an 80% interest in certain additional silver properties in Thunder Bay, from Romios Gold Resources ("Romios Gold"), for the issuance of 1,103,506 common shares, valued at $77,245. The Company was also granted a right of refusal by Romios Gold on the remaining 20% interest.

Beaver Silver Property

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 a) making cash payments totaling $75,000, b) incurring exploration expenditures of $750,000 over the option period, and c) issuing common shares with a market value of $410,000 over the option period. Once the three conditions are met, the Optionor shall be granted a 2% NSR which may be repurchased by the Company for $1,000,000.

The Company is currently in default under the terms of the agreement. However, negotiations continue to enter into a new option agreement.

<u>Cachinal Project, Chile</u>

In June 2022, the Company entered into a non-binding term sheet to acquire from Aftermath Silver Ltd. its 100% interest in the Cachinal De La Sierra Silver-Gold Project, located in the Cachinal de la Sierra area in Chile's Antofagasta region. Terms of the acquisition include: a) the issuance of C$1,000,000 of the Company’s common shares and a cash payment of C$400,000 upon closing, b) future payments totaling $1,252,000 with the last instalment due 18 months after closing, c) the granting of a 1% net smelter royalty (“NSR”) with a buyback option, at the sole discretion of the Company, for C$8,500,000, and d) upon commencement of commercial production, Honey Badger shall pay in cash or shares at Aftermath’s option, C$0.50 per payable silver ounce produced at the Cachinal Project, capped at C$2,000,000 in payments.

See note 16 – *Subsequent Events*.

Nanisivik Project, Nunavut, Canada

In September 2021 certain claims were staked in Nunavut.

The following table summarizes the evaluation and exploration costs incurred by the Company for the years ended December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Yukon		
Acquisition, maintenance	**$ 270,968**	$4,524,613
E&E	**178,360**	210,546
	449,328	4,735,159
Thunder Bay		
Acquisition, maintenance	**54,037**	146,981
E&E	**–**	20,000
	54,037	166,981
Nunavut		
Acquisition, maintenance	**13,590**	–
E&E	**2,304**	–
	15,894	–
Chile		
Acquisition, maintenance	**–**	–
E&E	**111,118**	–
	111,118	–
Other		
Acquisition, maintenance	**3,639**	–
E&E	**–**	–
	3,639	–
	$634,015	$4,902,140

8. Accounts Payable and Accrued Liabilities

Current liabilities comprise the following:

As at December 31,	**2022**	2021
Accounts payable	**$280,593**	$323,712
Accrued liabilities	**26,493**	34,280
	$307,086	$357,992

9. Flow-through Share Premium and Liability

The flow-through shares issued pursuant to the July 2021 FT Offering were issued at a premium to the then-market trade price, in recognition of the tax benefits accruing to the subscribers of the Offering. Accordingly, a total of $84,090 was recorded as a liability on the statement of financial position. During the year ended December 31, 2022, the Company incurred $82,352 of qualified expenditures and a liability of $27,450 was derecognized through income as a gain on the statement of profit and loss. (2021 - the Company incurred $169,924 of qualified expenditures and a liability of $56,640 was derecognized through income as a gain on the statement of profit and loss).

Balance, December 31, 2020	**$—**
Liability incurred on flow-through shares issued	**84,090**
Flow-through share premium recognized	(56,640)
Balance, December 31, 2021	**$27,450**
Flow-through share premium recognized	(27,450)
Balance, December 31, 2022	**$—**

10. Flow-through Provision

During audits conducted for the years 2010 and 2014, it was determined that the Company may continue to have a shortfall on previously renounced flow-through financings and accordingly, the Company recorded a provision for shareholder identification.

IAS 37 paragraph 59 allows that provisions such as these shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. As at December 31, 2022, the Company believes it is no longer probable that an outflow of resources embodying economic benefits will be required to settle these obligations and accordingly has reversed the historic provision.

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

Balance-December 31, 2021	**$298,031**
Recovery of provision for	(298,031)
Balance-December 31, 2022	**$—**

11. Share Capital

a) Common shares

The authorized share capital consists of an unlimited number of common shares (issued 177,688,639 common shares) having no par value. All issued shares are fully paid for.

(i) On March 18, 2021, the Company closed a non-brokered private placement that resulted in the issuance of 42,857,143 units ("March 2021 Units") for aggregate gross proceeds of $3,000,000 (the "March 2021 Offering"). Each March 2021 Unit was priced at $0.07 and consists of one Common Share in the capital of the Company and one-half of one Common Share purchase warrant (the "March 2021 Warrants"). Each whole March 2021 Warrant entitles the holder to acquire one Common Share at price of $0.10 per share, for a period of three years. A relative fair value of $856,579 using the Black-Scholes pricing model was assigned to the March 2021 Warrants.

(ii) On June 8, 2021, the Company issued 34,804,718 Common Shares to Strategic Metals at $0.13 per Common Share for a total value of $4,524,613, to acquire the rights, title and interest in three silver-focused properties located in southeast and south-central Yukon, Canada.

(iii) On July 2, 2021, the Company closed a private placement that resulted in the issuance of 1,681,800 FT common shares of the Company (the "July 2021 FT Offering") at $0.15 per share for gross proceeds of $252,270. A total of 114,926 finders warrants were issued for the purchase of 114,926 Common Shares at $0.15 per Common Share, for two years from closing. The Common Shares issued in the July 2021 Offering were subject to a statutory four months and one day hold period. In relation to the July 21 FT Offering, a flow-through liability of $84,090 was recognized for the premium paid by the subscribers for the tax benefits attached to the Common Shares.

(iv) On July 26 2021, the Company issued 1,103,506 Common Shares valued at $77,245 for the acquisition of certain properties situated in the Thunder Bay Silver District, from Romios Gold Resources Inc.

(v) During the year ended December 31, 2022, there were no share issuances.

b) Reserve for Warrants

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

(i) On March 18, 2021, the Company issued 21,428,571 Warrants in connection with the March 2021 Offering. The March 2021 Warrants have an exercise price of $0.10 and expire on March 19, 2024. A fair value of $856,579 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 0.53%; volatility of 158.41%, and an expected life of 3 years.

(ii) In relation to the July 2021 Offering, a total of 114,926 finder warrants were issued with an exercise price of $0.15. The July 2021 finder warrants expire on July 2, 2023. The fair value assigned for the 2021 finder warrants was $1,864 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.48%; volatility of 135%, and an expected life of 2 years.

(iii) During the year ended December 31, 2021, 6,182,346 warrants expired with a fair value of $368,883.

(iv) During the year ended December 31, 2021, 688,250 warrants were exercised for cash proceeds of $50,075. The fair value of $38,143 was reclassified to share capital.

(v) During the year ended December 31, 2022, 12,125,000 warrants expired with a fair value of $228,222.

(vi) See note 16 – *Subsequent Events.*

The following is the activity to warrants reserve, during the years ended December 31, 2022 and 2021:

	Number of warrants	Weighted average exercise price
Balance, December 31, 2020	**18,995,596**	**$0.08**
Issued (i)	21,428,571	0.10
Issued (ii)	114,926	0.15
Expired (iii)	(6,182,346)	(0.08)
Exercised (iv)	(688,250)	(0.07)
Balance, December 31, 2021	**33,668,497**	**$0.08**
Expired (v)	(12,125,000)	(0.05)
Balance, December 31, 2022	**21,543,497**	**$0.10**

The following table reflects the warrants issued and outstanding as at December 31, 2022:

Date of issue	Expiry date	Weighted average exercise price	Number of warrants	Remaining life (years)
July 2, 2021	July 2, 2023	$0.15	114,926	0.51
March 18, 2021	March 18, 2024	$0.10	21,428,571	1.21
		$0.10	**21,543,497**	

c) Stock Options

The Company has a stock option plan ("SOP") pursuant to which the Company's Board of Directors may grant incentive stock options to directors, officers, employees and consultants. 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 TSXV or other regulatory requirements, if any, will determine any vesting period assigned therein. 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 SOP cannot exceed 10% of the issued shares. The fair value of the share-based compensation is recognized as contributed surplus upon vesting.

(i) From February 11 to February 19, 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 $43,489 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.49%; volatility of 135%, and an expected life of 5 years.

(ii) 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 0.95%; volatility of 131%, and an expected life of 5 years.

(iii) On August 3, 2021, the Company granted a total of 1,500,000 stock options to two newly appointed directors. The options are exercisable at a price of $0.08 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was $111,951 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 0.78%; volatility of 163%, and an expected life of 5 years. To December 31, 2022, a total of $100,911 has been recorded as share-based compensation expense for the options vested to date.

(iv) On October 28, 2021, the Company granted a total of 750,000 stock options to a director of the Company. The options are exercisable at a price of $0.065 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was $38,024 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.42%; volatility of 127.41%, and an expected life of 5 years. To December 31, 2022, a total of $32,796 has been recorded as share-based compensation expense for the options vested to date.

(v) On November 1, 2021, the Company granted a total of 100,000 stock options to a consultant. The options fully vested on February 1, 2022. The options are exercisable at a price of $0.07 per share for a period of three years from the date of grant. The fair value assigned to these stock options was $5,696 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.10%; volatility of 151.55%, and an expected life of 5 years. To December 31, 2022, a total of $5,696 has been recorded as share-based compensation expense for the fully vested options.

(vi) On December 30, 2021, the Company granted a total of 4,809,800 stock options to directors, officers, employees, and consultants of the Company. The options are exercisable at a price of $0.075 per share, for a period of five years from the date of grant. These options vest 1/3 on the date of grant, 1/3 on the first anniversary of the date of grant and 1/3 on the second anniversary of the date of grant. The fair value assigned to these stock options was $303,784 and was determined using the Black-Scholes option pricing model, with the following assumptions: expected dividend yield of 0%; risk-free interest rate of 1.28%; volatility of 124.77%, and an expected life of 5 years. To December 31, 2022, a total of $253,293 has been recorded as share-based compensation expense for the options vested to date.

(vii) During the year ended December 31, 2021, a total of 1,300,000 options expired for employees/consultants no longer working for or engaged by the Company.

(viii) During the year ended December 31, 2021, 1,700,000 options were exercised for cash proceeds of $97,750 and the fair value of $96,827 was reclassified to share capital.

(ix) During the year ended December 31, 2022:
- there were no stock option grants; and
- a total of $211,128 was recorded as share-based compensation expense for the vesting of stock options previously granted in 2021.

The following is the stock option activity of the Company during the years ended December 31, 2022 and 2021:

	Number of stock options	Weighted average exercise price
Balance, December 31, 2020	**6,575,000**	**$0.06**
Granted (ii) to (vi)	13,884,800	0.10
Expired (vii)	(1,300,000)	(0.10)
Exercised (viii)	(1,700,000)	(0.06)
Balance, December 31, 2021 and 2022	**17,459,800**	**$0.09**

The following table reflects the stock options outstanding as of December 31, 2022:

Outstanding options	Options exercisable	Exercise price	Expiry date	Weighted average life (years)
675,000	675,000	$0.10	August 20, 2023	0.64
100,000	100,000	$0.07	November 1, 2024	1.85
2,900,000	2,900,000	$0.06	August 28, 2025	2.67
250,000	250,000	$0.08	February 11, 2026	3.12
300,000	300,000	$0.10	February 19, 2026	3.14
6,175,000	6,175,000	$0.125	March 23, 2026	3.23
1,500,000	1,000,000	$0.08	August 3, 2026	3.60
750,000	500,000	$0.065	October 28, 2026	3.84
4,809,800	3,206,533	$0.075	December 30, 2026	4.00
17,459,800	**15,106,533**	**$0.09**		

12. Related Party Transactions and Key Management Compensation

a) 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 years ended December 31, 2022, and 2021, the Company entered the following transactions with related parties:

(i) A corporation controlled by an Executive officer charged management fees of $300,000 (2021 - $280,000).

(ii) Since February 2021, the Company has retained Grove Corporate Services Ltd. ("Grove") to provide accounting, governance and administrative services, including those provided by the Company's Chief Financial Officer ("CFO") and Corporate Secretary, (the "Services"). From February 2021 to March 2022, Grove charged the Company $7,000 per month plus HST for the Services. Effective April 1, 2022, this rate increased to $9,450 per month plus HST. During the reporting period, Grove charged a total of $106,050 (2021 - $77,000) for the Services. Other Grove services were provided to the Company for fees of $6,798.

(iii) On June 4, 2021, the Company acquired 100% of right, title, and interest in three advanced silver-focused properties located in southeast and south-central Yukon, Canada, from Strategic Metals Ltd. ("Strategic Metals"). A director of the Company is also Chief Executive Officer, President, and a director of Strategic Metals.

(iv) A company of which a director/officer is a part owner provided an investor relations tool for a $500 monthly fee for a total of $6,000.

(v) The Company engaged a financial services firm ("Finservco") to provide market maker services. An officer of the Company is a founder and principal shareholder of Finservco and during the reporting period, Finservco charged the Company $34,500 for the services rendered.

b) Key Management Compensation Transactions

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

Years ended December 31,	**2022**	2021
Management fees[1]	**$529,200**	$683,672
Share-based compensation[2]	**175,552**	686,825
	$704,752	$1,370,497

[1] Management fees are comprised of salaries and consulting fees. During 2022, a total of $55,500 paid to the President was allocated to E&E expenditures on the statement of loss. During 2021, Management fees included a severance payment of $113,424 paid to a former CEO and a total of

$42,647 paid to the President was allocated to E&E expenditures.

(2) Represents the FV expense of the stock options that vested during the period, to Key Management Personnel. No new options were granted during the period.

At December 31, 2022, a total of $98,819 (December 31, 2021 -$174,737) is included in accounts payable for unpaid management and consulting fees, reimbursement expenses and E&E. These transactions were conducted in the normal course of operations.

13. Income Taxes

(a) The reconciliation of income tax provision completed at statutory rates to the reported income tax provision is as follows:

Years ended December 31,	**2022**	2021
Loss for the year	**$(1,636,801)**	$(7,246,578)
Income tax expense at statutory rates	**(433,752)**	(1,957,000)
Non-deductible expenditures	**63,305**	257,000
Impact of flow-through shares	—	68,000
Share issue costs	—	(26,000)
Change in unrecognized deductible temporary differences	**370,447**	1,636,000
Adjustment to prior years' provision versus statutory tax returns	—	22,000
Income tax expense (recovery)	**$—**	$—

(b) The significant components of the Company's temporary differences, unused tax credits, and unused tax losses that have not been included in the consolidated statement of financial position are as follows:

	2022		2021	
	$		$	
Mineral properties	9,246,788	no expiry	8,396,000	no expiry
Investment tax credit	37,195	2035	37,000	2035
Property and equipment	933	no expiry	1,000	no expiry
Share issue costs	67,146	2040 to 2046	118,000	2040 to 2045
Allowable capital losses	242,381	no expiry	242,000	no expiry
Marketable securities	291,683	no expiry	210,000	no expiry
Non-capital losses available for future periods	6,406,754	2026 to 2042	5,582,000	2026 to 2041

Tax attributes are subject to review, and potential adjustment by tax authorities.

14. Commitments and Contingencies

(i) On December 31, 2022, the Company has renewable agreements for management services, with two senior officers (the "Executives"). The base salaries of the Executives range from $12,500 to $25,000 per month. The contracts contain standard termination clauses (without cause) and payout clauses for change of control. The Executives are also eligible for certain success fees and stock option grants, at the discretion of the Board of Directors.

(ii) Effective April 1, 2022, Grove provides monthly corporate services as described in note 10. At that date the fees paid for the Services increased from $7,000 to $9,450 per month. The Company may terminate the services of Grove for any reason other than cause, on ninety (90) days written notice, on the last day of any given calendar month. In lieu of notice as defined herein, the Company may elect to pay to Grove on the date of termination an amount equal to three (3) months' fees.

(iii) In order to maintain the Company's property interests and claims in good standing, certain claims fees and/or work expenditures must be incurred. For NSRs related to the Company's properties see notes 7 – *Exploration and Evaluation Expenditures* and 16 – *Subsequent Events*.

(iv) The Company has advisory agreements with certain consultants that advise Management as to leads and analysis of potential merger and acquisition targets and other business opportunities.

15. Capital management

The Company considers its capital to be comprised of share capital, warrants reserve, contributed surplus, and accumulated deficit which, at December 31, 2022, totaled $331,891 (December 31, 2021 - $1,757,564).

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 carry out its planned exploration activities is uncertain and dependent upon securing additional financing.

Financial Instrument Risk Factors

Financial instruments are exposed to certain financial risks, which may include credit risk, liquidity risk and market risks.

The following disclosures 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:

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 receivables related to sales taxes have negligible counterparty default risk.

b) Liquidity risk

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

As at December 31, 2022, the Company had a cash balance of $544,478 (December 31, 2021 – $2,143,956) to settle current accounts payable and accrued liabilities of $307,086 (December 31, 2021 – $357,992). The Company has also recorded a flow-through share liability of $nil (December 31, 2021 - $27,450) which was recorded and derecognized as a non-cash item. As exploration expenses are incurred, this liability is reduced by the amount expended. See note 9 – *Flow-through Share Premium and Liability*.

Depending on the cash required for future operations, the Company may have to raise additional capital and while the Company has been successful in obtaining required funding in the past to meet its financial obligations, 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 risk is the sensitivity of the fair value 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-based 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 are subject to variable foreign exchange rates and as such the Company is not subject to currency risk.

16. Subsequent Events

(i) On February 14, 2023, the Company signed a Definitive Agreement for the Purchase of the Cachinal, Chile Project from Aftermath. See note 7 – *Exploration and Evaluation Expenditures*. The consideration payable to Aftermath will be comprised of the following: (a) an aggregate of 3,508,771 common shares of Honey Badger ("Honey Badger Shares"), at a deemed price per share of $0.285 (being C$1,000,000 in share consideration); (b) C$652,000 in cash payable at closing; and (c) additional cash payments as follows: C$200,000 on or before by May 31, 2023, C$400,000 on or before March 31, 2024, and C$400,000 on or before September 30, 2024. The additional cash payments will be evidenced by a promissory note issued at closing (the "Promissory Note"), and the obligations thereunder will be secured by a pledge over the shares of the Chilean entity which holds the Cachinal Project. The Promissory Note will provide the Company with the option, subject to regulatory approval, to satisfy payments by issuing additional Honey Badger Shares at a deemed price per share equal to the greater of: (a) the 30 trading-day volume weighted average price of the Honey Badger Shares on the TSXV (the "VWAP"); or (b) the maximum permitted discount permitted under the policies of the TSXV; provided that the Company will not be able to issue Honey Badger Shares in satisfaction of amounts owing if its 30 trading-day VWAP is less than C$0.05. The Company has also agreed to grant certain royalties to Aftermath, namely: (i) a 1% net smelter returns (“NSR”) royalty; the Company may buy back this NSR for C$8,500,000 and (ii) a production payments royalty (“PPR”) upon commencement of commercial production at Cachinal; the PPR is payable, in cash or shares at Aftermath's option, being payable at C$0.50 per silver ounce produced at the Cachinal Project, until an aggregate of C$2,500,000 has been paid, at which point the PPR will terminate. Closing of the acquisition of the Cachinal Project remains subject to customary closing conditions, including approval by the TSX Venture Exchange.

(ii) On January 20, 2023, a previously announced consolidation of the Company’s common shares took effect. A resolution to consolidate Honey Badger’s common shares on the basis of one post-consolidation common share for every 5.7 pre-consolidation common shares issued and outstanding was previously approved by the shareholders, at the Company’s annual general and special meeting held on December 15, 2022. The issued and outstanding common shares post-consolidation is 31,173,621. Further, options and warrants issued and outstanding have also been reduced on the same 5.7 ratio basis.

(iii) On April 11, 2023, the Company completed the first tranche of a previously announced non-brokered hard dollar and flow-through private placement for aggregate gross proceeds of $986,000 (the "April Offering"). All dollar amounts are in Canadian funds. The hard dollar component of the April Offering involved the sale of 5,256,668 units ("HD Units") at a price of $0.15 per HD unit for gross proceeds of $788,500. Each HD Unit consists of one common share of the Company and one-half of a common share purchase warrant, with each whole warrant entitling the holder to acquire one common share of the Company at a price of $0.18 for a period of 36 months from the date of closing. The flow-through component of the April Offering involved the sale of 1,234,375 units ("FT Units") at a price of $0.16 per FT unit for aggregate proceeds of $197,500. Each FT Unit will consist of one common share of the Company and one-half of a common share purchase warrant, with each whole warrant having the same terms as the warrants sold in the hard dollar offering. All securities issued pursuant to the April Offering are subject to a four-month statutory hold period under Canadian securities laws.