Hercules Silver Corp.

Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management of Hercules Silver Corp.

The Company's independent auditor has not performed a review of these unaudited condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Hercules Silver Corp.
Unaudited Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

	As at September 30, 2023	As at December 31, 2022
	$	$
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**2,593,123**	1,802,284
Sales tax recoverable (Note 5)	**213,483**	141,106
Prepaid expenses (Note 6)	**512,572**	32,183
Total Current Assets	**3,319,178**	1,975,573
Investment (Note 7)	**340,425**	-
Property and equipment (Note 8)	**37,807**	-
Total Assets	**3,697,410**	1,975,573
Liabilities		
Accounts payable and accrued liabilities (Notes 9 and 11)	**1,344,806**	517,209
Total Liabilities	**1,344,806**	517,209
Shareholders' Equity		
Share capital (Note 10)	**18,299,306**	12,731,456
Warrant reserve (Note 12)	**2,228,108**	1,102,784
Options reserve (Note 13)	**713,936**	545,222
RSU reserve (Note 14)	**205,842**	126,641
Accumulated other comprehensive loss	**(7,417)**	-
Accumulated deficit	**(19,087,171)**	(13,047,739)
Total Shareholders' Equity	**2,352,604**	1,458,364
Total Liabilities and Shareholders' Equity	**3,697,410**	1,975,573

Nature of operations and going concern (Note 1)
Contingencies (Note 21)
Subsequent events (Note 23)

Approved on behalf of the Board of Directors:

"Christopher Paul"
Christopher Paul, Director

"Peter Simeon"
Peter Simeon, Director

Hercules Silver Corp.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Nine Months ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

	Three Months ended		Nine Months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
Expenses				
Exploration and evaluation expenditures (Notes 15)	**3,637,348**	221,477	**4,739,703**	437,631
General and administrative (Note 16)	**178,173**	330,039	**571,339**	813,981
Share-based compensation (Notes 13, 14 and 15)	**242,377**	428,718	**533,735**	740,057
Professional fees (Note 15)	**82,059**	(15,742)	**249,273**	302,223
Foreign exchange loss	**20,390**	59,554	**108,783**	82,658
Property option payment (Note 17)	**67,285**	-	**67,285**	-
Depreciation expense (Note 8)	**3,204**	-	**5,173**	-
Dividend and interest income (Note 4)	**(49,775)**	(162)	**(86,139)**	(268)
Total Expenses	**(4,181,061)**	(1,023,884)	**(6,189,152)**	(2,376,282)
Net Loss	**(4,181,061)**	(1,023,884)	**(6,189,152)**	(2,376,282)
Other Comprehensive Loss				
Exchange loss on translation of foreign operations	**(9,436)**	-	**(7,417)**	-
Comprehensive Loss	**(4,190,497)**	(1,023,884)	**(6,196,569)**	(2,376,282)
Net Loss per Share – Basic and Diluted (Note 11)	**(0.022)**	(0.007)	**(0.036)**	(0.018)
Weighted Average Number of Outstanding Shares - Basic and Diluted (Note 11)	**187,833,598**	148,329,925	**173,521,834**	129,737,331

The accompany notes are an integral part of these unaudited condensed interim consolidated financial statements

Hercules Silver Corp.
Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Warrants Reserve	Share-Based Payments Reserve	Restricted Share Units Reserve	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	#	$	$	$	$	$	$	$
Balance, December 31, 2021	**113,867,063**	**10,913,815**	**278,832**	**256,647**	**80,022**	**-**	**(9,779,409)**	**1,749,907**
Issuance of units from private placement (Notes 10 and 12)	30,666,666	1,450,886	849,114	-	-	-	-	2,300,000
Share issuance costs (Notes 10 and 12)	-	(42,995)	(25,162)	-	-	-	-	(68,157)
Issuance of shares on vesting of RSUs (Notes 10 and 14)	4,650,000	387,250	-	-	(387,250)	-	-	-
Share-based compensation (Notes 13 and 14)	-	-	-	336,283	403,774	-	-	740,057
Expiry and cancellation of options (Note 13)	-	-	-	(26,994)	-	-	26,994	-
Net loss for the period	-	-	-	-	-	-	(2,376,282)	(2,376,282)
Balance, September 30, 2022	**149,183,729**	**12,708,956**	**1,102,784**	**565,936**	**96,546**	**-**	**(12,128,697)**	**2,345,525**
Balance, December 31, 2022	**149,433,729**	**12,731,456**	**1,102,784**	**545,222**	**126,641**	**-**	**(13,047,739)**	**1,458,364**
Issuance of units from private placement (Notes 10 and 12)	28,750,000	4,360,598	1,389,402	-	-	-	-	5,750,000
Share issuance costs (Notes 10 and 12)	-	(639,968)	(203,911)	-	-	-	-	(843,879)
Issuance of broker warrants from private placement (Note 12)	-	-	252,251	-	-	-	-	252,251
Issuance of shares on vesting of RSUs (Notes 10 and 14)	1,250,000	112,500	-	-	(112,500)	-	-	-
Issuance of shares on exercises of warrants (Notes 10 and 12)	6,217,260	1,293,650	(162,698)	-	-	-	-	1,130,952
Issuance of shares on exercises of options (Notes 10 and 13)	2,775,000	441,070	-	(173,320)	-	-	-	267,750
Share-based compensation (Notes 13 and 14)	-	-	-	342,034	191,701	-	-	533,735
Expiry of warrants (Note 12)	-	-	(149,720)	-	-	-	149,720	-
Exchange differences on translating foreign operations	-	-	-	-	-	(7,417)	-	(7,417)
Net loss for the period	-	-	-	-	-	-	(6,189,152)	(6,189,152)
Balance, September 30, 2023	**188,425,989**	**18,299,306**	**2,228,108**	**713,936**	**205,842**	**(7,417)**	**(19,087,171)**	**2,352,604**

The accompany notes are an integral part of these unaudited condensed interim consolidated financial statements

Hercules Silver Corp.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three and Nine Months ended September 30, 2023 and 2022
(Expressed in Canadian dollars)

	Three Months ended		Nine Months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
Operating Activities				
Net loss for the period	**(4,181,061)**	(1,023,884)	**(6,189,152)**	(2,376,282)
Items not affecting cash:				
Depreciation (Note 8)	**3,204**	-	**5,173**	-
Share-based compensation (Notes 13 and 14)	**242,377**	428,718	**533,735**	740,057
	(3,935,480)	(595,166)	**(5,650,244)**	(1,636,225)
Change in working capital items:				
Sales tax recoverable (Note 5)	**(25,379)**	(43,517)	**(72,377)**	(91,752)
Prepaid expenses (Note 6)	**(263,098)**	(48,498)	**(480,389)**	(25,581)
Accounts payable and accrued liabilities (Note 9)	**337,920**	148,021	**827,596**	106,453
Cash Flow (used in) Operating Activities	**(3,886,037)**	(539,160)	**(5,375,414)**	(1,647,105)
Financing Activities				
Proceeds from financings (Notes 10 and 12)	**-**	-	**5,750,000**	2,300,000
Share issuance costs (Note 10)	**-**	-	**(591,627)**	(68,157)
Proceeds from exercise of warrants (Note 10)	**121,000**	-	**1,130,952**	-
Proceeds from exercise of stock options (Note 10)	**15,750**	-	**267,750**	-
Cash Flow provided by Financing Activities	**136,750**	-	**6,557,075**	2,231,843
Investing Activities				
Acquisition of minority interest in investment (Note 7)	**(340,425)**	-	**(340,425)**	-
Additions of property and equipment (Note 8)	**(7,542)**	-	**(42,980)**	-
Cash Flow (used in) Investing Activities	**(347,967)**	-	**(383,405)**	-
(Decrease) increase in cash and cash equivalents	**(4,097,254)**	(539,160)	**798,256**	584,738
Effect of foreign exchange on cash and cash equivalents	**(9,436)**	-	**(7,417)**	-
Cash and cash equivalents, beginning of period	**6,699,813**	2,959,597	**1,802,284**	1,835,699
Cash and cash equivalents, end of period	**2,593,123**	2,420,437	**2,593,123**	2,420,437

The accompany notes are an integral part of these unaudited condensed interim consolidated financial statements

1. Nature of Operations and Going Concern

Hercules Silver Corp. ("Hercules Silver" or the "Company") is incorporated under the *Business Corporations Act (Ontario)* with its registered office located at 1 First Canadian Place, 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, Canada. The Company's common shares are listed on the TSX Venture Exchange (the "TSXV") under the symbol "BIG", on the OTCQB® Venture Market under the symbol "BADEF", and on the Frankfurt Stock Exchange under the symbol "8Q7".

The Company is a junior mining company focused on the exploration and development of the 100% owned Hercules Silver Project (the "Hercules Project"), located in Washington County, Idaho, in the United States (the "U.S.").

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. This is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

These unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities in the normal course of operations. The Company's viability depends upon the acquisition and financing of mineral exploration or other projects. If mineral projects are to be successful, additional funds will be required for development and, if warranted, to place them into commercial production. The sources of financing presently available to the Company are equity financing. The ability of the Company to raise new funds will depend, in part, on prevailing market conditions as well as the operating performance of the Company. There can be no assurance that the Company will be successful in securing the necessary financing, if needed, on terms satisfactory to the Company. If additional financing is arranged through the issuance of shares, control of the Company may change, and shareholders may suffer significant dilution.

During the nine months ended September 30, 2023, the Company incurred a net loss of $6,189,152, and as of that date, the Company's accumulated deficit was $19,087,171 (December 31, 2022 – accumulated deficit of $13,047,739). As at September 30, 2023, the Company had available working capital of $1,974,372 (December 31, 2022 – working capital of $1,458,364), including a cash and cash equivalents balance of $2,593,123 (December 31, 2022 – $1,802,284), which it can deploy to fulfill financial requirements for the 12-month period ending September 30, 2024. Subsequent to September 30, 2023, the Company raised additional funds through private placements and exercises of warrants. Nevertheless, it is not possible to predict whether financing efforts will continue to be successful in the future or if the Company will attain profitable levels of operations. These conditions, including the volatile and speculative nature of the mining business, represent material uncertainties which may cast doubt on the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required 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 consolidated financial statements. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34 – Interim Financial Reporting ("IAS 34").

These unaudited condensed interim consolidated financial statements were reviewed, approved, and authorized for issuance by the Board of Directors (the "Board") of the Company on November 24, 2023.

(b) Basis of Measurement

These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS, on the historical cost basis, modified by the measurement at fair value of certain financial instruments. In addition, these unaudited condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

2. Basis of Presentation (continued)

(c) Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, as follows:

Name	Jurisdiction	Percentage Owned
Hercules Silver Corp.	Ontario, Canada	100%
BE Gold Inc.	Ontario, Canada	100%
Frontera Gold Nevada Inc.	Nevada, U.S.	100%
1218530 B.C. Ltd.	British Columbia, Canada	100%
Anglo-Bomarc, U.S., Inc. (“Anglo-Bomarc”)	Idaho, U.S.	100%
Frontier Metals Canada Holdings Corp.	Ontario, Canada	100%
Frontier Metals LLC	Idaho, U.S.	100%

The unaudited condensed interim 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.

(d) Functional Currency

The functional and presentation currency of the Company and its Canadian subsidiaries is the Canadian dollar (“$” or “CAD”). The functional currency of the Company’s U.S. subsidiaries is the U.S. dollar (“USD”). The functional currency is the currency of the primary economic environment in which the Company operates.

(e) Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, revenue, and expenses. On an ongoing basis, management evaluates its judgments and estimates in relation to assets, liabilities, revenue, and expenses, and uses historical experience and various other factors it believes to be reasonable under the given circumstances as the basis for its judgments and estimates. Actual outcomes may differ from these estimates under different assumptions and conditions. These estimates are reviewed periodically, and adjustments are made as appropriate in the period they become known.

Items for which actual results may differ materially from these estimates are described as follows:

Going concern

At each reporting period, management exercises judgment in assessing the Company’s ability to continue as a going concern by reviewing the Company’s performance, resources and future obligations. The conclusion that the Company will be able to continue as a going concern is subject to critical judgments of management with respect to assumptions surrounding the short and long-term operating budgets, expected profitability, investment and financing activities and management’s strategic planning. The assumptions used in management’s going concern assessment are derived from actual operating results along with industry and market trends. Management believes there is sufficient capital to meet the Company’s business obligations for at least the next 12 months, after taking into account expected cash flows, capital commitments, future financing and the Company’s cash and cash equivalents position at period-end.

Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities on the consolidated statements of financial position that cannot be derived from active markets, are determined using a variety of techniques including the use of valuation models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to establish fair values. The judgments include, but are not limited to, consideration of model inputs such as volatility, estimated life and discount rates.

Determination of fair value hierarchy

The categorization of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Determination of fair value hierarchy (continued)

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

Provisions

The Company recognizes a provision if there is a present obligation as a result of a past event, it is probable that the Company will be required to settle the obligation, and the obligation can be reliably estimated. The amount recognized as a provision reflects management's best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Technical feasibility and commercial viability

Management exercises judgment, in accordance with IFRS 6 – Exploration for and Evaluation of Mineral Resources, to determine an accounting policy specifying which expenditures, if any, are capitalized as exploration and evaluation ("E&E") assets, and to apply the policy consistently. E&E expenditures not capitalized as E&E assets are expensed as incurred. Once the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, an entity stops recording E&E expenditures for that mineral project, tests capitalized E&E assets, if any, for impairment, and reclassifies those E&E assets to other applicable development-stage accounts. An assessment of technical feasibility and commercial viability is conducted on a project-by-project basis with regard to all relevant facts and circumstances. The nature and status of the mineral project is determined on the merits of the mineral project itself.

Income taxes

Income taxes and tax exposures recognized in the consolidated financial statements reflect management's best estimate of the outcome based on facts known at the reporting date. When the Company anticipates a future income tax payment based on its estimates, it recognizes a liability. The difference between the expected amount and the final tax outcome has an impact on current and deferred taxes when the Company becomes aware of this difference. In addition, when the Company incurs losses that cannot be associated with current or past profits, it assesses the probability of taxable profits being available in the future based on its budgeted forecasts. These forecasts are adjusted to take into account certain non-taxable income and expenses and specific rules on the use of unused credits and tax losses. When the forecasts indicate the sufficient future taxable income will be available to deduct the temporary differences, a deferred tax asset is recognized for all deductible temporary differences.

Valuation of share-based compensation and share purchase warrants

Management determines the costs for share-based compensation on options, restricted share units ("RSUs") and share purchase warrants using market-based valuation techniques. The fair value of the market-based and performance-based share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgments are used in applying the valuation techniques. These assumptions and judgments include the expected volatility of the share price, expected forfeitures, expected dividend yield, expected term of the warrants or options, and expected risk-free interest rate. Such assumptions and judgments are inherently uncertain. Changes in these assumptions can affect the fair value estimates of share-based compensation and share purchase warrants.

Expected credit losses on financial assets

Determining an allowance for expected credit losses ("ECL") for amounts receivable and all debt financial assets not held at fair value through profit or loss requires management to make assumptions about the historical patterns for the probability of default, the timing of collection and the amount of incurred credit losses, which are adjusted based on management's judgment about whether economic conditions and credit terms are such that actual losses may be higher or lower than what the historical patterns suggest.

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies

The accounting policies applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those disclosed in Note 3 of the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021, unless otherwise noted below:

(a) Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and impairment losses. Cost includes acquisition costs or construction costs, as well as costs directly attributable to bringing the asset to the location and condition necessary for its use in operations. When property and equipment include significant components with different useful lives, they are recorded and amortized separately.

Depreciation is computed using the straight-line method based on the estimated useful life of the assets and commences when title and ownership have transferred to the Company and is readily available for its intended use. The residual value, useful life and depreciation methods are reviewed at the end of each reporting period. Such a review takes into consideration the nature of the asset, the intended use and impact of technological changes. Where parts of an item of property and equipment have different useful lives, they are accounted for as separate items of capital assets.

Subsequent costs are included in the asset carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation is recorded on a straight-line basis over three years for drilling equipment.

4. Cash and Cash Equivalents

As at September 30, 2023, the Company had total cash and cash equivalents of $2,593,123 (December 31, 2022 – $1,802,284), including a balance of $2,280,471 (December 31, 2022 – $nil) invested in high interest savings funds (the "High Interest Savings Funds"), which are available on demand.

During the three and nine months ended September 30, 2023, dividend income of $49,775 and $86,139, respectively, was received and reinvested into the High Interest Savings Funds.

5. Sales Tax Recoverable

As at September 30, 2023 and December 31, 2022, the Company's sales tax recoverable balance comprises amounts in respect of Harmonized Sales Tax refunds which are currently held with the Canada Revenue Agency, pending completion of certain outstanding corporate tax filings. The Company anticipates full recovery of these amounts, and therefore has not recorded any ECL against these receivables, which are due in less than one year.

6. Prepaid Expenses

As at September 30, 2023 and December 31, 2022, the Company's prepaid expenses are comprised of the following items:

	September 30, 2023	December 31, 2022
	$	$
Prepaid insurance	**36,507**	24,300
Advances made to suppliers	**35,681**	7,883
Advances made to suppliers related to E&E activities	**440,384**	-
	512,572	32,183

7. Investment

On July 28, 2023, the Company participated in a private placement investment and acquired a minority interest in Scout Discoveries Corp. ("Scout Discoveries"), a mineral exploration company with a 100% interest in four precious and base metals projects based in Idaho, U.S. The Company subscribed for 500,000 shares of Scout Discoveries for a sum of $340,425 (USD $250,000). This investment was recorded at fair value at initial recognition.

(Expressed in Canadian dollars)

8. Property and Equipment

	Drilling Equipment	Trailer Equipment	**Total**
	$	$	**$**
Cost at:			
December 31, 2022	-	-	**-**
Additions	35,438	7,542	**42,980**
September 30, 2023	**35,438**	**7,542**	**42,980**
Accumulated depreciation at:			
December 31, 2022	-	-	**-**
Depreciation expense	4,922	251	**5,173**
September 30, 2023	**4,922**	**251**	**5,173**
Net book value:			
September 30, 2023	**30,516**	**7,291**	**37,807**

9. Accounts Payable and Accrued Liabilities

	September 30, 2023	December 31, 2022
	$	$
Trade payables	**703,206**	412,429
Accrued liabilities	**641,600**	104,780
	1,344,806	517,209

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for trade purchases incurred in the normal course of business.

10. Share Capital

Authorized share capital

The Company is authorized to issue an unlimited number of common shares without par value. Common shares issued and outstanding as at September 30, 2023 are as follows:

	September 30, 2023	December 31, 2022
	$	$
Issued and outstanding: 188,425,989 common shares (December 31, 2022 – 149,433,729 common shares)	**18,299,306**	12,731,456

Share capital transactions for the nine months ended September 30, 2022

On May 31, 2022, the Company completed a non-brokered private placement (the “Private Placement”) of 30,666,666 units (each a “Unit”) at a price of $0.075 per Unit, for gross proceeds of $2,300,000 with each Unit comprising one common share and one common share purchase warrant (each a Warrant exercisable at an exercise price of $0.11 for a period of 24 months from closing. Crescat Portfolio Management LLC (“Crescat”) and certain accounts managed by Crescat participated in the Private Placement and collectively made an investment of approximately $1,100,000. The Company granted Crescat a right to participate in future financing so as to allow Crescat to maintain its current equity stake on a pro rata basis, subject to certain terms and conditions. In connection with the Private Placement, the Company paid total issuance costs of $68,157, of which $25,162 was allocated to warrant reserve.

During the nine months ended September 30, 2022, the Company issued a total of 4,650,000 common shares as a result of the vesting of RSUs. The fair value of these RSUs was estimated to be $387,250.

(Expressed in Canadian dollars)

10. Share Capital (continued)

Share capital transactions for the nine months ended September 30, 2023

On April 20, 2023, the Company completed a brokered private placement (the "Brokered Offering") of 28,750,000 Units at a price of $0.20 per Unit, for gross proceeds of $5,750,000. Each Unit is comprised of one common share and one-half of a Warrant exercisable at an exercise price of $0.30 for a period of 24 months from closing. As consideration for Agent's services in connection with the Brokered Offering, the Company paid a cash commission of $292,050 to the Agents. The Company also issued 1,460,250 broker warrants (each a "Broker Warrant"), each exercisable to acquire one common share at an exercise price of $0.20 for a period of 24 months from closing (see Note 12 for more details).

During the nine months ended September 30, 2023, the Company issued 6,217,260 common shares as a result of the exercise of Warrants for total cash proceeds of $1,130,952.

During the nine months ended September 30, 2023, the Company issued 2,775,000 common shares as a result of the exercise of stock options for total cash proceeds of $267,750.

During the nine months ended September 30, 2023, the Company also issued a total of 1,250,000 common shares as a result of the vesting of RSUs. The fair value of these RSUs was estimated to be $112,500.

Escrow

As at September 30, 2023, a total of 17,241,002 common shares are held in escrow and will be released as follows:

September 19, 2024	8,620,501
March 19, 2024	8,620,501
	17,241,002

11. Loss per Share

Basic and diluted loss per share for the three and nine months ended September 30, 2023 is calculated by dividing the net loss of $4,190,497 and $6,196,569, respectively (2022 – net loss of $1,023,884 and $2,376,282, respectively) by the weighted average number of common shares outstanding of 187,833,598 and 173,521,834, respectively (2022 – 148,329,925 and 129,737,331, respectively).

For the three and nine months ended September 30, 2023, the basic and diluted loss per share was $0.022 and $0.036, respectively (2022 – basic and diluted loss of $0.007 and $0.018, respectively).

12. Warrants

The following summarizes the warrants activity for the nine months ended September 30, 2023 and 2022:

	2023		2022	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**41,395,944**	**0.13**	10,729,278	0.20
Issued from financings	**14,375,000**	**0.30**	30,666,666	0.11
Issued from financings	**1,460,250**	**0.20**	-	-
Exercised	**(4,967,260)**	**0.20**	-	-
Exercised	**(1,250,000)**	**0.11**	-	-
Expired	**(5,762,018)**	**0.20**	-	-
Outstanding, end of period	**45,251,916**	**0.17**	41,395,944	0.13

(Expressed in Canadian dollars)

12. Warrants (continued)

Warrant activities for the nine months ended September 30, 2022

On May 31, 2022, the Company issued 30,666,666 Warrants in connection with the Private Placement, as disclosed in Note 10. Each Warrant is exercisable at $0.11 to purchase one common share of the Company for a period of 24 months from closing. The grant date fair value of the Warrants issued was estimated to be $849,114 using the Black-Scholes valuation model ("Black-Scholes") with the following assumptions: expected volatility of 115% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.67% and an expected life of two years. In connection with the Private Placement, issuance costs of $25,162 had also been allocated under warrant reserve.

Warrant activities for the nine months ended September 30, 2023

On April 20, 2023, the Company issued 14,375,000 Warrants in connection with the Brokered Offering, as disclosed in Note 10. Each Warrant is exercisable at $0.30 to purchase one common share of the Company for a period of 24 months from closing. The grant date fair value of the Warrants issued was estimated to be $1,389,402 using Black-Scholes with the following assumptions: expected volatility of 135% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.79% and an expected life of two years. In connection with the Private Placement, issuance costs of $203,911 had also been allocated under warrant reserve.

In addition, the Company also issued 1,460,250 Broker Warrants, of which each Broker Warrant is exercisable into one common share of the Company, at an exercise price of $0.20 for a period of 24 months from closing. The grant date fair value of the Broker Warrants issued was estimated to be $252,251 using Black-Scholes based on the same assumptions used for the Warrants.

On March 24, 2023, 5,762,018 Warrants, Including 168,513 Broker Warrants, all exercisable at $0.20, expired unexercised.

The following table summarizes information of warrants outstanding as at September 30, 2023:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	Years
May 31, 2024	29,416,666	0.11	0.67
April 20, 2025	14,375,000	0.30	1.56
April 20, 2025	1,460,250	0.20	1.56
	45,251,916	**0.17**	**0.98**

13. Stock Options

The Company previously had a stock option plan (the "Stock Option Plan") for qualified directors, officers, employees and consultants of the Company (the "Eligible Participants"). The Stock Option Plan provided for the granting of options up to 10% of its issued and outstanding common shares. The designation of Eligible Participants, number of options, exercise price and vesting provisions of awards under the Stock Option Plan was determined by the Board at the time of issuance.

On July 15, 2022, shareholders of the Company approved a new omnibus incentive plan (the "Omnibus Plan"), and the Company will no longer be issuing options pursuant to the Stock Option Plan. The Stock Option Plan will remain in force and effect solely for the purposes of governing previously existing options granted thereunder. The Omnibus Plan provides for the issuance of options and RSUs to Eligible Participants. Pursuant to the terms and conditions of the Omnibus Plan, the maximum amount of the Company's common shares reserved for issuance under the New Plan is limited to 29,341,745 common shares less any other common shares reserved for issuance pursuant to other securities-based compensation arrangements.

(Expressed in Canadian dollars)

13. Stock Options (continued)

The following summarizes the options activity for the nine months ended September 30, 2023 and 2022:

	2023		2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**10,670,000**	**0.11**	1,680,000	0.25
Granted	**750,000**	**0.265**	1,200,000	0.10
Granted	**2,750,000**	**0.17**	8,130,000	0.09
Granted	**500,000**	**0.215**	-	-
Exercised	**(300,000)**	**0.10**	-	-
Exercised	**(2,225,000)**	**0.09**	-	-
Exercised	**(250,000)**	**0.15**	-	-
Expired	**-**	**-**	(390,000)	0.0833
Cancelled	**(2,500,000)**	**0.09**	(250,000)	0.50
Outstanding, end of period	**9,395,000**	**0.15**	10,370,000	0.12

Options activities for the nine months ended September 30, 2022

On January 24, 2022, the Company granted 1,200,000 options to an officer. The options are exercisable at a price of $0.10 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to January 24, 2024. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.63% and an expected life of five years. The grant date fair value attributable to these options was $68,868, of which $2,195 and $10,526 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2023 (2022 – $11,693 and $42,687), respectively.

On March 19, 2022, 390,000 options granted from the Company's Qualifying Transaction on March 19, 2021 at an exercise a price of $0.0833, expired unexercised.

On March 28, 2022, the Company granted 1,000,000 options to certain consultants. The options are exercisable at a price of $0.09 per common share for a period of five years. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.46% and an expected life of five years. The grant date fair value attributable to these options was $29,482, respectively, was which $nil and $29,482 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2022, respectively.

On April 24, 2022, 250,000 options granted on April 16, 2021 to a former officer and director at an exercise a price of $0.50, were cancelled.

On May 10, 2022, the Company granted 3,500,000 options to a former director. The options are exercisable at a price of $0.09 per common share for a period of five years. 1,000,000 options vested immediately on grant, with the remaining options vesting in equal increment after six months and 12 months until fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.77% and an expected life of five years. The grant date fair value attributable to these options was $222,210, of which $59,683 and $156,257 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2022, respectively.

13. Stock Options (continued)

Options activities for the nine months ended September 30, 2022 (continued)

On July 27, 2022, the Company granted 3,500,000 options to various consultants and directors. The options are exercisable at a price of $0.09 per common share for a period of five years. 25% of the options vested immediately on grant, with the remaining options vesting in equal increment after six months, 12 months and 18 months until fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.83% and an expected life of five years. The grant date fair value attributable to these options was $237,699, of which $14,354 and $72,134 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2023 (2022 – $98,035 and $98,035), respectively.

On August 10, 2022, the Company granted 130,000 options to various consultants. The options are exercisable at a price of $0.09 per common share for a period of five years. 25% of the options vested immediately on grant, with the remaining options vesting in equal increment after six months, 12 months and 18 months until fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.85% and an expected life of five years. The grant date fair value attributable to these options was $7,128, of which $499 and $2,367 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2023 (2022 – $2,690 and $2,690), respectively.

Options activities for the nine months ended September 30, 2023

On January 15, 2023, 2,500,000 options granted on May 10, 2022 to a former director at an exercise a price of $0.09, were cancelled.

On March 1, 2023, the Company granted 750,000 options to a director. The options are exercisable at a price of $0.265 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to March 1, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.59% and an expected life of five years. The grant date fair value attributable to these options was $150,912, of which $33,762 and $86,058 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2023, respectively.

On May 22, 2023, the Company granted 2,750,000 options to certain officers and consultants. The options are exercisable at a price of $0.17 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to May 22, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 103% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.29% and an expected life of five years. The grant date fair value attributable to these options was $359,162, of which $93,786 and $133,543 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2023, respectively.

On July 10, 2023, the Company granted 500,000 options to a consultant. The options are exercisable at a price of $0.215 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to July 10, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 102% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.91% and an expected life of five years. The grant date fair value attributable to these options was $82,894, of which $19,293 and $19,293 was recorded as share-based compensation in connection with the vesting of options during the three and nine months ended September 30, 2023, respectively.

In total, share-based compensation of $342,034 was recorded in connection with the vesting of options during the nine months ended September 30, 2023 (2022 – $336,283).

(Expressed in Canadian dollars)

13. Stock Options (continued)

The following table summarizes information of stock options outstanding and exercisable as at September 30, 2023:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
May 19, 2024	300,000	300,000	0.50	0.64
April 16, 2026	400,000	400,000	0.15	2.55
January 24, 2027	900,000	675,000	0.10	3.32
March 28, 2027	500,000	500,000	0.09	3.49
July 27, 2027	3,000,000	2,250,000	0.09	3.82
August 10, 2027	55,000	41,250	0.09	3.86
December 1, 2027	150,000	112,500	0.09	4.17
March 1, 2028	750,000	187,500	0.265	4.42
May 22, 2028	2,750,000	-	0.17	4.65
July 10, 2028	500,000	-	0.215	4.78
August 2, 2028	90,000	90,000	0.0833	4.84
	9,395,000	**4,556,250**	**0.15**	**3.77**

14. Restricted Share Units

RSUs activities for the nine months ended September 30, 2022

On January 31, 2022, the Company granted 1,700,000 RSUs to an officer. The RSUs vested immediately on grant. The RSUs were valued at $136,000 based on the Company's closing share price on the date of grant and was recorded as share-based compensation in connection with the vesting of RSUs during the nine months ended September 30, 2022.

On July 27, 2022, the Company granted 4,000,000 RSUs to a former director and consultants. 2,000,000 RSUs granted to the former director vested immediately on grant. Of the remaining 2,000,000 RSUs, 25% vested immediately on grant, with the remaining RSUs to vest in equal increment after six months, 12 months and 18 months until fully vested. The RSUs were valued at $360,000 based on the Company's closing share price on the date of grant, of which $10,870 and $54,624 was recorded as share-based compensation in connection with the vesting of RSUs during the three and nine months ended September 30, 2023 (2022 – $254,238 and $254,238), respectively.

RSUs activities for the nine months ended September 30, 2023

On March 1, 2023, the Company granted 750,000 RSUs to a director. The RSUs vest 25% at each six-month anniversary from grant up to March 1, 2025. The RSUs were valued at $198,750 based on the Company's closing share price on the date of grant, of which $64,838 and $133,096 was recorded as share-based compensation in connection with the vesting of RSUs during the three and nine months ended September 30, 2023, respectively.

In total, share-based compensation of $191,701 was recorded in connection with the vesting of RSUs during the nine months ended September 30, 2023 (2022 – $403,774).

As at September 30, 2023, the Company had a total of 1,750,000 RSUs outstanding (December 31, 2022 – 2,250,000 RSUs).

15. Related Party Transactions

In accordance with IAS 24 – Related Party Disclosures, key management personnel, including companies controlled by them, are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any directors (executive and non-executive) of the Company. The remuneration of directors and key executives is determined by the compensation committee of the Board.

(Expressed in Canadian dollars)

15. Related Party Transactions (continued)

The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2023 and 2022 were as follows:

	Three Months ended		Nine Months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
Consulting fees	**8,750**	64,356	**43,750**	178,526
Exploration and evaluation expenses	**102,050**	11,250	**202,650**	67,500
Professional fees	**45,231**	-	**137,921**	106,073
	156,031	75,606	**384,321**	352,099

During the three and nine months ended September 30, 2023, Clearwater Resources Inc. ("Clearwater"), an entity controlled by the Chief Executive Officer and also a director of Hercules Silver, charged fees of $11,250 and $33,750, respectively (2022 – $3,750 and $22,500, respectively), for services provided to the Company, which are included in consulting fees under general and administrative ("G&A") expenses (see Note 16). During the period, Clearwater also charged fees of $33,750 and $101,250, respectively (2022 – $11,250 and $67,500, respectively) which are included in E&E expenses. As at September 30, 2023, no balance was owed to Clearwater (December 31, 2022 – $31,500, included in accounts payable and accrued liabilities).

Effective May 22, 2023, the Company, through Anglo-Bomarc, and its Vice-President, Exploration ("VP-Exploration") entered into an employment agreement, whereas the Company agreed to pay an annual base salary of USD $200,000 for the VP-Exploration's services. During the three and nine months ended September 30, 2023, the VP-Exploration's salaries of $68,300 and $101,400, respectively, were included in E&E expenses. As at September 30, 2023, no balance was owed to the VP-Exploration.

During the three and nine months ended September 30, 2023, Gowling WLG (Canada) LLP ("Gowling"), a law firm in which a director of the Company is also a partner, charged fees of $22,731 and $82,921, respectively (2022 – $nil and $106,073, respectively) for legal services provided, which are included in professional fees. As at September 30, 2023, $27,215 (December 31, 2022 – $117,056) owing to Gowling was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three and nine months ended September 30, 2023, Branson Corporate Services Ltd. ("Branson"), where the Company Chief Financial Officer ("CFO") is employed, charged fees of $22,500 and $55,000, respectively (2022 – $nil and $nil) for CFO services, as well as other accounting and administrative services which are included in professional fees. As at September 30, 2023, $8,475 (December 31, 2022 – $nil) owing to Branson, and $158 (December 31, 2022 – $nil) owing to the CFO for expense reimbursement, were included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three and nine months ended September 30, 2023, certain former officers and directors recorded a recovery of $2,500 and charged fees of $10,000, respectively (2022 – $60,606 and $156,026, respectively), for services provided to the Company, which are included in consulting fees under G&A expenses.

Other related party transactions

During the three and nine months ended September 30, 2023, the Company had recorded share-based compensation of $159,656 and $313,763, respectively, in connection with the vesting of options and RSUs previously granted to its officers and directors.

In connection with the Brokered Offering which closed on April 20, 2023, Gowling also charged fees of $153,003 for legal services related to the financing, which is included in the amount of share issuance costs paid.

(Expressed in Canadian dollars)

16. General and Administrative Expenses

The Company's G&A expenses for the three and nine months ended September 30, 2023 and 2022 were comprised of the following:

	Three Months ended		Nine Months ended	
	September 30, 2023	September 30, 2022	**September 30, 2023**	September 30, 2022
	$	$	**$**	$
Business development and marketing	**38,921**	100,280	**208,945**	215,080
Office and general	**39,477**	32,278	**143,932**	61,217
Consulting fees	**49,709**	197,715	**95,439**	445,079
Filing fees	**18,228**	(234)	**58,723**	92,605
Insurance	**13,186**	-	**40,570**	-
Employee benefits	**18,652**	-	**23,730**	-
	178,173	330,039	**571,339**	813,981

17. Lease Option Agreement

On September 27, 2023, the Company entered into a lease option agreement (the "Lease Option Agreement") between the Company, Anglo-Bomarc (the "Lessee") and a local prospector (the "Lessor"), which grants Hercules Silver the option to acquire a 100% interest in a mineral property, comprising 87 unpatented lode mining claims within the Mineral mining district (the "Property") located on Bureau of Land Management-administered lands, 14 miles southwest of the Hercules Property.

Pursuant to the terms and subject to the conditions of the Lease Option Agreement, the Company and/or the Lessee will be required to make lease payments in accordance with the following schedule:

Payment Date	Cash Payments	Share Consideration
Within five business days of TSXV Approval	USD $100,000	USD $nil
September 27, 2024	USD $60,000	USD $60,000
September 27, 2025	USD $70,000	USD $70,000
September 27, 2026	USD $80,000	USD $80,000
September 27, 2027	USD $80,000	USD $80,000
September 27, 2028	USD $80,000	USD $80,000
September 27, 2029	USD $80,000	USD $80,000
September 27, 2030	USD $80,000	USD $80,000

Upon execution of the Lease Option Agreement, the Company shall also pay the annual maintenance fees for the claims. The Lease Option Agreement provides the Lessee with certain rights, including but not limited to, the right to access, enter, occupy, improve, explore, use, market, sell and dispose mineral and mineral substances on or from the Property.

As at September 30, 2023, a payment of USD $50,000 ($67,285) of the initial cash payment of USD $100,000 was made. Subsequent to period-end, the remaining half of the initial payment was completed (see Note 23).

At any time prior to the eighth anniversary of the Lease Option Agreement, the Lessee has the right to purchase the Property for an aggregate of USD $3 million (the "Option"), comprised of USD $1.5 million in cash and common shares equal to USD $1.5 million at a deemed value per common share equal to the 10-day VWAP of the common shares on the TSXV on the day preceding the delivery of the common shares to Lessor pursuant to the Option. In the event that the Option is exercised, the Lessee will receive credit for all lease payments previously made pursuant to the Lease Option Agreement, which will serve to reduce the cash and common share value owed upon potential exercise of the Option.

At the conclusion of the eight-year term, if the Lessee elects not to purchase the Property pursuant to the Option, then the Lessee has the sole and exclusive right and discretion to continue to lease the Property by providing the Lessor with: (i) annual lease payments of USD $160,000, and a 2% net smelter return ("NSR") royalty from the sale of all minerals on the Property.

17. Lease Option Agreement (continued)

In the event that the Lessee pays an aggregate total of USD $2,000,000 in royalties, then the Lessee may reduce the royalty rate to 1% upon payment of a one-time lump sum of USD $1,000,000 to Lessor. Thereafter, Lessor shall receive a 1% NSR royalty for production on any or all unpatented claims within the Property. If Lessee does not elect to "buy down" the Royalty, then Lessor shall receive a 2% NSR royalty for production on any or all unpatented claims within the Property.

18. Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board of the Company does not establish quantitative return on capital criteria for management, but rather relies on the expertise of management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no changes to the Company's approach for managing capital since the end of the last reporting period.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, warrants reserve, options reserve, RSUs reserve, accumulated other comprehensive loss and accumulated deficit. As at September 30, 2023, the Company's capital consisted of a balance of $2,352,604 (December 31, 2022 – $1,458,364).

The Company's objective when managing capital is to obtain adequate levels of funding to support its business activities, to obtain corporate and administrative functions necessary to support organizational functioning and obtain sufficient funding to further the development of its business. The Company raises capital, as necessary, to meet its needs and take advantage of perceived opportunities and, therefore, does not have a numeric target for its capital structure.

Funds are primarily secured through equity capital raised by way of private placements. There can be no assurance that the Company will be able to continue raising capital in this manner.

The Company is not subject to externally imposed capital requirements.

19. Financial Instruments

The Company is exposed to various risks as it relates to financial instruments. Management, in conjunction with the Board, mitigates these risks by assessing, monitoring and approving the Company's risk management process. There have not been any changes in the nature of these risks or the process of managing these risks from the previous reporting periods.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and receivables (excluding sales tax receivable), which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash and cash equivalents are held with reputable Canadian chartered banks and financial institutions, which are closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash and cash equivalents and receivables is minimal.

Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company.

The Company generates cash flow primarily from its financing activities. The Company endeavors to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted. As at September 30, 2023, the Company had a cash and cash equivalents balance of $2,593,123 (December 31, 2022 – $1,802,284), to settle current liabilities of $1,344,806 (December 31, 2022 – $517,209).

(Expressed in Canadian dollars)

19. Financial Instruments (continued)

Liquidity risk (continued)

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at September 30, 2023:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
Accounts payable and accrued liabilities	1,344,806	1,344,806	-	-

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts and actual cash flows for a rolling period of 12 months to identify financial requirements. Where insufficient liquidity may exist, the Company may pursue various debt and equity instruments for short or long-term financing of its operations.

Management believes there will be sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash and cash equivalents position as at September 30, 2023.

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices.

Price risk

The Company is exposed to price risk with respect to commodity prices. Price risk is remote since the Company is not a producing entity.

Foreign exchange risk

Foreign exchange risk is the risk that the Company will be subject to foreign currency fluctuations in satisfying obligations related to its foreign activities. As the Company's E&E activities are primarily based in the U.S., it may have, from time to time, transactions denominated in foreign currencies. The Company's primary exposure to foreign exchange risk is that transactions denominated in foreign currency may expose the Company to the risk of exchange rate fluctuations. Based on its current operations, management believes that the foreign exchange risk is minimal.

Fair value

Fair value estimates of financial instruments are made at a specific point in time based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The Company's financial instruments consist of cash and cash equivalents, investment and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, investment and accounts payable and accrued liabilities are approximately equal to their carrying value due to their short-term nature.

The Company classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy has the following levels:

- Level 1 – 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).

As at September 30, 2023, the Company's financial instruments carried at fair value consisted of its investment, which have been classified as Level 3 (December 31, 2022 – $nil).

20. Segmented information

The Company has one operating segment focused on the exploration and development of the Leviathan and Hercules Properties in Idaho, U.S.

21. Contingencies

The Company's E&E activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. As at September 30, 2023, the Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make future expenditures to comply with such laws and regulations.

22. Reclassifications

For comparative purposes, certain items comparative figures on the unaudited condensed interim consolidated statements of loss and comprehensive loss and cash flows have been reclassed to conform to the current period's presentation.

23. Subsequent Events

Extension of options

On October 12, 2023, the Board extended the date of expiry of 150,000 options previously granted on May 19, 2019, and another 250,000 granted on July 22, 2022, to July 18, 2024.

Strategic investment by Barrick Gold Corporation

On November 7, 2023, the Company completed a non-brokered private placement (the "Placement"), resulting in Barrick Gold Corporation ("Barrick") subscribing for 21,265,370 Units of Hercules Silver at a price of $1.10 per Unit for gross proceeds of $23,391,907. Each Unit consisted of one common share of Hercules Silver and 0.32 of a Warrant. Each whole Warrant entitles the holder thereof to purchase one common share for a price of $1.32 per common share and has a term of two years.

Investment in Scout Discoveries

On November 14, 2023, the Company made another Investment in Scout Discoveries with a further subscription of 600,000 shares of Scout Discoveries for $426,990 (USD $300,000). As a result of this investment, the Company now holds 1.1 million shares of Scout Discoveries. Representing approximately 9% of Scout Discoveries. This investment was recorded at fair value at initial recognition.

Lease Option Agreement

On November 16, 2023, the Company made the remaining half of the initial cash payment for USD $50,000 under the Lease Option Agreement (see Note 17).

Exercise of warrants and options

Subsequent to September 30, 2023, the Company issued 1,297,500 common shares as a result of the exercise of options for aggregate cash proceeds of $128,775. The Company also issued 16,406,524 common shares as a result of exercises of Warrants for aggregate cash proceeds of $2,661,305.