Hercules Silver Corp.

Unaudited Condensed Interim Consolidated Financial Statements

For the Three Months ended March 31, 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 March 31, 2023	As at December 31, 2022
	$	$
Assets		
Cash	**2,315,442**	1,802,284
Sales tax recoverable	**161,913**	141,106
Prepaid expenses	**25,693**	32,183
Total Assets	**2,503,048**	1,975,573
Liabilities		
Accounts payable and accrued liabilities (Notes 4 and 10)	**162,184**	517,209
Total Liabilities	**162,184**	517,209
Shareholders' Equity		
Share capital (Note 5)	**14,214,214**	12,731,456
Warrant reserve (Note 7)	**821,937**	1,102,784
Options reserve (Note 8)	**493,971**	545,222
RSU reserve (Note 9)	**103,452**	126,641
Accumulated deficit	**(13,292,710)**	(13,047,739)
Total Shareholders' Equity	**2,340,864**	1,458,364
Total Liabilities and Shareholders' Equity	**2,503,048**	1,975,573

Nature of operations and going concern (Note 1)
Contingencies (Note 15)
Subsequent events (Note 17)

Approved on behalf of the Board of Directors:

"Christopher Paul"
Christopher Paul, Director

"Darren Collins"
Darren Collins, Director

Hercules Silver Corp.
Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive loss
For the Three Months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	2023	2022
	$	$
Expenses		
General and administrative (Notes 10 and 11)	**(180,925)**	(193,000)
Share-based compensation (Notes 8, 9 and 10)	**(105,988)**	(205,625)
Exploration and evaluation expenditures (Note 10)	**(43,310)**	(103,464)
Professional fees (Note 10)	**(34,638)**	(51,568)
Foreign exchange loss	**(29,850)**	(28,123)
Interest income	**21**	123
Net Loss and Comprehensive Loss	**(394,690)**	(581,657)
Net Loss per Share – Basic and Diluted (Note 6)	**(0.003)**	(0.070)
Weighted Average Number of Outstanding Shares - Basic and Diluted (Note 6)	**152,139,774**	116,042,063

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 Three Months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	Number of Common Shares	Share Capital	Warrants Reserve	Options Reserve	RSU Reserve	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 on vesting of RSUs (Notes 5 and 9)	2,175,000	171,625	-	-	(171,625)	-	-
Share-based compensation (Notes 8 and 9)	-	-	-	42,511	163,114	-	205,625
Net loss for the period	-	-	-	-	-	(581,657)	(581,657)
Balance, March 31, 2022	**116,042,063**	**11,119,440**	**278,832**	**299,158**	**71,511**	**(10,361,066)**	**1,373,875**
Balance, December 31, 2022	**149,433,729**	**12,731,456**	**1,102,784**	**545,222**	**126,641**	**(13,047,739)**	**1,458,364**
Issuance on vesting of RSUs (Notes 5 and 9)	750,000	67,500	-	-	(67,500)	-	-
Issuance on exercise of warrants (Notes 5 and 7)	5,042,260	1,132,830	(131,128)	-	-	-	1,001,702
Issuance on exercise of options (Notes 5 and 8)	1,850,000	282,428	-	(112,928)	-	-	169,500
Share-based compensation (Notes 8 and 9)	-	-	-	61,677	44,311	-	105,988
Expiry of warrants (Note 7)	-	-	(149,719)	-	-	149,719	-
Net loss for the period	-	-	-	-	-	(394,690)	(394,690)
Balance, March 31, 2023	**157,075,989**	**14,214,214**	**821,937**	**493,971**	**103,452**	**(13,292,710)**	**2,340,864**

Hercules Silver Corp.
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three Months ended March 31, 2023 and 2022
(Expressed in Canadian dollars)

	2023	2022
	$	$
Operating Activities		
Net loss for the period	**(394,690)**	(581,657)
Items not affecting cash:		
Share-based compensation (Notes 8 and 9)	**105,988**	205,625
	(288,702)	(376,032)
Change in working capital items:		
Sales tax recoverable	**(20,807)**	(28,987)
Prepaid expenses	**6,490**	15,519
Accounts payables and accrued liabilities	**(355,025)**	(6,140)
Cash Flows (used in) Operating Activities	**(658,044)**	(395,640)
Financing Activities		
Proceeds from exercises of warrants (Note 5)	**1,001,702**	-
Proceeds from exercises of stock options (Note 5)	**169,500**	-
Cash Flows provided by Financing Activities	**1,171,202**	-
Increase (decrease) in cash	**513,158**	(395,640)
Cash, beginning of period	**1,802,284**	1,835,699
Cash, end of period	**2,315,442**	1,440,059

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 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 holds a 100% interest in its Hercules and Leviathan exploration properties 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 three months ended March 31, 2023, the Company incurred a net loss of $394,690, and as of that date, the Company's accumulated deficit was $13,292,710 (December 31, 2022 – accumulated deficit of $13,047,739). As at March 31, 2023, the Company had available working capital of $2,340,864 (December 31, 2022 – working capital of $1,458,364), including a cash balance of $2,315,442 (December 31, 2022 – $1,802,284), which it can deploy to fulfill financial requirements for the 12-month period ending March 31, 2024. 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 of the Company (the "Board") on May 19, 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.	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 US dollar. 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 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.

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.

(Expressed in Canadian dollars)

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

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 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.

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.

4. Accounts Payable and Accrued Liabilities

	March 31, 2023	December 31, 2022
	$	$
Trade payables	**125,184**	412,429
Accrued liabilities	**37,000**	104,780
	162,184	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.

(Expressed in Canadian dollars)

5. 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 March 31, 2023 are as follows:

	March 31, 2023	December 31, 2022
	$	$
Issued and outstanding: 157,075,989 common shares (December 31, 2022 – 149,433,729 common shares)	**14,214,214**	12,731,456

Share capital transactions for the three months ended March 31, 2022

During the three months ended March 31, 2022, the Company issued a total of 2,175,000 common shares as a result of the vesting of RSUs. The fair value of these RSUs was estimated to be $171,625.

Share capital transactions for the three months ended March 31, 2023

During the three months ended March 31, 2023, the Company issued a total of 750,000 common shares as a result of the vesting of RSUs. The fair value of these RSUs was estimated to be $67,500.

During the three months ended March 31, 2023, the Company issued 5,042,260 common shares as a result of the exercise of warrants (each a "Warrant") for total cash proceeds of $1,001,702.

During the three months ended March 31, 2023, the Company also issued 1,850,000 common shares as a result of the exercise of stock options for total cash proceeds of $169,500.

Escrow

As at March 31, 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

6. Loss per Share

Basic and diluted loss per share for the three months ended March 31, 2023 is calculated by dividing the net loss of $394,690 (2022 – net loss of $581,657) by the weighted average number of common shares outstanding of 152,139,774 (2022 – 116,042,063). For the three months ended March 31, 2023, the basic and diluted loss per share was $0.003 (2022 – basic and diluted loss of $0.070).

7. Warrants

The following summarizes the warrants activity for the three months ended March 31, 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
Exercised	**(4,967,260)**	**0.20**	-	-
Exercised	**(75,000)**	**0.11**	-	-
Expired	**(5,762,018)**	**0.20**	-	-
Outstanding, end of period	**30,591,666**	**0.11**	10,729,278	0.20

(Expressed in Canadian dollars)

7. Warrants (continued)

Warrant activities for the three months ended March 31, 2022

There were no warrant activities which took place during the three months ended March 31, 2022.

Warrant activities for the three months ended March 31, 2023

During the three months ended March 31, 2023, 4,967,260 Warrants, including 65,240 broker warrants (each a "Broker Warrant"), were exercised into commons shares of the Company at an exercise price of $0.20. An additional 75,000 Warrants were also exercised at an exercise price of $0.11.

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 March 31, 2023:

Date of expiry	**Number of warrants outstanding**	**Exercise price**	**Weighted average remaining life**
	#	**$**	**Years**
May 31, 2024	30,591,666	0.11	1.17
	30,591,666	**0.11**	**1.17**

8. 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.

The following summarizes the options activity for the three months ended March 31, 2023 and 2022:

	2023		2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**10,170,000**	**0.11**	1,680,000	0.25
Granted	**750,000**	**0.265**	1,200,000	0.10
Granted	**-**	**-**	500,000	0.09
Exercised	**(300,000)**	**0.10**	-	-
Exercised	**(1,550,000)**	**0.09**	-	-
Expired	**-**	**-**	(390,000)	0.0833
Cancelled	**(2,500,000)**	**0.09**	-	-
Outstanding, end of period	**6,570,000**	**0.14**	2,990,000	0.19

(Expressed in Canadian dollars)

8. Stock Options (continued)

Options activities for the three months ended March 31, 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 $4,570 was recorded as share-based compensation in connection with the vesting of options during the three months ended March 31, 2023 (2022 – $13,029).

On March 19, 2022, 360,000 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 500,000 options to a consultant. 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 of $29,482 was recorded as share-based compensation in connection with the vesting of options during the three months ended March 31, 2022.

Options activities for the three months ended March 31, 2023

During the three months ended March 31, 2023, 300,000 options exercisable at $0.10 and 1,550,000 options exercisable at $0.09, were exercised into commons shares of the Company.

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 $12,850 was recorded as share-based compensation in connection with the vesting of options during the three months ended March 31, 2023.

In total, share-based compensation of $61,677 was recorded in connection with the vesting of options during the three months ended March 31, 2023 (2022 – $42,511).

The following table summarizes information of stock options outstanding and exercisable as at March 31, 2023:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
April 16, 2023	250,000	250,000	0.15	0.04
May 19, 2024	300,000	300,000	0.50	1.14
April 16, 2026	400,000	400,000	0.15	2.05
January 24, 2027	900,000	450,000	0.10	3.82
July 27, 2027	3,500,000	1,750,000	0.09	4.33
August 10, 2027	80,000	40,000	0.09	4.36
December 1, 2027	300,000	75,000	0.09	4.67
March 1, 2028	750,000	-	0.265	4.92
August 2, 2028	90,000	90,000	0.0833	5.35
	6,570,000	**3,355,000**	**0.14**	**3.91**

(Expressed in Canadian dollars)

9. Restricted Share Units

RSUs activities for the three months ended March 31, 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 three months ended March 31, 2022.

RSUs activities for the three months ended March 31, 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 $16,923 was recorded as share-based compensation in connection with the vesting of RSUs during the three months ended March 31, 2023.

In total, share-based compensation of $44,311 was recorded in connection with the vesting of RSUs during the three months ended March 31, 2023 (2022 – $163,114).

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

10. 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.

The remuneration of directors and other members of key management personnel during the three months ended March 31, 2023 and 2022 were as follows:

	2023	2022
	$	$
Consulting fees	**18,750**	44,478
Exploration and evaluation expenditures	**33,750**	22,500
Professional fees	**17,488**	57,944
Share-based compensation – options	**17,581**	35,625
Share-based compensation – RSUs	**16,923**	170,000
	104,492	330,547

During the three months ended March 31, 2023, Clearwater Resources Inc. ("Clearwater"), an entity controlled by the Chief Executive Officer and also a director of Hercules Silver, charged fees of $18,750 (2022 – $44,478) for consulting services provided to the Company, which are included in consulting fees under general and administrative ("G&A") expenses (see Note 11). Clearwater also charged fees of $33,750 (2022 – $22,500) which are included in E&E expenditures. As at March 31, 2023, $38,263 (December 31, 2022 – $31,500) owing to Clearwater was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three months ended March 31, 2023, a director of the Company, who is also the former Chief Financial Officer ("CFO") of Hercules Silver, charged fees of $7,500 (2022 – $nil) for services provided to the Company, which are included in consulting fees under G&A expenses (see Note 11). As at March 31, 2023, $2,500 (December 31, 2022 – $nil) owing to the former CFO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three months ended March 31, 2023, Gowling WLG (Canada) LLP ("Gowling"), a law firm in which a director of the Company is also a partner, charged fees of $2,488 (2022 – $57,944) for legal services provided, which are included in professional fees. As at March 31, 2023, $509 (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.

(Expressed in Canadian dollars)

10. Related Party Transactions (continued)

During the three months ended March 31, 2023, Branson Corporate Services Ltd. ("Branson"), where the Company's current CFO is employed, charged fees of $15,000 (2022 – $nil) for CFO services, as well as other accounting and administrative services which are included in professional fees. As at March 31, 2023, $5,650 (December 31, 2022 – $nil) owing to Branson, and $541 (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 months ended March 31, 2022, a former director charged fees of $36,978 for services provided to the Company, which are included in consulting fees under G&A expenses (see Note 11).

11. General and Administrative Expenses

The Company's G&A expenses for the three months ended March 31, 2023 and 2022 were comprised of the following:

	2023	2022
	$	$
Business development and marketing	**93,414**	65,723
Office and general	**37,345**	1,794
Consulting fees	**21,250**	87,606
Filing fees	**16,766**	26,627
Insurance	**12,150**	11,250
	180,925	193,000

12. 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 does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's 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 were no changes to the Company's approach for managing capital during the three months ended March 31,2023 and the year ended December 31, 2022.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, warrants reserve, options reserve, RSUs reserve, and accumulated deficit. As at March 31, 2023, the Company's capital consisted of a balance of $2,340,864 (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.

13. 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.

(Expressed in Canadian dollars)

13. Financial Instruments (continued)

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 receivables (excluding sales tax receivable), which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with reputable Canadian chartered banks and financial institutions, which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash 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 March 31, 2023, the Company had a cash balance of $2,315,442 (December 31, 2022 – $1,802,284), to settle current liabilities of $162,184 (December 31, 2022 – $517,209).

The following table summarizes the carrying amount and the contractual maturities of both the interest and principal portion of significant financial liabilities as at March 31, 2023:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
Accounts payable and accrued liabilities	162,184	162,184	-	-

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 position as at March 31, 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. The Company 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.

13. Financial Instruments (continued)

Fair value (continued)

The Company's financial instruments consist of cash, and accounts payable and accrued liabilities. The fair value of cash and accounts payables 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 March 31, 2023 and December 31, 2022, the Company did not have any financial instruments which were carried at fair value.

14. Segmented information

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

15. 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 March 31, 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.

16. Reclassifications

Certain comparative figures have been reclassified to conform to the current period's presentation on the unaudited condensed interim consolidated statements of loss and comprehensive loss and cash flows. Net loss and accumulated deficit previously reported had not been affected by these reclassifications.

17. Subsequent Events

Financing

On April 20, 2023, the Company completed a brokered private placement (the "Brokered Offering") of 28,750,000 units (each a "Unit") 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. In connection with the Brokered Offering, the Company also issued 1,460,250 Broker Warrants at an exercise price of $0.20 for a period of 24 months from closing.

Investments

On May 1, 2023, the Company invested $4.5 million into certain short-term high interest savings funds.

Exercise of warrants and options

Subsequent to March 31, 2023, the Company issued 750,000 common shares as a result of the exercise of options for cash proceeds of $82,500. The Company also issued 75,000 common shares from exercises of Warrants for cash proceeds of $8,250.