Hercules Silver Corp. (formerly, Bald Eagle Gold Corp.)

Unaudited Interim Condensed Consolidated Financial Statements

For the Three and Nine Months ended September 30, 2022, and 2021

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 interim condensed consolidated financial statements, they must be accompanied by a notice indicating that the interim condensed 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 interim condensed 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. (formerly, Bald Eagle Gold Corp.)
Unaudited Interim Condensed Consolidated Statements of Financial Position
As at September 30, 2022 and December 31, 2021
(Canadian dollars except share amounts or stated otherwise)

	Note		**September 30, 2022**		December 31, 2021
Assets					
Cash		**$**	**2,488,594**	$	1,835,699
Sales tax recoverable			**116,853**		25,101
Prepaid expenses			**48,498**		22,917
Total Assets		**$**	**2,653,945**	$	1,883,717
Liabilities					
Accounts payable and accrued liabilities		**$**	**240,263**	$	133,810
Total Liabilities			**240,263**		133,810
Shareholders' Equity					
Share capital	3	**$**	**12,849,795**	$	10,913,815
Warrant reserve	4		**680,932**		278,832
Options reserve	5		**661,895**		256,647
RSU reserve	6		**44,294**		80,022
Accumulated deficit			**(11,823,234)**		(9,779,409)
Total Shareholders' Equity		**$**	**2,413,682**	$	1,749,907
Total Liabilities and Shareholders' Equity		**$**	**2,653,945**	$	1,883,717

Note 1: Description of business and going concern

Approved on behalf of the Board of Directors:

/s/ Christopher Paul

Signed: Director

/s/ Darren Collins

Signed: Director

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

Hercules Silver Corp. (formerly, Bald Eagle Gold Corp.)
Unaudited Interim Condensed Consolidated Statements of Loss and Comprehensive Loss
For the Three and Nine Months ended September 30, 2022 and 2021
(Canadian dollars except share amounts or stated otherwise)

			Three Months ended September 30,				Nine Months ended September 30,		
	Note		**2022**		2021		**2022**		2021
Expenses									
Exploration and evaluation	9	**$**	**210,227**	$	262,125	**$**	**370,131**	$	553,058
General and administrative	11		**341,289**		249,808		**881,481**		1,047,098
Stock based compensation	10		**190,000**		-		**407,600**		25,663
Professional fees			**(15,742)**		31,933		**302,223**		348,268
Listing expense			**-**		140,000		**-**		1,098,959
Property acquisition expense	8(ii)		**-**		-		**-**		4,703,690
Foreign exchange			**59,554**		-		**82,658**		-
Interest income			**(162)**		-		**(268)**		(331)
Loss and comprehensive loss		**$**	**758,166**	$	683,866	**$**	**2,043,825**	$	7,776,405
Basic and diluted loss per share		**$**	**(0.01)**	$	(0.01)	$	**(0.02)**	$	(0.10)
Weighted avg. shares			**129,737,331**		103,274,754		**148,329,925**		85,116,205

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

Hercules Silver Corp. (formerly, Bald Eagle Gold Corp.)
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity
For the Nine Months ended September 30, 2022 and 2021
(Canadian dollars except share amounts or stated otherwise)

	Note		**Number of Common Shares**		**Share Capital**		**Warrants Reserve**		**Options Reserve**		**RSU Reserve**		**Deficit**		**Total**
Balance, December 31, 2020		#	**34,770,001**	$	**3,352,898**	$	**-**	$	**210,728**	$	**-**	$	**(2,698,460)**	$	**865,166**
Subscription receipts	3		20,991,058		2,246,043		272,884		-		-		-		**2,518,927**
Share issuance costs – broker warrants	3,4(i),(ii)		-		(5,948)		5,948		-		-		-		**-**
Share issuance costs	3		-		(158,671)		-		-		-		-		**(158,671)**
Wolf acquisition	8(i)		11,736,001		1,255,752		-		27,479		-		-		**1,283,231**
Frontera acquisition	8(ii)		34,650,003		3,707,550		-		-		-		-		**3,707,550**
Shares issued from option exercise			180,000		22,223		-		(7,223)		-		-		**15,000**
Share-based payments	5,6		-		-		-		25,663		-		-		**25,663**
Comprehensive loss			-		-		-		-		-		(7,776,405)		**(7,776,405)**
Balance, September 30, 2021		#	**102,327,063**	$	**10,419,847**	$	**278,832**	$	**256,647**	$	**-**	$	**(10,474,865)**	$	**480,461**
Balance, December 31, 2021		#	113,867,063	$	10,913,815	$	278,832	$	256,647	$	80,022	$	(9,779,409)	$	**1,749,907**
Shares issued pursuant to private placement	3		30,666,666		2,300,000		-		-		-		-		**2,300,000**
Warrants granted	3,4(iii)		-		(402,100)		402,100		-		-		-		**-**
Share-based payments	6		4,650,000		443,328		-		-		(35,728)		-		**407,600**
Options granted	5		-		(405,248)		-		405,248		-		-		**-**
Comprehensive loss			-		-		-		-		-		(2,043,825)		**(2,043,825)**
Balance, September 30, 2022		#	**149,183,729**	$	**12,849,795**	$	**680,932**	$	**661,895**	$	**44,294**	$	**(11,823,234)**	$	**2,413,682**

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

Hercules Silver Corp. (formerly, Bald Eagle Gold Corp.)
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Three and Nine Months ended September 30, 2022 and 2021
(Canadian dollars except share amounts or stated otherwise)

	Note		Three months ended September 30, 2022		Three months ended September 30, 2021		Nine months ended September 30, 2022		Nine months ended September 30, 2021
Operating activities									
Net loss for the period		**$**	**(758,166)**	$	(683,866)	**$**	**(2,043,825)**	$	(7,776,405)
Items not affecting cash									
Share-based compensation	5,6		**190,000**		-		**407,600**		25,663
Listing expense			**-**		140,000		**-**		1,094,319
Property acquisition expense			**-**		-		**-**		4,677,614
Change in working capital items									
Sales tax recoverable			**(43,517)**		60,007		**(91,752)**		22,145
Prepaid expenses			**(48,498)**		130,750		**(25,581)**		(74,667)
Accounts payables and accrued liabilities			**16,178**		(143,988)		**106,453**		12,176
Due to related parties			**-**		31,900		**-**		6,650
Cash used in operating activities		**$**	**(471,003)**	$	(465,197)	**$**	**(1,647,105)**	$	(2,012,505)
Financing activities									
Option exercise	3,5	**$**	**-**	$	-	**$**	**-**	$	15,000
Share issuance	3		**-**		-		**2,300,000**		2,518,927
Share issuance costs	3		**-**		-		**-**		(33,227)
Cash used in financing activities		**$**	**2,300,000**	$	-	**$**	**2,300,000**	$	2,500,700
Investing activities									
Net cash acquired from Wolf	8(i)	**$**	**-**	$	-	**$**	**-**	$	318,912
Loan issued to Frontera			**-**		-		**-**		(442,192)
Cash used in investing activities		**$**	**-**	$	-	**$**	**-**	$	(123,280)
Change in cash		**$**	**(471,003)**	$	(465,197)	**$**	**652,895**	$	364,915
Cash, beginning of period balance			**2,959,597**		1,521,533		**1,835,699**		691,421
Cash, end of period balance		**$**	**2,488,594**	$	1,056,336	**$**	**2,488,594**	$	1,056,336

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

1. Nature of Business and Going Concern

Hercules Silver Corp. (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, ON, M5X 1G5.

The Company was incorporated on January 25, 2018, as 2617283 Ontario Corp., before changing its name to Wolf Acquisition Corp ("**Wolf**") on February 23, 2018. On March 19, 2021, the Company completed its qualifying transaction as defined by Policy 2.4 of the TSX Venture Exchange (the "**TSX-V**"), with CX One Inc. ("**CX One**") and Frontera Gold Inc. ("**Frontera**") (Note 8) and changed its name from Wolf Acquisition Corp. to Bald Eagle Gold Corp. (the "**Qualifying Transaction**") The Company amalgamated Frontera and CX One with its wholly-owned subsidiary 12590425 Canada Inc. forming a new subsidiary, BE Gold Inc.

On March 5, 2021, the Company filed its filing statement related to the Qualifying Transaction identified and on March 19, 2021, the Company became the resulting issuer and legal parent of the CX One and Frontera. CX One was determined to be the accounting acquiror and these consolidated financial statements reflect the historical accounting of CX One and an issuance of shares to acquire both Wolf and Frontera.

On August 18, 2022, the Company changed its name to Hercules Silver Corp.

The Company's common shares are listed on the TSX-V under the symbol "BIG", on the OTCQB® Venture Market under the symbol "BADEF", and on the Frankfurt Stock Exchange under the symbol "6W0".

The Company holds a 100% interest in its Hercules and Leviathan exploration properties located in Washington County, Idaho. 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 financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

These unaudited interim condensed consolidated financial statements have been prepared on a basis which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company's ability to continue to do so is dependent on the ability of the Company to raise equity financing and the attainment of profitable operations. There are no assurances that the Company will be successful in achieving these goals.

As at September 30, 2022, the Company had not yet achieved profitable operations and expects to incur further losses. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern. These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through restrictions put in place by the Canadian and American governments regarding travel, business operations, and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions and quarantine/isolation measures that are currently, or may be put, in place by Canada, Mexico and other countries to fight the virus. While the extent of the impact is unknown, we anticipate that this outbreak may cause supply chain disruptions, staff shortages, and increased government regulations, all of which may negatively impact the Company's business and financial condition.

2. Significant Accounting Policies

2.1 Statement of compliance

These unaudited interim condensed consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board including the IFRS Interpretations Committee. These financial statements have been prepared in accordance with International Accounting Standard 34 – Interim Financial Reporting, and do not include all of the information required for annual consolidated financial statements. Accordingly, certain information and disclosures normally included in annual financial statements prepared in accordance with IFRS have been omitted or condensed.

These unaudited interim condensed consolidated financial statements were approved by the Company's board of directors (the "**Board**") and authorized for issue on November 29, 2022.

2.2 Basis of consolidation

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

Subsidiaries	**Jurisdiction**
BE Gold Inc.	Canada
Fontera Gold Nevada Inc.	Nevada, USA
1218530 B.C. Ltd.	British Columbia
Anglo-Bomarc, U.S., Inc.	Idaho, USA
Frontier Metals Canada Holdings Corp.	British Columbia
Frontier Metals LLC	Idaho, USA

Subsidiaries are consolidated from the date control is acquired to the date control is lost.

2.3 Basis of measurement

These unaudited interim condensed consolidated financial statements are presented in Canadian dollars and are prepared on the historical cost basis, modified by the measurement at fair value of certain financial instruments.

2.4 New accounting standards and interpretations effective in future periods

IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors were amended in January 2020 to refine the definition of materiality and clarify its characteristics. The revised definition focuses on the idea that information is material if omitting, misstating, or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments are effective for annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted.

2.5 Share based payments

The Company's stock option plan (the "**Stock Option Plan**") allows qualified directors, officers and consultants to acquire shares of the Company. The fair value of incentive stock options ("**Options**") granted is recognized as salary and compensation expense with a corresponding increase in equity. The fair value of the option grant is measured at grant date and each tranche is recognized on a graded basis over the period during which the options vest. The fair value of Options granted is measured using the Black-Scholes option pricing model ("**Black-Scholes**"), taking into account the terms and conditions upon which the Options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Upon exercise of Options, the consideration paid, together with the amount previously recognized in share-based payments reserve, is recorded as an increase in common shares.

2.6 Restricted share units

The Company's restricted share unit plan ("**RSU Plan**") allows qualified directors, officers, employees and consultants of the Company to be granted restricted share units ("**RSUs**") where each RSU has a value equal to one common share. RSUs are measured at fair value on the grant date. The fair value of RSUs is recognized as a charge to share-based compensation as a general and administrative expense over the vesting period with a corresponding increase in equity. RSUs are expected to settle in cash are reclassified as a liability and valued at fair value at period end.

2.7 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognized in the consolidated statements of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

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

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

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2.8 Mineral properties and exploration and evaluation costs

The Company expenses all costs relating to the acquisition of and exploration for mineral properties and it credits all proceeds received against the exploration expenditures. Such costs include, but are not limited to, geological, geophysical studies, exploratory drilling, and sampling.

Once a project has been established as commercially viable and technically feasible, related development expenditures are capitalized; this includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

2.9 Impairment

At the end of each reporting period the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the consolidated statement of loss and comprehensive loss for the period. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of loss and comprehensive loss.

2.10 Foreign Currencies

The functional and presentation currency of the Company and its Canadian subsidiaries is the Canadian dollar. The functional currency of the Company's United States subsidiaries is the US dollar. The Company recognizes transactions in currencies other than the functional currency (foreign currencies) at the rates of exchange prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the period end exchange rates are recognized in the consolidated statements of loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Where the functional currency differs from the presentation currency, assets and liabilities are translated at the closing rate at the end of the reporting period and income and expenses are translated at the exchange rates at the dates of the transactions. All resulting exchanges differences are recognized in comprehensive income (loss) and accumulated as a separate component of equity.

2.11 Financial Instruments

2.11.1 Classification

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is based on the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading (including all equity derivative instruments) are classified as fair value through profit and loss ("**FVTPL**"). For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them at fair value through other comprehensive income ("**FVTOCI**"). Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

The following table summarizes the Company's financial instruments and their accounting classification:

Financial Assets:	
Cash	Amortized cost
Loan receivable	Amortized cost
Financial Liabilities:	
Accounts payable and accrued liabilities	Amortized cost
Due to related parties	Amortized cost

Financial Assets

(i) Financial assets recorded at FVTPL

Financial assets are classified as FVTPL if they do not meet the criteria of amortized cost or FVTOCI. Gains or losses on these items are recognized in the consolidated statements of loss and comprehensive loss.

(ii) Amortized cost

Financial assets are classified as measured at amortized cost if both of the following criteria are met and the financial assets are not designated as at FVTPL: 1) the object of the Company's business model for these financial assets is to collect their contractual cash flows; and 2) the asset's contractual cash flows represent "solely payments of principal and interest". Financial assets classified as amortized cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other definitive evidence is received that a specific counterparty will default. The Company's accounts and other receivables are classified as financial assets measured at amortized cost.

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or at amortized cost. The Company determines the classification of its financial liabilities at initial recognition.

(i) Amortized cost

Financial liabilities measured at amortized cost, including borrowings, are measured at fair value, net of transaction cost. Financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis. The effective yield basis is a method of calculating the unamortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash flow payments over the expected life of the financial liability to the net carrying amount on initial recognition. The Company's accounts payable and accrued liabilities, senior secured loan and term loan do not fall into any of the exemptions and are therefore classified as measured at amortized cost.

Transaction costs

Transaction costs associated with financial instruments, carried at fair value through the consolidated statements of loss and comprehensive loss, are expensed as incurred, while transaction costs associated with all other financial instruments are included in the initial carrying amount of the asset or the liability.

Subsequent measurement

Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in the consolidated statements of loss and comprehensive loss. Instruments classified as amortized cost are measured at amortized cost using the effective interest rate method. Instruments classified as FVTOCI are measured at fair value with unrealized gains and losses recognized in other comprehensive income.

Derecognition of financial liability

The Company derecognizes financial liabilities only when its obligations under the financial liabilities are discharged, cancelled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statements of loss and comprehensive loss.

Expected credit loss impairment model

The Company recognizes expected credit loss for trade receivables based on the simplified approach under IFRS 9 - Financial Instruments. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

2.12 Leases

The Company assesses whether a contract is, or contains, a lease at the inception of a contract. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company assesses whether:

- the contract involves the use of an explicitly or implicitly identified asset.
- the Company has the right to obtain substantially all the economic benefits from the use of the asset throughout the contract term.
- the Company has the right to direct the use of the asset.

The Company recognizes a right-of-use asset and a lease liability at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the initial amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. Right-of-use assets are subject to impairment.

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company’s incremental borrowing rate. The lease payments include fixed payments, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees and the exercise price of a purchase option reasonably certain to be exercised by the Company.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the fixed lease payments or a change in the assessment to purchase the underlying asset.

The Company presents right-of-use assets in the property and equipment line item on the consolidated statements of financial position and lease liabilities in the lease payable line item on the consolidated statements of financial position.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases that have a lease term of 12 months or less and do not contain a purchase option or for leases related to low value assets. Lease payments on short-term leases and leases of low value assets are recognized as an expense in the consolidated statements of loss and comprehensive loss.

2.13 Cash and cash equivalents

Cash and cash equivalents consist of cash deposits in banks, certificates of deposit, and short-term investments with remaining maturities of six months or less at time of acquisition. The Company does not hold any asset backed commercial paper. There were no cash equivalents as at September 30, 2022 and December 31, 2021.

2.14 Reclamation obligations

An obligation to incur restoration, rehabilitation, and environmental costs arises when environmental disturbance is caused by the exploration, development, or ongoing production of a mineral property interest. Such costs arising for the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized to the carrying value of the asset as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value. These costs are charged against the consolidated statements of loss and comprehensive loss over the economic life of the related asset, through amortization using either the unit-of-production or the straight-line method. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation.

2.15 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.16 Provisions

A provision is recognized in the consolidated statements of financial position when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

2.17 Loss per share

Basic loss per common share is calculated by dividing the loss attributed to shareholders for the period by the weighted average number of common share outstanding in the period. Diluted loss per common share is calculated by adjusting the weighted average number of common share outstanding for the effects of all dilutive potential common share. Convertible instruments including stock options and warrants outstanding are not included in the computation of diluted loss per share if their inclusion would be anti-dilutive.

2.18 Segment reporting

A segment is a component of the Company that is distinguishable by economic activity (business segment), or by its geographical location (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company operates in one business segment, mineral exploration, and two geographical segments, Canada, and the United States.

2.19 Significant accounting judgments and estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements and may require accounting adjustments based on future occurrences.

Revisions to accounting estimates are recognized in the period in which the estimate is revised, and the revision affects both current and future periods.

Significant assumptions and judgments about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Determination of the fair value of Options and Warrants

Estimating fair value for warrants requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining and making assumptions about the most appropriate inputs to the valuation model including the expected life, volatility, and dividend yield of the warrants. The fair value of warrants is evaluated using Black-Scholes at the date of grant. The Company has made estimates as to the expected volatility and expected life of warrants. The expected volatility is based on the average volatility of share prices of similar companies, over the period of the expected life of the warrants. The expected life of the warrant is based on historical data. These estimates may not necessarily be indicative of future actual patterns.

Business combinations

Business combinations are accounted for using the acquisition method of accounting, whereby identifiable assets acquired, and liabilities assumed are recorded at fair value as of the date of acquisition with the excess of the purchase price over such fair value recorded as goodwill. If a transaction does not meet the definition of a business combination as per IFRS standards, the transaction is recorded as an acquisition of an asset.

3. Share Capital

3.1 Authorized

Unlimited common shares without par value.

3.2 Issued and Outstanding

As at September 30, 2022, the Company had 149,183,729 common shares issued and outstanding.

3.3 Escrow

A total of 25,861,503 common shares are held in escrow and will be released as follows:

March 19, 2023	8,620,501
September 19, 2024	8,620,501
March 19, 2024	8,620,501
	25,861,503

3.4 <u>Common shares activity during the nine months ended September 30, 2022 and the year ended December 31, 2021</u>

(i) On February 26, 2021, the Company closed a Subscription Receipt financing of 20,991,058 units (each a “**Unit**”) with each Unit comprising one common share and one half of one common share purchase warrant (each, a “**Warrant**”). Each Warrant is exercisable into one common share of the Company at $0.20 for two years.

The fair value of the common share and the half Warrant within each Unit was determined using Black-Scholes such that the resulting combined values of the share and half Warrant totaled the subscription price of $0.12 per Unit. The assumptions used in Black-Scholes are outlined in Note 5. The fair value of one common share was determined to be $0.107.

Cash-based issuance costs of $141,703 were incurred including $125,444 of deferred financing charges at December 31, 2020. In addition, the Company issued 233,753 broker warrants exercisable into one common share of the Company at $0.20 for two years and a fair value of $5,948.

(ii) On March 19, 2021, the Company issued 11,736,001 common shares valued at $1,255,752 as part of the Wolf acquisition (see Note 8(i)).

(iii) On March 19, 2021, the Company issued 34,650,003 common shares valued at $3,707,550 as part of the Frontera acquisition (see Note 8(ii)).

(iv) On August 5, 2021, the Company issued 1,540,000 common shares valued at $77,000 as part of the Hercules acquisition (see Note 8(iii)).

(v) On November 29, 2021, the Company issued 10,000,000 common shares valued at $400,000 as part of the Leviathan acquisition (see Note 8(iv)).

(vi) During the year ended December 31, 2021, a total of 180,000 stock options were exercised for total proceeds of $15,000.

(vii) On March 21, 2022, the Company issued 1,700,000 common shares valued at $217,600 to an officer of the Company. These were RSUs which were subsequently vested.

(viii) On February 2, 2022, the Company issued 475,000 common shares valued at $40,375 to certain officers of the company. These were RSUs which were subsequently vested.

(ix) On May 31, 2022, the Company completed a non-brokered private placement 30,666,666 Units at a price of $0.075 per Unit for aggregate gross proceeds of approximately $2,300,000 (the "**Offering**"). Each Unit consisted of one common share and one Warrant. Each Warrant shall be exercisable to purchase one additional common share at an exercise price of $0.11 until May 31, 2024. Crescat Portfolio Management LLC ("**Crescat**") and certain accounts managed by Crescat participated in the Offering and collectively made a strategic investment of approximately $1,100,000. The Company granted Crescat a right to participate in future financings of the Company so as to allow Crescat to maintain its current equity stake on a pro rata basis, subject to certain terms and conditions. All securities issued under the Offering are subject to a four month hold period from the closing date under applicable Canadian securities laws, in addition to such other restrictions as may apply under applicable securities laws of jurisdictions outside Canada

(x) On July 18, 2022, an aggregate of aggregate of 475,000 common shares were issued as full and final settlement of the 475,000 RSUs issued on February 2, 2022.

(xi) On July 27, 2022, the Board granted 4,000,000 RSUs to certain Eligible Participants (defined hereafter). 2,000,000 common shares were issued as half of the RSUs vested immediately.

3.5 Maximum share dilution

The following is the maximum number of shares that would be outstanding all if convertible securities were exercised as at September 30, 2022:

	September 30, 2022
Common shares outstanding	149,183,729
Options	9,490,000
Warrants	41,395,944
Restricted share units	4,650,000
	204,719,673

4. Warrants

The following table reflects the warrants outstanding as at September 30, 2022:

Exercise price	Note	Outstanding	Expiry Date	Remaining Life (years)
$0.20	(i)	10,495,525	March 24, 2023	0.48
$0.20	(ii)	233,753	March 24, 2023	0.48
$0.11	(iii)	30,666,666	May 31, 2024	1.67
$0.13		**41,395,944**		

(i) As part of the issuance of Subscription Receipts (Note 3.4(i)), 10,495,525 Warrants were issued with an estimated fair value of $272,884 using Black-Scholes based on the following assumptions:

Exercise price	$0.200
Stock price	$0.107
Expected life of warrants (years)	2.00
Risk-free interest rate	0.28%
Expected volatility	76%
Expected dividend yield	0%

(ii) As part of the issuance of the Subscription Receipts (Note 3.4(i)), 233,753 Warrants were issued to brokers with an estimated value of $5,948 using Black-Scholes based on the following assumptions:

Exercise price	$0.200
Stock price	$0.107
Expected life of warrants (years)	2.00
Risk-free interest rate	0.28%
Expected volatility	76%
Expected dividend yield	0%

(iii) As part of the completion of a non-brokered private placement (Note 3.4(ix)), 30,666,666 warrants were offered to brokers with an estimated value of $402,100 using Black-Scholes based on the following assumptions:

Exercise price	$0.110
Stock price	$0.090
Expected life of warrants (years)	2.00
Risk-free interest rate	0.28%
Expected volatility	94.81%
Expected dividend yield	0%

5. Stock-Based Compensation

The Company has previously had a 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 “**New 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 New Plan provides for the issuance of Options and RSUs to Eligible Participants. Pursuant to the terms and conditions of the New 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.

On February 2, 2022, 1,200,000 Options were granted. 25% of the Options vest in six (6) months and 25% every six (6) months thereafter. The fair value of the Options was estimated at $51,198 using Black-Scholes based on the following assumptions:

Exercise price	$0.10
Stock price	$0.0833
Expected life of options (years)	5.00
Risk-free interest rate	0.28%
Expected volatility	76%
Expected dividend yield	0%

On May 1, 2022, the Company granted 3,500,000 Options. These Options vest in three tranches over 12 months and will allow the purchase of common shares in the Company at a price of $0.09 per share, for a period of up to five (5) years from the effective date. The fair value of the Options was estimated at $164,050 using Black-Scholes based on the following assumptions:

Exercise price	$0.09
Stock price	$0.08
Expected life of options (years)	5.00
Risk-free interest rate	2.34%
Expected volatility	61%
Expected dividend yield	0%

On July 27, 2022, the Company granted 3,500,000 Options. These Options vest in 25% increments every six (6) months thereafter and will allow the purchase of common shares in the Company at a price of $0.09 per share, for a period of up to five (5) years from the effective date. The fair value of the Options was estimated at $190,000 using Black-Scholes based on the following assumptions:

Exercise price	$0.09
Stock price	$0.09
Expected life of options (years)	5.00
Risk-free interest rate	2.83%
Expected volatility	61%
Expected dividend yield	0%

The Company recognized $407,600 in stock-based compensation on the Options during the nine months ended September 30, 2022 (2021 – $25,663).

The following table summarizes the Options activity during the nine months ended September 30, 2022:

	Number of Options		Weighted avg. exercise price
Balance, December 31, 2021	**1,680,000**	**$**	**0.25**
Issued to management and consultants	8,200,000		0.09
Expired	(390,000)		0.0833
Balance, September 30, 2022	**9,490,000**	**$**	**0.12**

The flowing is a summary of the Company's Options outstanding at September 30, 2022:

Grant Date	Number of Stock Options	Exercise Price	Expiry Date	Remaining Life (Years)	Number of Exercisable Stock Options
May 19, 2019	550,000	$0.50	May 19, 2024	1.64	550,000
March 19, 2021	90,000	$0.0833	August 2, 2028	5.84	90,000
April 16, 2021	650,000	$0.15	April 16, 2023	0.54	337,500
February 2, 2022	1,200,000	$0.10	February 2, 2027	4.35	1,200,000
May 16, 2022	3,500,000	$0.09	May 1, 2027	4.59	3,500,000
July 27, 2022	3,500,000	$0.09	July 27, 2027	4.82	-
	9,490,000	**$0.19**		**4.21**	**5,677,500**

6. Restricted share units

The Company had a RSU Plan for Eligible Participants, which provides for the granting of RSUs up to 10% of its issued and outstanding common shares. The designation of Participants, the amount of RSUs, and vesting provisions of awards under the RSU Plan were determined by the Board at the time of issuance.

On March 21, 2022, the Company issued 1,700,000 RSUs to certain Eligible Participants with a grant date fair value of $0.128 per RSU. The RSUs were subject to no vesting conditions. The Company recognized $217,600 in share-based compensation during the nine months ended September 30, 2022 (2021 – $25,663).

On February 2, 2022, 475,000 RSUs vested in accordance with their terms and the plan. An aggregate of 475,000 common shares were issued as full and final settlement of the 475,000 RSUs.

On June 4, 2022, another 475,000 RSUs vested in accordance with their terms and the plan. On July 18, 2022, 475,000 common shares were issued as full and final settlement of the 475,000 RSUs.

On July 27, 2022, the Board granted 4,000,000 RSUs to certain Eligible Participants. On August 4, 2022, 2,000,000 common shares were issued as half of the RSUs vested immediately.

On August 4, 2022, an additional 475,000 RSUs vested and 475,000 common shares were issued as full and final settlement of the 475,000 RSUs.

On July 15, 2022, shareholders of the Company approved the New Plan, and the Company will no longer be issuing RSUs pursuant to the RSU Plan. The RSU Plan will remain in force and effect solely for the purposes of governing previously existing RSU granted thereunder.

7. Management of capital

The Company's objectives for managing capital are:

- to safeguard the Company's ability to continue as a going concern, so that it can continue to add value to its projects, acquire additional projects with potential for resources and provide returns for shareholders;
- to provide an adequate return to shareholders by increasing the value of underlying assets through exploration and development of economic resources; and
- to generate an adequate return to shareholders by constructing and operating economically viable mineral deposits.

The Company considers its capital to include the components of equity attributable to common shareholders which amounts to a surplus of $2,413,682 as at September 30, 2022 and comprises share capital, Warrants reserve, Options reserve, RSU reserve, and deficit.

The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support the acquisition, exploration, development, and operation of mineral properties in relation to the risk it faces and in consideration of changes in economic conditions. 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 maintain or adjust the capital structure, the Company may issue new shares, undertake debt, sell its ownership or an interest in its assets, or joint venture its projects.

The Company is not subject to externally imposed capital requirements and there has been no change with respect to the overall capital risk management strategy during the period ended September 30, 2022.

8. Acquisitions

(i) Acquisition of Wolf (Qualifying Transaction)

On March 19, 2021, the Company completed its Qualifying Transaction pursuant to the terms of the business combination agreement dated March 5, 2020 (the "**QT Agreement**").

Pursuant to the QT Agreement, the former shareholders of Wolf received 11,736,001 common shares and 660,000 Options of the Company. Management has estimated the fair value of each common share to be $0.107 based on the based on the subscription financing (see Note 3.2(i)). The fair value of the 660,000 Options was determined using Black-Scholes based on the following assumptions:

Exercise price	$0.08333
Stock price	$0.107
Expected life of options	1.0
Risk-free interest rate	0.49%
Expected volatility	76%
Expected dividend yield	0%

The transaction is considered a reverse takeover asset acquisition with CX One as the accounting acquiror. The following table summarizes the allocation of the purchase price to the net assets acquired:

Fair value of common shares	$	1,255,752
Fair value of options		27,479
Total consideration fair value	**$**	**1,283,231**
Cash	$	328,912
Net assets acquired	**$**	**328,912**
Listing expense	**$**	**954,319**

(ii) Acquisition of Hot Springs Property

On March 19, 2021, the Company acquired 100% of the issued and outstanding shares of Frontera in exchange for 34,650,000 common shares of the Company. Management estimated the fair value of each common share to be $0.107 based on the subscription financing (see Note 3.2(i)).

Prior to the acquisition, CX One had an outstanding loan of $882,469 receivable from Frontera which settled upon acquisition is included as part of the purchase price. The transaction was accounted for as an asset acquisition as the entity did not meet the definition of a business under IFRS 3 – Business Combination ("**IFRS 3**").

The following table summarizes the allocation of the purchase price to the net assets acquired:

Fair value of common shares	$	3,707,550
Loan		882,469
Total consideration fair value	**$**	**4,590,019**
Input tax credits		2,987
Accounts payable and accrued liabilities		(90,582)
Mineral properties – expensed*		4,677,614
Net assets acquired	**$**	**4,590,019**

* In accordance with the Company's accounting policy for exploration stage activities, the Company has expensed the value attributed to the mineral rights acquired.

Frontera, through its wholly owns subsidiary, Frontera Gold Nevada Inc. held a 50% exploration interest in the Hot Springs Property located between the Battle Mountain and Getchell-Comstock Gold-Trend in north-central Nevada, covering a total area of approximately 11,894 acres. This interest was sold on October 4, 2021 for cash proceeds of $1,571,721 (USD $1,270,000).

(iii) Acquisition of Hercules Property

On August 5, 2021, the Company acquired 100% of the issued and outstanding shares of 1218530 B.C. Ltd. and its wholly owned subsidiary Anglo-Bomarc US, Inc. for $175,000 cash and 1,400,000 common shares of the Company. A 10% finder's fee was paid on the transactions comprising a cash payment of $17,500 and the issuance of 140,000 common shares of the Company. The transaction was accounted for as an asset acquisition as the entity did not meet the definition of a business under IFRS 3.

The following table summarizes the allocation of the purchase price to the net assets acquired:

Cash	$	175,000
Fair value of common shares		70,000
Finder's fee – cash		17,500
Finder's fee – shares		7,000
Total consideration fair value	**$**	**269,500**
Cash		320
Accounts payable and accrued liabilities		(529)

Mineral properties – expensed*		269,709
Net assets acquired	**$**	**269,500**

* In accordance with the Company's accounting policy for exploration stage activities, the Company has expensed the value attributed to the mineral rights acquired.

Anglo-Bomarc US, Inc. owns the right and title to the Hercules Silver Property (the "**Hercules Property**") located in Washington County, Idaho.

(iv) Acquisition of Leviathan Property

On November 29, 2021, the Company acquired a 100% interest in Frontier Metals Canada Holdings Corp. and its wholly-owned subsidiary Frontier Metals LLC for 10,000,000 common shares of the Company. The vendor retained a 2% NSR on the Leviathan property. The transaction was accounted for as an asset acquisition as the entity did not meet the definition of a business under IFRS 3.

The following table summarizes the allocation of the purchase price to the net assets acquired:

Fair value of common shares	$	400,000
Total consideration fair value	**$**	**400,000**
Input tax credits		252
Accounts payable and accrued liabilities		(2,000)
Mineral properties – expensed*		401,748
Net assets acquired	**$**	**400,000**

* In accordance with the Company's accounting policy for exploration stage activities, the Company has expensed the value attributed to the mineral rights acquired.

Frontier Metals LLC 100% of the right and title to the Leviathan Property comprises 65 unpatented mineral claims in the Heath Mining District of Washington County, Idaho, immediately east and adjoins the Hercules Property (Note 8(iii)).

9. Financial Risk Management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency risk and interest rate risk), fair value risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance. Risk management is carried out by management under policies approved by the Board. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies.

9.1 Credit risk management

Credit risk is the risk that a client or vendor will be unable to pay or receive any amounts owed or owing to the Company. Management's assessment of the Company's credit risk is low as it is primarily attributable to funds held in Canadian banks. The Company does not hold any asset backed commercial paper. The maximum credit risk exposure of the financial assets is their carrying value.

9.2 Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due. There can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favourable. The Company may seek additional financing through debt or equity offerings, but there can be no assurance that such financing will be available on terms acceptable of the Company or at all. Any equity offering will result in dilution to the ownership interests of the Company's shareholders and may result in dilution to the value of such interest. The Company intends on fulfilling its obligations.

As of September 30, 2022, the Company had a cash balance of $2,488,594 (December 31, 2021 – $1,835,699) and non-cash current assets of $165,351 (December 31, 2021 – $25,101) to settle current liabilities of $240,263 (December 31, 2021 – $133,810).

9.3 Market risk

Market risk incorporates a range of risks. Movements in risk factors, such as market price risk and currency risk, affect the fair values of financial assets and liabilities. The Company is exposed to these risks as the ability of the Company to develop or market its properties and the future profitability of the Company is related to the market price of certain minerals.

9.4 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.

9.5 Interest rate risk

The Company has cash balances. The Company's current policy is to deposit excess cash in interest bearing accounts at its banking institutions.

Based on management's knowledge and experience of the financial markets, the Company believes that the movements in interest rates that are reasonably possible over the next twelve-month period will not have a significant impact on the Company. The fair value of cash and accounts payable and accrued liabilities approximate carrying value due to the relatively short-term maturities of these instruments.

9.6 Foreign exchange risk

The Company is subject to foreign exchange risk as the Company has certain assets and liabilities, and makes certain expenditures, in US dollars exposing the Company to gains and losses due to fluctuations in the US dollar relative to the Canadian dollar. The Company does not hedge its foreign exchange risk.

9.7 Fair value hierarchy

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. IFRS 13 – Fair Value Measurement establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

- 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, 2022 and December 31, 2021, there are no financial instruments carried at fair value.

10. Related Party Transactions

Key management personal includes those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Board and corporate officers.

Amounts included in director and officer fees/salaries relate to amounts paid or accrued to directors and officers in the current year. A director of the Company is also a partner at the law firm providing legal services to the Company during the three and nine months ended September 30, 2022, and 2021.

As at September 30, 2022, no balance was owed to any officer and director of the Company, or to any entities associated with any insiders of the Company.

		Three Months ended September 30,				Nine Months ended September 30,		
		2022		2021		**2022**		2021
Salary and related fees	**$**	**42,000**	$	62,000	**$**	**212,000**	$	196,000
Legal services provided by law firm associated with a director		**-**		91,523		**163,593**		394,161
Stock-based compensation		**190,000**		-		**407,600**		25,663
	$	**232,000**	$	153,523	**$**	**783,193**	$	615,824

11. General and Administrative Expenses

General and administrative expenses by nature for the three and nine months ended September 30, 2022, and 2021 are as follows:

		Three Months ended September 30,				Nine Months ended September 30,		
		2022		**2021**		**2022**		**2021**
Consulting fees	**$**	**208,965**	$	25,331	**$**	**512,579**	$	202,811
Filing fees		**(234)**		-		**92,605**		78,424
Office and general		**32,298**		19,354		**61,217**		46,586
Rent		**-**		2,000		**-**		14,000
Salaries and wages		**-**		62,259		**-**		260,710
Business development		**100,280**		153,181		**215,080**		444,568
	$	**341,309**	$	262,125	**$**	**881,481**	$	1,047,099

12. Segmented Information

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

13. Reclassification

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