



**HERCULES**  
SILVER CORP

**Hercules Silver Corp.**

**Management's Discussion and Analysis**

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

**(Expressed in Canadian Dollars)**

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The following is the Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Hercules Silver Corp. ("Hercules Silver", "we" or the "Company") as at and for the period ended September 30, 2023. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and nine months ended September 30, 2023 and 2022 (the "Q3 2023 Financials"), and its audited consolidated financial statements for the year ended December 31, 2022. The Q3 2023 Financials and the financial information contained in this MD&A are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars unless stated otherwise.

This MD&A also covers the subsequent period up to November 26, 2023.

### **Overview**

Hercules Silver 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 ticker 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 exploration property (the "Hercules Property") 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.

### **Corporate Developments**

On March 1, 2023, the Company appointed Kelly Malcolm as an independent director. Mr. Malcolm is a Professional Geologist with extensive exploration experience focused on precious metal exploration and is currently the Vice President of Exploration for Amex Exploration Inc. He specializes in the integration and interpretation of geological, geochemical, and geophysical data to guide exploration and development activities. He was previously involved in the discovery and delineation of Detour Gold's high grade 58N gold deposit, and has acted as director, advisor, or management for several public and private mineral exploration companies. He holds a B.Sc. Honours in geology and a B.A. in economics, both from Laurentian University.

On May 22, 2023, the Company appointed Christopher Longton, CPG, as Vice President of Exploration ("VP-Exploration") of Hercules Silver. Mr. Longton is an accomplished geologist with over 15 years experience from greenfields exploration to production on precious and base metals deposits throughout North America and Australia. He has extensive experience managing large-scale projects, most recently as the Senior Exploration Manager for Integra Resources' Delamar project in southern Idaho. Prior to Delamar, Mr. Longton provided senior geological support on several advanced development and production scale projects for various companies, most notably New Gold Inc. and Equinox Gold Corp. Mr. Longton is directly managing the advancement of the Hercules Property.

On July 18, 2023, Hercules Silver held its annual general meeting of shareholders. Christopher Paul, Peter Simeon, Nicholas Tintor and Kelly Malcom were re-elected as directors. Darren Collins did not stand for re-election and resigned from the Board of Directors (the "Board") of the Company.

### **Financing Activities**

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 (each a "Broker Warrant") at an exercise price of \$0.20 for a period of 24 months from closing.

During the nine months ended September 30, 2023, the Company issued 6,217,260 common shares as a result of the exercise of Warrants for total cash proceeds of \$1,130,952. The Company also issued 2,775,000 common shares as a result of the exercise of stock options for total cash proceeds of \$267,750.

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On November 7, 2023, the Company completed a non-brokered private placement (the "Placement"), resulting in Barrick Gold Corporation ("Barrick") subscribing for 21,265,370 Units of Hercules Silver at a price of \$1.10 per Unit for gross proceeds of \$23,391,907. Each Unit consisted of one common share of Hercules Silver and 0.32 of a Warrant. Each whole Warrant entitles the holder thereof to purchase one common share for a price of \$1.32 per common share and has a term of two years. With the closing of the Placement, Barrick now owns approximately 12.5% of the current issued and outstanding common shares of Hercules Silver. The proceeds from the Placement will be used by the Company to explore the Hercules Property.

### **Mineral Properties**

#### *Hercules Property*

The Hercules Property represents 8,850 acres consisting of one patented lode claim, 416 unpatented lode claims and approximately 1,165 acres of mineral rights owned in fee. The Company also holds the right to conduct exploration, drilling, road building, mining and milling activities on 1,770 acres of surface within the Hercules Property. The Company has a 100% interest in the Hercules Property, subject to a 2% net smelter royalty, of which half can be bought back for \$1 million. The Hercules Property is located on the northwestern shoulder of Cuddy Mountain, 200 kilometers ("km") northwest of Boise, Idaho. Cuddy Mountain is an uplifted and tilted fault block of accreted Mesozoic terrane about 19 km across, which is characterized by open grassy slopes. Mineralization is hosted within a Triassic-Jurassic sequence of volcanics, volcanoclastics and carbonate rocks.

Highlights of the Hercules Property include:

- Multiple target zones spanning 5.5 km of geology favorable for shallow high-grade silver-lead-zinc mineralization. The Company completed a Phase I drill program in 2022 and commenced Phase II in May 2023.
- Over 300 historical drill holes spanning 3.5 km were input into a three-dimensional ("3-D") model, which was utilized to identify priority targets. Geological mapping, IP geophysics and sampling further refined drill targets. Historical drill intercepts and related disclaimers can be accessed from the Company's corporate presentation at [www.herculesilver.com](http://www.herculesilver.com).
- Historical drill-defined mineralization is open in multiple directions including at depth. Recent greenfields exploration programs by the company have identified potential extensions and several new zones of mineralization.
- Located in Idaho, a stable and mining friendly jurisdiction. A 1969 agreement with the original landowner grants the company the right to drill, mine and mill on surface land covering approximately half of the project area.

On February 10, 2022, the Company filed a technical report, titled "Technical Report for the Hercules Project, Washington County, Idaho, USA" (the "Technical Report"). The Technical Report was independently prepared for the Company by Mr. Donald E. Cameron, P. Geo, LG, SME-RM of Cameron Resource Consulting, LLC, an independent and "Qualified Person" under National Instrument 43-101 - *Standards of Disclosure for Mineral Projects*. The Technical Report is dated February 9, 2022, with an effective date of November 15, 2021.

On February 28, 2022, the Company completed an extensive historical data compilation which comprised data relating to IP geophysics, soil geochemistry, geological mapping, and over 300 historical holes drilled from the period 1965 to 1988. The data was scanned from physical drill logs, maps and reports which were held in storage for over 30 years.

On March 9, 2022, the Company and Goldspot completed a 3-D geological model for Hercules. The model incorporates the recently digitized historical exploration and drilling data. The results of the model enable the Company to visualize the geometry of the mineralization in 3-D and assist with guiding our exploration drilling plans. A 3-D geological modelling was not historically completed by past operators.

On October 18, 2022, the Company reported that it has commenced the 3-D IP survey and completed an extensive bedrock mapping and sampling program on the Property. The new mapping, completed by Specialised Geological Mapping Limited of the United Kingdom, has improved the Company's understanding of the nature and controls of silver mineralization on the Property.

On November 3, 2022, the Company announced that it has mobilized a low-impact, track-mounted reverse circulation drill rig to the Hercules Property to begin testing areas within the Frogpond and Hercules Adit Zones. Midnight Sun Drilling of Whitehorse, Yukon, has been contracted to carry out the program. The drill plan consisted mostly of verification holes within the Frogpond and Hercules Adit Zones, as well as step-outs along the edges of the mineralized zones. The 2022 campaign collected information on the nature of mineralization and ground conditions.

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On December 5, 2022, the Company reported that the first phase ("Phase I") drill program was complete. Phase I was designed to test and verify historical drilling assays as well as gain the geological and geotechnical information needed to support a Phase II drilling campaign in early spring of 2023. A total of 1,995 feet was completed in nine drill holes, with several holes bottoming in mineralization. Significant galena and tetrahedrite, the dominant silver bearing minerals, were observed in several drill holes, along with accessory pyrite. For more information, please refer to the press release dated December 5, 2022, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

On January 24, 2023, the Company announced widespread silver, lead, zinc and copper values from its 2022 rock chip sampling program on the Property. Based on over 800 rock chip samples collected, the results outlined the presence of a large mineralized system, consisting of multiple outcropping zones of silver-lead-zinc, spanning approximately 3.5 km of exposed Hercules Rhyolite, as well as two distinct copper targets, the Metheny and Big Cut, hosted within Triassic aged Seven Devils Group rocks. For more information, please refer to the press release dated January 24, 2023, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

On February 14, 2023, the Company announced preliminary drill plans for the second phase ("Phase II") on the Property. The Company has assembled high-priority targets for a core drilling program, slated for up to 3,000 meters, to commence in the spring of 2023. A core rig capable of deep drilling will be utilized and will provide more robust geological and structural information than reverse-circulation ("RC") drilling methods. Triple tube core barrels will be employed, with the objective of improving recovery within mineralized zones. Triple tube barrels are a newer coring technology which provides an opportunity to greatly improve on historically reported recoveries which averaged around 50% in the friable mineralized zones at Hercules. Recently acquired geological information suggests that the mineralized structures are vertically dipping and therefore may have been incompletely tested by historical drilling, which was ~90% vertical. The objectives of the Phase II program are to: (i) use drill core to test numerous target areas with greatly improved core recoveries; (ii) further refine the exploration model; and (iii) provide an indication as to the overall target size and vectors within the system.

On February 28, 2023, the Company announced its Phase I drill results and the subsurface drilling grades significantly exceed the grades sampled at surface within both zones, supporting the concept of potential supergene enrichment below surface. The Phase I program utilized a small, low-cost scout drill to gain important geological and geochemical information, which will further guide an expanded Phase II 3,000-meter core drilling program. The preliminary drilling results are in line with historically reported grades and widths and provide the Company with confidence in the large-scale exploration potential at Hercules moving forward. For more information, please refer to the press release dated February 28, 2023, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

On April 25, 2023, the Company announced new gold geochemical results from mineralized skarns and breccias at the Metheny, Big Cut and Lightning Breccia Zones on the Hercules Property. Following the announcement on January 24, 2023, the 4-acid assay results for silver, lead, zinc and copper from over 800 rock chip samples within soil anomalies across the Property, the Company had since fire assayed select rock samples within the porphyry copper target area, which revealed the presence of gold in bedrock. The gold is associated with mineralized skarns as well as a breccia pipe, both of which are interpreted to be the near-surface expression of a buried porphyry copper target. For more information, please refer to the press release dated April 25, 2023, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

On May 8, 2023, the Company announced that it has upsized the Phase II drill program on the Property. It has elected to increase the size of Phase II to a minimum of 6,000 meters, allowing for deeper drilling and the testing of additional high-priority targets. The primary goals of the Phase II program will be: (i) to extend the best-known historical mineralization at the Hercules Adit and Frogpond Zones, and (ii) to test multiple new targets generated by recent greenfields exploration. A third phase of drilling will follow, once all assay results have been received, interpreted and released to the market. The Phase II drill program commenced in mid-May.

On May 31, 2023, the Company reported that it has mobilized an Atlas Copco CS-14 core drilling rig and commenced drilling the first hole in an extensive 6,000 meter drill program at the Hercules Property. Timberline Drilling ("Timberline") was contracted to carry out the program, which consists of step-out holes designed to test for extensions of historical mineralization, verify previous historical drilling and test a series of new targets generated by greenfields exploration.

On July 28, 2023, the Company reported on progress on the Phase II drill program at the Hercules Property. For more information, please refer to the press release dated July 28, 2023, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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On September 8, 2023, the Company reported silver-lead-zinc results from the first five drill holes of its Phase II drill program, targeting near surface silver mineralization at the Hercules Property. These results are the first of the Company's ongoing 6,000-meter Phase II infill, expansion, and discovery-focused drill program. For more information, please refer to the press release dated September 8, 2023, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

On October 10, 2023, the Company confirmed a major new copper porphyry discovery at the Hercules Property. HER-23-05, the first hole to test a large-scale (>1.8km) blind chargeability anomaly, intersected 185.29m of 0.84% Cu and 111 ppm Mo from 246m to 431.2m, including 45.33m of 1.94% Cu. The hole ended prematurely due to drilling challenges encountered at a post-mineral dyke, however observations in subsequent holes indicate that the mineralization likely extends significantly below HER-23-05 at 435 meters.

The newly discovered porphyry system is situated below rhyolite-hosted silver mineralization defined by over 300 historical drill holes. The system is therefore completely blind and open in all directions from HER-23-05. A follow-up 3D IP survey is currently underway to expand the chargeability anomaly in all directions and help track the system with further drilling. Additional step-out holes drilled at various orientations to the southeast of HER-23-05, where chargeability data is currently available, have intersected similar alteration, veining and copper mineralization over variable lengths. Many directions remain to be tested, and the potassic center, which often carries the highest grades within porphyry systems, remains to be found. Assay results will be released for step-out holes as they are received. For more information, please refer to the press release dated October 10, 2023, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

On November 1, 2023, the Company reported silver-lead-zinc results from the next two shallow drill holes in sequence, HER-23-06 and HER-23-07, which were drilled above the recently-announced porphyry copper discovery at the Hercules Property. These results continue to showcase strong silver mineralization, bolstered by critical metals credits in the near surface, which overlie the blind porphyry copper system at depth.

Accounting for the lower-grade silver (3-30 g/t Ag) that surrounds the headline intercepts, drill hole HER-23-06 returned 96.3 g/t Ag, 0.26 % Zn and 3.9% Mn, occurring as carbonate, over the entire 58.83 m length of the hole, and HER-23-07 returned 80.8 g/t Ag, 0.30% Zn, and 1.9% Mn over the entire 105.46 m length of the hole.

The Company's ongoing 6,000-meter drill program was initially designed to confirm and expand upon near-surface silver mineralization, in addition to testing a blind IP-chargeability anomaly below the limit of historical drilling. The latter has resulted in the discovery of a major blind copper porphyry system in the first ever deep drill hole on the Property, HER-23-05, which intersected 185 m grading 0.84% Cu, 111 ppm Mo and 2.6 g/t Ag.

The Company also announced it has received preliminary 3-D point cloud data from Dias Geophysical on its ongoing 4km by 4km super IP survey, designed to cover a >3,000-acre target area, to more than twice the depth of the 2022 survey. Only the raw data has been received to date, which has not yet undergone 3-D inversion modelling, but early signs show encouragement for expanding the 2022 anomaly. For more information, please refer to the press release dated November 1, 2023, which is available for review under the Company's profile on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

As part of the Hercules Property are the Leviathan claims, which are located immediately east of and adjoining to the existing Hercules claims. The acquisition of the Leviathan claims is considered to be an expansion of the Hercules Property. Historical surface sampling on the Leviathan claims indicates that the silver (+/- lead-zinc) mineralization at Hercules Property extends onto the northern portion of the Leviathan claims, which provides the Company with additional targets to increase the overall strike length of the mineralized system. Significant copper mineralization is also present within the underlying volcanic rocks at surface on the south side of the Leviathan claims, suggesting potential to expand on the newly discovered porphyry copper system at depth.

Numerous quartz porphyry plugs intrude the volcanic sequence in the southern half of Leviathan. A large intrusive complex associated with copper porphyry style mineralization occurs on the adjacent IXL/Cuddy Mountain prospect to the southeast, held by Scout Discoveries Corp. ("Scout Discoveries") The intrusive complex present at the IXL prospect is interpreted to be genetically related to similar intrusive rocks on the Leviathan.

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**Overall Performance***Selected quarterly financial results*

The Company's selected financial information for the eight most recently completed quarters as follows:

	<b>Q3 2023</b>	<b>Q2 2023</b>	<b>Q1 2023</b>	<b>Q4 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating expenses	(4,181,061)	(1,613,401)	(394,690)	(1,278,499)
Net loss	(4,190,497)	(1,613,401)	(394,690)	(1,278,499)
Net loss per share – basic	(0.02)	(0.01)	(0.00)	(0.01)
Cash and cash equivalents	2,593,123	6,699,813	2,315,442	1,802,284
Total assets	3,697,410	7,170,861	2,503,048	1,975,573

  

	<b>Q3 2022</b>	<b>Q2 2022</b>	<b>Q1 2022</b>	<b>Q4 2021</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Operating expenses	(1,023,884)	(795,478)	(581,657)	(492,740)
Net loss	(1,023,884)	(795,478)	(581,657)	(492,740)
Net loss per share – basic	(0.01)	(0.00)	(0.07)	(0.08)
Cash and cash equivalents	2,488,594	2,959,597	1,440,059	1,835,699
Total assets	2,653,945	3,033,031	1,501,544	1,883,717

*Results of operations for the three months ended September 30, 2023*

During the three months ended September 30, 2023 ("Q3 2023"), the Company incurred total operating expenses of \$4,181,061, as compared to total operating expenses of \$1,023,884 in the comparative period, for an increase of \$3,157,175. The increase is largely the direct result of the Phase II drill program which caused a surge in exploration and evaluation ("E&E") expenses to \$3,637,348 (2022 – \$221,477).

Other items contributing to the increased net loss include \$178,173 (2022 – \$330,039) in general and administrative ("G&A") expenses, \$242,377 (2022 – \$428,718) in share-based compensation, and professional fees of \$82,059 (2022 – recovery of \$15,742). Share-based compensation relates to the vesting of restricted share units ("RSUs") and options granted to various directors, officers and consultants during the period, and represents a non-cash expense. The Company also incurred a property option payment of \$67,285 (2022 – \$nil) (see "Lease Option Agreement" for more details).

During Q3 2023, the Company also earned dividend income of \$49,775 (2022 – \$nil) through its investments in certain high interest savings funds (the "High Interest Savings Funds"), which were received and reinvested into the High Interest Savings Funds. The High Interest Savings Funds are available on demand.

The following summary provides a breakdown of the G&A expenses incurred during Q3 2023 and 2022:

	<b>2023</b>	<b>2022</b>
	<b>\$</b>	<b>\$</b>
Business development and marketing	<b>38,921</b>	100,280
Office and general	<b>39,477</b>	32,278
Consulting fees	<b>49,709</b>	197,715
Filing fees	<b>18,228</b>	(234)
Insurance	<b>13,186</b>	-
Employee benefits	<b>18,652</b>	-
	<b>178,173</b>	330,039

Based on the above, the Company recorded a total net loss of \$4,190,497 in Q3 2023, for a net loss per share of \$0.022, versus a total net loss of \$1,023,884, for a net loss per share of \$0.007 in 2022.

*Results of operations for the nine months ended September 30, 2023*

The Company has currently yet to generate any revenues. During the nine months ended September 30, 2023, the Company incurred total operating expenses of \$6,189,152 as compared to total operating expenses of \$2,376,282 in the comparative period, for an increase of \$3,812,870. The increase is primarily due to the increase in E&E expenses to \$4,739,703 (2022 –

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\$437,631) from work incurred from the Phase I and Phase II drill programs.

In terms of E&E expenses, the Company has incurred significantly higher expenses on the Hercules Property, as compared to the comparative period. The substantial increase in E&E expenses coincides with the Company's commencement of its Phase II drill program as discussed in the "Mineral Properties" section.

The increase in E&E expenses is partially offset by changes in the following items: decrease of \$242,642 in G&A expenses to \$571,339 (2022 – \$813,981), decrease of \$206,322 in share-based compensation to \$533,735 (2022 – \$740,057), and decrease of \$52,950 in professional fees to \$249,273 (2022 – \$302,223). The Company also incurred a property option payment of \$67,285 (2022 – \$nil) (see "Lease Option Agreement" for more details).

During the period, the Company also earned dividend income of \$86,139 (2022 – \$nil) on the High Interest Savings Funds. The dividend was received and reinvested into the High Interest Savings Funds, which are available on demand.

The following summary provides a breakdown of the G&A expenses incurred during the nine months ended September 30, 2023 and 2022:

	2023	2022
	\$	\$
Business development and marketing	208,945	215,080
Office and general	143,932	61,217
Consulting fees	95,439	445,079
Filing fees	58,723	92,605
Insurance	40,570	-
Employee benefits	23,730	-
	<b>571,339</b>	<b>813,981</b>

Based on the above, the Company recorded a total net loss of \$6,196,569 during the nine months September 30, 2023, for a net loss per share of \$0.036, versus a total net loss of \$2,376,282, for a net loss per share of \$0.018 in 2022.

### Cash flows

During the nine months ended September 30, 2023, net cash used in the Company's operations totaled \$5,375,414 (2022 – \$1,647,105). The increased spending relates primarily to increased resources focused toward the Phase II drill plan, and the settlement of bills, from the excess of cash received upon closing of the Brokered Offering.

During the nine months ended September 30, 2023, net cash provided by financing activities totaled \$6,557,075 (2022 – \$2,231,843). As mentioned earlier, the Company raised total gross proceeds of \$5.75 million from the Brokered Offering in April 2023, while paying issuance cost of \$591,627. The inflow of funds also came in the form of cash proceeds of \$1,130,952 received from exercise of warrants, and \$267,750 received from exercise of options. In the comparative period, the Company raised gross proceeds of \$2.3 million from the private placement financing which closed in May 2022.

During the nine months ended September 30, 2023, the Company purchased certain new drilling equipment for \$42,980. It also acquired a minority interest in Scout Discoveries, an Idaho-based mineral exploration company, by subscribing for 500,000 common shares of Scout Discoveries for \$340,425 (USD \$250,000). In the comparative period, the Company did not participate in any investing activities.

### Liquidity and Capital Resources

As at September 30, 2023, the Company's cash and cash equivalents balance was \$2,593,123 (December 31, 2022 – \$1,802,284) and it had sales tax recoverable of \$213,483 (December 31, 2022 – \$141,106) which it expects to receive within the next 12 months. The Company also had current liabilities of \$1,344,806 (December 31, 2022 – \$517,209) and a working capital of \$1,974,372 (December 31, 2022 – \$1,458,364).

As at September 30, 2023, the Company has 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. The Company intends to use proceeds from equity financing to achieve its business objectives.

As of the date of this MD&A, the Company's does not have any material commitments. While the Company has no source of revenue, it believes it has sufficient cash resources to meet its administrative overhead costs and planned growth as it

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was able to raise funds. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or under terms favorable to the Company.

### 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 of the Company.

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

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

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

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

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

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

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

#### *Other related party transactions*

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

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



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### Lease Option Agreement

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

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

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

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

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

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

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

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

### Capital Management

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

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

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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.

### Financial Instruments

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

#### *Credit risk*

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

#### *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities. The Company endeavors to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted.

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

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

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

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

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

#### *Market risk*

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

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### *Price risk*

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

### *Foreign exchange risk*

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

### *Fair value*

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

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

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

The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

## **Contingencies**

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

## **Subsequent Events**

### *Extension of options*

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

### *Strategic investment by Barrick Gold Corporation*

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

### *Investment in Scout Discoveries*

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

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### *Exercise of warrants and options*

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

### **Off Balance Sheet Arrangements**

As at September 30, 2023 and the date of this MD&A, the Company does not have any off-balance sheet arrangements.

### **Disclosure of Outstanding Share Data as of November 26, 2023**

As of the date of this MD&A, the Company has the following issued and outstanding securities:

Common shares outstanding	227,895,383
Options	8,097,500
Warrants	35,650,310
RSUs	1,250,000

### **Significant Accounting Judgments and Estimates**

The preparation of the Company's audited 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. These are described in greater detail in Note 2(e) to the Q3 2023 Financials.

### **Summary of Significant Accounting Policies**

The accounting policies applied in the Company's Q3 2023 Financial Statements are the same as those applied in the Company's audited consolidated financial statements for the years ended December 31, 2022 and 2021, unless otherwise disclosed in Note 3 of the Q3 2023 Financials.

### **Risk Factors**

There are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. If any of these risks occur, the Company's business, financial condition or results of operation may be adversely affected. In such cases, the trading price of the Company's common shares could decline, and investors could lose all or part of their investment. The following is a summary of risks that could be applicable to the business of the Company:

#### *Limited operating history*

The Company, with a limited operating history, is in the early stage of exploration and must be considered as a start-up company. The Company has undertaken work on the Hercules Property, the likelihood of success of the Company must be considered in light of the problems, expenses, difficulties, complication and delays frequently encountered in connection with the establishment of any business particularly in the junior mineral exploration sector. The Company will have limited financial resources and there is no assurance that additional funding will be available to it for further operations or to fulfill its obligations under applicable agreements. There is no assurance that the Company will be able to generate revenues, operate profitably, or provide a return on investment, or that it will successfully implement its plans.

#### *Dependence on the Hercules Property*

Presently, the Hercules Property will account for all of the Company's future revenue. Any adverse development affecting the progress of the Hercules Property such as, but not limited to, obtaining development financing on commercially suitable terms, hiring suitable personnel and mining contractors, or securing supply agreements on commercially suitable terms, may have a material adverse effect on the Company's financial performance and results of operations. Ongoing activity at the Hercules Property will be undertaken without established Mineral Resources or Mineral Reserves and the economic viability of the operations on either project have not been established.

#### *Exploration and development risk*

The Hercules Property is in the exploration stage will require extensive expenditures during the exploration stage. Mineral exploration and development involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to mitigate. The vast majority of properties which are explored are not ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any

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discoveries of mineral resources or mineral reserves, or that minerals will be discovered in sufficient grade or quantities to justify commercial operations. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

### *Estimates of mineral deposits*

No assurance can be given that if any mineralization is identified it will be developed into a coherent mineral deposit, or that such deposit will qualify as a commercially viable and mineable ore body that can be legally and economically exploited. Estimates regarding mineralized deposits can also be affected by many factors such as permitting regulations and requirements, weather, environmental factors, unforeseen technical difficulties, unusual or unexpected geological formations and work interruptions. In addition, the grades and tonnages of ore ultimately mined may differ from that indicated by drilling results and other exploration and development work. There can be no assurance that test work and results conducted and recovered in small-scale laboratory tests will be duplicated in large-scale tests under on-site conditions. Material changes in mineralized tonnages, grades, dilution and stripping ratios or recovery rates may affect the economic viability of projects. The existence of mineralization or mineralized deposits should not be interpreted as assurances of the future delineation of ore reserves or the profitability of any future operations.

### *Ability to exploit future discoveries*

It may not always be possible for the Company to participate in the exploitation of successful discoveries. Such exploitation may involve the need to obtain licenses or clearance from the relevant authorities, which may not be available on a timely basis or may require conditions to be satisfied and/or the exercise of discretion by such authorities. It may or may not be possible for such conditions to be satisfied, and such conditions may prove uneconomic or not practical. Furthermore, the decision to proceed to further exploration may require the participation of other companies whose interest and objectives may not be consistent with those of the Company. Such further exploitation may also require the Company to meet or commit to financial obligations which it may not have anticipated or may not be able to commit to due to a lack of funds or an inability to raise funds.

### *Defects in title may result in a loss of entitlement by the operator and a loss of the Company's interest*

A defect in the chain of title to one of the Company's interests or necessary for the anticipated development or operation of a particular project to which an interest relates may arise to defeat or impair the claim of the operator to a property which could in turn result in a loss of the Company's interest in respect of that property. In addition, claims by third parties or aboriginal groups in the U.S. and elsewhere may impact on the operator's ability to conduct activities on a property to the detriment of the Company's interests. To the extent an owner or operator does not have title to the property, it may be required to cease operations or transfer operational control to another party. Certain interests can be contractual in nature, rather than an interest in land, with the risk that an assignment or bankruptcy or insolvency proceedings by an owner will result in the loss of any effective interest in a particular property. Further, even in those jurisdictions where there is a right to record or register interests held by the Company in land registries or mining recorders offices, such registrations may not necessarily provide any protection to the Company. As a result, known title defects, as well as unforeseen and unknown title defects may impact operations at a project in respect of which the Company has an interest and may result in a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities.

### *Future litigation could affect title*

Potential litigation may arise on a property on which the Company holds an interest (for example, litigation between joint venture partners or between operators and original property owners or neighboring property owners), including the Hercules Property. As a holder of such interests, the Company will not generally have any influence on the litigation and will not generally have access to data. Any such litigation that results in the cessation or reduction of production from a property (whether temporary or permanent) or the expropriation or loss of rights to a property could have a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities.

### *Deficient third-parties' reviews, reports and projections*

The Company relies upon third parties to provide analysis, reviews, reports, advice and opinions regarding the Company's projects. There is a risk that such analysis, reviews, reports, advice, opinions and projects are inaccurate, in particular with respect to resource estimation, process development and recommendations for products to be produced as well as with respect to economic assessments including estimating the capital and operation costs of the Company's project and forecasting potential future revenue streams. Uncertainties are also inherent in such estimations.

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### *The Company may fail to acquire additional property interests or select appropriate acquisitions*

As part of the Company's business strategy, it expects to acquire additional property interests. In pursuit of such opportunities, the Company may fail to select appropriate acquisition candidates or negotiate acceptable agreements, including arrangements to finance the acquisitions or integrate the acquired businesses or their personnel into the Company. There can be no assurance that the Company will complete any acquisition or business arrangement that it pursues on favorable terms or at all, or that any acquisitions or business arrangements completed will ultimately benefit the Company.

### *Increased competition for target mineral properties*

Many companies are engaged in the search for and the acquisition of mineral interests, including property interests, and there is a limited supply of desirable mineral interests. The mineral exploration and mining businesses are competitive in all phases. Many companies are engaged in the acquisition of mineral interests, including large, established companies with substantial financial resources, operational capabilities and long earnings records. The Company may be at a competitive disadvantage in acquiring those interests, whether by way of property or other form of investment, as competitors may have greater financial resources and technical staff. There can be no assurance that the Company will be able to compete successfully against other companies in acquiring new property or other interests. In addition, the Company may be unable to acquire properties or other interests at acceptable valuations, which may result in a material adverse effect on the Company's profitability, results of operations and financial condition and the trading price of its securities

### *Future acquisitions and partnerships*

As part of the Company's business strategy, it may seek to grow by acquiring companies and/or assets or establishing new joint ventures that it believes will complement its future business. There are risks inherent in such activities. Specifically, there could be unknown or undisclosed risks or liabilities of such companies for which the Company is not sufficiently indemnified. Any such unknown or undisclosed risks or liabilities could materially and adversely affect the Company's financial performance and results of operations. The Company may not effectively select acquisition candidates or negotiate or finance acquisitions or integrate the acquired businesses and their personnel or acquire assets for our business. The Company could encounter additional transaction and integration related costs or experience an impact to its operations or results of operation as a result of the failure to realize all of the anticipated benefits from such acquisitions or partnerships, or an inability to successfully integrate an acquisition as anticipated. As a result of integration efforts, the Company may experience interruptions in its business activities, costs of integration and harm to its reputation, all of which could have a material adverse effect on the Company's business, financial condition and results of operations. The Company may experience difficulties in combining corporate cultures, maintaining employee morale and retaining key employees. The integration of any such acquired companies may also impose substantial demands on the management of the Company. There is no assurance that these acquisitions will be successfully integrated in a timely manner or without additional expenses incurred.

In respect of potential future acquisitions or partnerships, there is no assurance that the Company will be able to complete any acquisition or partnership it pursues on favorable terms, or that any acquisitions or partnerships completed will ultimately benefit its business.

### *The Company may acquire other interests in respect of properties that are speculative*

Exploration for metals and minerals is a speculative venture necessarily involving substantial risk. There is no certainty that the expenditures made by the operator of any given project will result in discoveries of commercial quantities of minerals on lands where the Company holds interests. If mineable deposits are discovered, substantial expenditures are required to establish Mineral Reserves through drilling, to develop processes to extract the resources and, in the case of new properties, to develop the extraction and processing facilities and infrastructure at any site chosen for extraction. Although substantial benefits may be derived from the discovery of a major deposit, no assurance can be given that resources will be discovered in sufficient quantities to justify commercial operations or that the funding required for development can be obtained on terms acceptable to the operator or at all.

### *Additional financing*

The Company believes that its raised capital is currently sufficient to meet its presently anticipated working capital and capital expenditure requirements for the near future. This belief is based on its operating plan which, in turn, is based on assumptions, which may prove to be incorrect. In addition, the Company may need to raise significant additional funds sooner to support its growth, respond to competitive pressures, acquire or invest in complementary or competitive businesses or technologies, or take advantage of unanticipated opportunities. If its financial resources are insufficient, it will require additional financing to meet its plans for expansion. The Company cannot be sure that this additional financing, if needed, will be available on acceptable terms or at all.

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Furthermore, any debt financing, if available, may involve restrictive covenants, which may limit its operating flexibility with respect to business matters. If additional funds are raised through the issuance of equity securities, the percentage ownership of existing shareholders will be reduced, such shareholders may experience additional dilution in net book value, and such equity securities may have rights, preferences or privileges senior to those of its existing shareholders. If adequate funds are not available on acceptable terms or at all, the Company may be unable to develop or enhance its services and products, take advantage of future opportunities, repay debt obligations as they become due, or respond to competitive pressures, any of which could have a material adverse effect on its business, prospects, financial condition, and results of operations.

### *Volatile global financial and economic conditions*

Current global financial and economic conditions remain extremely volatile. Access to public and private capital and financing continues to be negatively impacted by many factors as a result of the global financial crisis and global recession. Such factors may impact the Company's ability to obtain financing in the future on favorable terms or obtain any financing at all. Additionally, global economic conditions may cause a long-term decrease in asset values. If such global volatility, market turmoil and the global recession continue, the Company's operations and financial condition could be adversely impacted.

### *The market price of securities is volatile and may not accurately reflect the long-term value of the Company*

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of shares to sell their securities at an advantageous price. Market price fluctuations in the shares may be due to the Company's operating results failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the Company or its competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of the shares.

Financial markets historically at times experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the shares may decline even if the Company's results, underlying asset values or prospects have not changed.

Additionally, these factors, as well as other related factors, may cause decreases in investment values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Company's operations could be adversely impacted, and the trading price of the common shares may be materially adversely affected.

### *Changes in laws*

Changes to any of the laws, rules, regulations or policies to which the Company is subject could have a significant impact on the Company's business. There can be no assurance that the Company will be able to comply with any future laws, rules, regulations and policies. Failure by the Company to comply with applicable laws, rules, regulations and policies may subject it to civil or regulatory proceedings, including fines or injunctions, which may have a material adverse effect on the Company's business, financial condition, liquidity and results of operations. In addition, compliance with any future laws, rules, regulations and policies could negatively impact the Company's profitability and have a material adverse effect on its business, financial condition, liquidity and results of operations.

### *Anti-money laundering laws and regulations*

The Company is subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime. In the event that any of the Company's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Company to declare or pay dividends, or to effect other distributions. Furthermore, while there are no current intentions to declare or pay dividends on the common shares of the Company in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

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### *Reliance on management*

The Company will need to expand and effectively manage its managerial, operational, financial, development and other resources in order to successfully pursue its development and commercialization efforts of its products. The success of the Company is currently dependent on the performance of its management team, which also relies on advice and guidance of certain members of the Board, not all of whom are or will be bound by formal contractual employment agreements.

The Company's success depends on its continued ability to attract, retain and motivate highly qualified people. The loss of the services of these persons would have a material adverse effect on the Company's business and prospects in the short term and could delay or prevent the commercialization of its products, and the business may be harmed as a result.

The Company may not be able to attract or retain qualified management and scientific personnel in the future due to the intense competition for qualified personnel with extensive management experience in such fields as pharmaceutical regulations, finance, manufacturing, marketing, law, and investment. If the Company is not able to attract and retain the necessary personnel to accomplish its business objectives, the achievement of its development objectives, its ability to raise additional capital and its ability to implement its business strategy may be significantly reduced and could have a material adverse effect on the Company and its prospects.

### *Risks relating to attracting and retaining qualified management and technical personnel*

The Company will be dependent upon the continued availability and commitment of its key management personnel, whose contributions to immediate and future operations of the Company are of significant importance. The loss of any such key management personnel could negatively affect business operations. From time to time, the Company may also need to identify and retain additional skilled management and specialized technical personnel to efficiently operate its business. In addition, the Company frequently retains third party specialized technical personnel to assess and execute on opportunities. These individuals may have conflicts of interest or scheduling conflicts, which may delay or inhibit the Company's ability to employ such individuals' expertise. Recruiting and retaining qualified personnel is critical to the Company's success and there can be no assurance that the Company will be able to recruit and retain such personnel. If the Company is not successful in recruiting and retaining qualified personnel, the Company's ability to execute its business model and growth strategy could be affected, which could have a material adverse impact on its profitability, results of operations and financial condition and the trading price of its securities.

### *The exploration and development of mineral resource properties is inherently dangerous and subject to risks*

The Company's operations are subject to all the hazards and risks normally encountered in the exploration, development and production of metals, including, without limitation, environmental hazards, industrial accidents, unusual or unexpected formations, safety stoppages (whether voluntary or regulatory), pressures, mine collapses, fires, power outages, labor disruptions, flooding, explosions, cave-ins, landslides and other geotechnical instabilities, equipment failure or structural failure, metallurgical and other processing problems and other conditions involved in the mining of minerals, any of which could result in damage to, or destruction of, the Company's, if applicable, mines, plants and equipment, personal injury or loss of life, environmental damage, delays in mining, increased production costs, asset write-downs, monetary losses and legal liability. The occurrence of any of these events could result in a prolonged interruption in the Company's operations that would have a material adverse effect on the Company's business, financial conditions, results of operations and prospects.

### *Substantial capital expenditures required*

Substantial expenditures are required to (i) establish mineral reserves through drilling, (ii) develop metallurgical processes to extract metal from the ore and, (iii) in the case of new properties, develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The commercial viability of a mineral deposit once discovered is also dependent upon a number of factors, some of which relate to particular attributes of the deposit, such as size, grade and proximity to infrastructure, and some of which are more general factors such as metal prices and government regulations, including environmental protection. Most of these factors are beyond the control of the Company. In addition, because of these risks, there is no certainty that the expenditures to be made by the Company on the exploration of its mineral property, as described herein, will result in the discovery of commercial quantities of ore.

### *Fluctuating mineral prices*

The mining industry is heavily dependent upon the market price of the metals or minerals being mined or explored for. There is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for their sale. There can be no assurance that mineral prices will be such that the Company's Hercules Property can be commercially



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viable. Fluctuations in the prices of precious and base metal prices may adversely affect the Company's ability to raise capital if, as and when needed, and on commercially reasonable terms.

### *Mineral properties may be subject to rights of indigenous peoples*

Various international, national, state and provincial laws, codes, resolutions, conventions, guidelines, treaties and other principles and considerations relate to the rights of indigenous peoples. The Company will hold, exploration interests in respect of operations located in some areas presently or previously inhabited or used by indigenous peoples. Many of these impose obligations on government to respect the rights of indigenous people. Some mandate consultation with indigenous people regarding actions which may affect indigenous people, including actions to approve or grant mining rights or permits. The obligations of government and private parties under the various international and national requirements, principles and considerations pertaining to indigenous people continue to evolve and be defined. The Hercules Property in respect of which the Company will hold a joint venture interest are subject to the risk that one or more groups of indigenous people may oppose operation or new development. Such opposition may be directed through legal or administrative proceedings or protests, roadblocks or other forms of public expression against the operator's activities. Opposition by indigenous people to such activities may require modification of or preclude operation or development of projects or may require the entering into of agreements with indigenous people. Claims and protests of indigenous peoples may disrupt or delay activities of the operators of assets in respect of which the Company holds an exploration interest which may result in a material adverse effect on the Company profitability, results of operations and financial condition and the trading price of its securities.

### *Permit and licenses*

Operations of the Company will require licenses and permits from various governmental authorities. The Company anticipates that it will be able to obtain in the future all necessary licenses and permits to carry on the activities which it intends to conduct, and that it intends to comply in all material respects with the terms of such licenses and permits. However, there can be no guarantee that the Company will be able to obtain at all or on reasonable terms, and maintain, at all times, all necessary licenses and permits required to undertake its proposed exploration and development or to place its property into commercial production and to operate mining facilities thereon.

### *Regulatory requirements*

The Company's future operations will, at all stages, require permits from various federal and local governmental authorities, and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, taxes, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs and delays in production and other schedules as a result of the need to comply with the applicable laws, regulations and permits. There can be no assurance that such laws and regulations would not have an adverse effect on any mining project the Company undertakes.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed upon them for violation of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material impact on us and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in the development of new mining properties.

### *Environmental matters*

All of the Company's exploration and development operations will be subject to environmental permitting and regulations, which can make operations expensive or prohibit them altogether. The Company may be subject to potential risks and liabilities associated with pollution of the environment and the disposal of waste products that could occur as a result of its exploration, development and production activities.

To the extent the Company is subject to environmental liabilities, the payment of such liabilities or the costs that it may incur to remedy environmental pollution would reduce funds otherwise available to it and could have a material adverse effect on the Company. If the Company is unable to fully remedy an environmental problem, it might be required to suspend operations or enter into interim compliance measures pending completion of the required remedy. The potential exposure may be significant and could have a material adverse effect on the Company.

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All of the Company's exploration, development and production activities will be subject to regulation under one or more environmental laws and regulations. Many of the regulations require the Company to obtain permits for its activities. The Company must update and review its permits from time to time and is subject to environmental impact analyses and public review processes prior to approval of the additional activities.

It is possible that future changes in applicable laws, regulations and permits or changes in their enforcement or regulatory interpretation could have a significant impact on some portion of the Company's business, causing those activities to be economically re-evaluated at that time.

### *Disruption from non-governmental organizations*

As is the case with any businesses which operate in the mining industry, the Company may become subject to pressure and lobbying from non-governmental organizations. There is a risk that the demands and actions of non-governmental organizations may cause significant disruption to the Company's business which may have a material adverse effect on its operations and financial condition.

### *Health & safety*

Mining, like many other exploration or extractive natural resource industries, is subject to potential risks and liabilities due to accidents that could result in serious injury or death. The impact of such accidents could affect the profitability of the operations, cause an interruption to operations, lead to a loss of licenses, affect the reputation of the Company and its ability to obtain further licenses, damage community relations and reduce the perceived appeal of the Company as an employer.

There is no assurance that the Company has been or will at all times be in full compliance with all laws and regulations or holds, and be in full compliance with, all required health and safety permits. The potential costs and delays associated with compliance with such laws, regulations and permits could prevent the Company from proceeding with the development of a project or the operation or further development of a project, and any noncompliance therewith may adversely affect the Company's business, financial condition and results of operations. Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in exploration expenses, capital expenditures or production costs, reduction in the levels of production at producing properties, or abandonment or delays in development of new mining properties.

### *Uninsured or uninsurable risks*

In the course of exploration, development and production of mineral resource properties, several risks and, in particular, significant risks that could result in damage to, or destruction of vessels and producing or processing facilities, personal injury or death, environmental damage, delays in mining, monetary losses and possible legal liability, may occur. It is not always possible to fully insure against such risks, and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in an increase in costs and a decline in value of the securities of the Company. The Company cannot be certain that insurance will be available on acceptable terms or conditions. In some cases, coverage may not be acceptable or may be considered too expensive relative to the perceived risk.

### *Operating hazards and risks*

Mineral resource exploration and development and the operation of mineral processing facilities involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. These hazards include failure of equipment or processing facilities to operate in accordance with specifications or expectations, cost escalation, unavailability of materials and equipment, government or regulatory action or delays, unanticipated events related to health, safety and environmental matters, formation pressures, fires, power outages, labor disruptions, flooding, explosions, and the inability to obtain suitable or adequate machinery, equipment or labor.

Operations in which the Company may have a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of minerals, any of which could result in work stoppages, damage to or destruction of property, loss of life and environmental damage. Although the Company plans to maintain liability insurance in an amount it considers adequate, the nature of these risks is such that liabilities might exceed any insurance policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other factors. Such liabilities may have a materially adverse effect upon the Company's financial condition.

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### *Natural disasters, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events*

The occurrence of one or more natural disasters, such as hurricanes and earthquakes, unusually adverse weather, pandemic outbreaks, boycotts and geo-political events, such as civil unrest and acts of terrorism, or similar disruptions could materially adversely affect the Company's business, results of operations or financial condition. These events could result in, increases in fuel or other energy prices, temporary or permanent closure of the Hercules Property, labor shortages, temporary or long-term disruption in the supply of raw materials and other inputs, temporary disruption in transport to and from markets, or disruption to the Company's information systems, any of which could have a material adverse effect on the Company's business, results of operations or financial results.

### *Liability for activity of employees, contractors and consultants*

The Company could be liable for fraudulent or illegal activity by its employees, contractors and consultants resulting in significant financial losses to claims or regulatory enforcement actions against the Company. Failure to comply with relevant laws could result in fines, suspension of licenses and civil or criminal action being taken against the Company. Consequently, the Company is subject certain risks, including the risk that employees, contractors and consultants may inadvertently fail to follow the law or purposefully neglect to follow the law, either of which could result in material adverse effects to the financial condition of the Company.

### *Management of growth*

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may have a material adverse effect on the Company's business, financial condition, results of operations and prospects.

### *Conflicts of interest*

Certain directors and officers of the Company are also directors, officers, or shareholders of other companies, which may give rise to conflicts of interest from time-to-time. The directors of the Company are required by law to act honestly and in good faith with a view to the best interests of the Company and to disclose any interest that they may have in any project or opportunity of the Company. If a conflict of interest arises at a meeting of the Board, any director in a conflict is required under the applicable corporate laws to disclose his interest and to abstain from voting on such matter.

### *Internal controls*

Effective internal controls are necessary for the Company to provide reliable financial reports and to help prevent fraud. Although the Company will undertake a number of procedures and will implement a number of safeguards, in each case, in order to help ensure the reliability of its financial reports, including those imposed on the Company under Canadian securities law, the Company cannot be certain that such measures will ensure that the Company will maintain adequate control over financial processes and reporting. Failure to implement the required new or improved controls, or difficulties encountered in their implementation, could harm the Company's results of operations or cause it to fail to meet its reporting obligations. If the Company or its auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in the Company's financial statements and materially adversely affect the trading price of the Company's common shares.

### *Dividends*

The Company has no earnings or dividend record and does not anticipate paying any dividends on the Company's shares in the foreseeable future. Dividends paid by the Company would be subject to tax and, potentially, withholdings.

### *Limited market for securities*

There can be no assurance that an active and liquid market for the Company's shares will develop or be maintained, and an investor may find it difficult to resell any securities of the Company.

### *Disruption of business*

Conditions or events including, but not limited to, those listed below could disrupt the Company's operations, increase operating expenses, resulting in delayed performance of contractual obligations or require additional expenditures to be incurred: (i) extraordinary weather conditions or natural disasters such as hurricanes, tornadoes, floods, fires, extreme heat, earthquakes, etc.; (ii) a local, regional, national or international outbreak of a contagious disease, including the COVID-19

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coronavirus, Middle East Respiratory Syndrome, Severe Acute Respiratory Syndrome, H1N1 influenza virus, avian flu, or any other similar illness could result in a general or acute decline in economic activity (see also, "Public Health Crises, including COVID-19"); (iii) political instability, social and labor unrest, war or terrorism; or (iv) interruptions in the availability of basic commercial and social services and infrastructure including power and water shortages, and shipping and freight forwarding services including via air, sea, rail and road.

### *Public health crises*

The Company's business, operations and financial condition could be materially adversely affected by the outbreak of epidemics or pandemics or other health crises beyond our control, including the outbreak of COVID-19. Such public health crises can result in volatility and disruptions in the supply and demand for various products and services, global supply chains and financial markets, as well as declining trade and market sentiment and reduced mobility of people, all of which could affect interest rates, credit ratings, credit risk and inflation. The risks to the Company of such public health crises also include risks to employee health and safety and a slowdown or temporary suspension of operations in geographic locations impacted by an outbreak.

### **Disclosure of Internal Controls over Financial Reporting**

Hercules Silver's management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the Company's financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited financial statements; and (ii) the Company's audited financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented. In contrast to non-venture issuers, this MD&A does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). In particular, management is not making any representations relating to the establishment and maintenance of: (a) controls and procedures designed to provide reasonable assurance that information required to be disclosed by the Company in its filings or other reports or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (b) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. Investors and other readers should be aware that inherent limitations on the ability of management of the Company to design and implement on a cost-effective basis DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of filings and other reports provided under securities legislation.

### **Cautionary Note Regarding Forward-Looking Statements**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These forward-looking statements relate to future events or the Company's future performance. Wherever possible, words such as "may", "would", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs with respect to future events and are based on information currently available to management. Forward-looking statements involve significant known and unknown risks, uncertainties, and assumptions. Many factors could cause the actual results, performance, or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, without limitation, those listed in the "Risk Factors" section of this MD&A. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results, performance or achievements may vary materially from those expressed or implied by the forward-looking statements contained in this MD&A. These factors should be considered carefully, and prospective investors should not place undue reliance on the forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what the Company management currently believes to be reasonable assumptions, the Company cannot assure prospective investors that actual results, performance or achievements will be consistent with these forward-looking statements. The forward-looking statements contained in this MD&A have been based on expectations, factors and assumptions concerning future events which may prove to be inaccurate and are subject to numerous risks and uncertainties, certain of which are beyond the Company's control. The Company assumes no responsibility to update forward looking statements, other than as may be required by applicable securities laws. The factors identified above are not intended to represent a complete list of the factors that could affect the Company.

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**Management's Responsibility for Financial Information**

Management is responsible for all information contained in this MD&A. The Company's Q3 2023 Financials have been prepared in accordance with IFRS and include amounts based on management's informed judgments and estimates. The financial and operating information included in this MD&A is consistent with that contained in the financial statements in all material aspects.

The Audit Committee has reviewed the Q3 2023 Financials and this MD&A. The Board of the Company approved the Q3 2023 Financials and this MD&A on the recommendation of the Audit Committee.

**November 26, 2023**Christopher Paul  
Chief Executive Officer