Hercules Silver Corp.

Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Six Months ended June 30, 2023 and 2022

(Expressed in Canadian Dollars)

Notice to Reader

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

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

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

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

	As at June 30, 2023	As at December 31, 2022
	$	$
Assets		
Current Assets		
Cash and cash equivalents (Note 4)	**6,699,813**	1,802,284
Sales tax recoverable (Note 5)	**188,104**	141,106
Prepaid expenses (Note 6)	**249,474**	32,183
Total Current Assets	**7,137,391**	1,975,573
Property and equipment (Note 7)	**33,470**	-
Total Assets	**7,170,861**	1,975,573
Liabilities		
Accounts payable and accrued liabilities (Notes 8 and 10)	**1,006,887**	517,209
Total Liabilities	**1,006,887**	517,209
Shareholders' Equity		
Share capital (Note 9)	**18,075,094**	12,731,456
Warrant reserve (Note 11)	**2,257,664**	1,102,784
Options reserve (Note 12)	**560,174**	545,222
RSU reserve (Note 13)	**175,134**	126,641
Accumulated other comprehensive income	**2,019**	-
Accumulated deficit	**(14,906,111)**	(13,047,739)
Total Shareholders' Equity	**6,163,974**	1,458,364
Total Liabilities and Shareholders' Equity	**7,170,861**	1,975,573

Nature of operations and going concern (Note 1)
Contingencies (Note 19)
Subsequent events (Note 21)

Approved on behalf of the Board of Directors:

"Christopher Paul"
Christopher Paul, Director

"Peter Simeon"
Peter Simeon, Director

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

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

	Three Months ended		Six Months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	**$**	$
Expenses				
Exploration and evaluation expenditures (Note 14)	**1,059,045**	112,690	**1,102,355**	216,154
General and administrative (Note 15)	**212,241**	290,942	**393,166**	483,942
Share-based compensation (Notes 12, 13 and 14)	**185,370**	130,451	**291,358**	311,339
Professional fees (Note 14)	**132,576**	266,397	**167,214**	317,965
Foreign exchange loss (gains)	**58,543**	(5,019)	**88,393**	23,104
Depreciation expense	**1,969**	-	**1,969**	-
Dividend and interest income (Note 4)	**(36,343)**	17	**(36,364)**	(106)
Total Expenses	**(1,613,401)**	(795,478)	**(2,008,091)**	(1,352,398)
Net Loss	**(1,613,401)**	(795,478)	**(2,008,091)**	(1,352,398)
Other Comprehensive Loss				
Exchange gain on translation of foreign operations	**2,019**	-	**2,019**	-
Comprehensive Loss	**(1,611,382)**	(795,478)	**(2,006,072)**	(1,352,398)
Net Loss per Share – Basic and Diluted (Note 10)	**(0.009)**	(0.070)	**(0.012)**	(0.011)
Weighted Average Number of Outstanding Shares - Basic and Diluted (Note 10)	**180,199,890**	164,407,578	**166,247,346**	120,286,952

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

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

	Number of Shares	Share Capital	Warrants Reserve	Share-Based Payments Reserve	Restricted Share Units Reserve	Accumulated other comprehensive income	Accumulated Deficit	Total
	#	$	$	$	$	$	$	$
Balance, December 31, 2021	**113,867,063**	**10,913,815**	**278,832**	**256,647**	**80,022**	**-**	**(9,779,409)**	**1,749,907**
Issuance of units from private placement (Notes 9 and 11)	30,666,666	1,450,886	849,114	-	-	-	-	2,300,000
Share issuance costs (Notes 9 and 11)	-	(42,995)	(25,162)	-	-	-	-	(68,157)
Issuance of shares on vesting of RSUs (Notes 9 and 13)	2,175,000	171,625	-	-	(171,625)	-	-	-
Share-based compensation (Notes 12 and 13)	-	-	-	161,803	149,536	-	-	311,339
Expiry and cancellation of options (Note 12)	-	-	-	(26,994)	-	-	26,994	-
Net loss for the period	-	-	-	-	-	-	(1,352,398)	(1,352,398)
Balance, June 30, 2022	**146,708,729**	**12,493,331**	**1,102,784**	**391,456**	**57,933**	**-**	**(11,104,813)**	**2,940,691**
Balance, December 31, 2022	**149,433,729**	**12,731,456**	**1,102,784**	**545,222**	**126,641**	**-**	**(13,047,739)**	**1,458,364**
Issuance of units from private placement (Notes 9 and 11)	28,750,000	4,360,598	1,389,402	-	-	-	-	5,750,000
Share issuance costs (Notes 9 and 11)	-	(639,968)	(203,911)	-	-	-	-	(843,879)
Issuance of broker warrants from private placement (Note 11)	-	-	252,251	-	-	-	-	252,251
Issuance of shares on vesting of RSUs (Notes 9 and 13)	750,000	67,500	-	-	(67,500)	-	-	-
Issuance of shares on exercises of warrants (Notes 9 and 11)	5,117,260	1,143,095	(133,143)	-	-	-	-	1,009,952
Issuance of shares on exercises of options (Notes 9 and 12)	2,600,000	412,413	-	(160,413)	-	-	-	252,000
Share-based compensation (Notes 12 and 13)	-	-	-	175,365	115,993	-	-	291,358
Expiry of warrants (Note 11)	-	-	(149,719)	-	-	-	149,719	-
Exchange differences on translating foreign operations	-	-	-	-	-	2,019	-	2,019
Net loss for the period	-	-	-	-	-		(2,008,091)	(2,008,091)
Balance, June 30, 2023	**186,650,989**	**18,075,094**	**2,257,664**	**560,174**	**175,134**	**2,019**	**(14,906,111)**	**6,163,974**

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

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

	Three Months ended		Six Months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	**$**	$
Operating Activities				
Net loss for the period	**(1,613,401)**	(795,478)	**(2,008,091)**	(1,352,398)
Items not affecting cash:				
Depreciation (Note 7)	**1,969**	-	**1,969**	-
Share-based compensation (Notes 12 and 13)	**185,370**	130,451	**291,358**	311,339
	(1,426,062)	(665,027)	**(1,714,764)**	(1,041,059)
Change in working capital items:				
Sales tax recoverable (Note 5)	**(26,191)**	(19,248)	**(46,998)**	(48,235)
Prepaid expenses (Note 6)	**(223,781)**	7,398	**(217,291)**	22,917
Accounts payable and accrued liabilities (Note 8)	**844,701**	(35,428)	**489,676**	(41,568)
Cash Flows (used in) Operating Activities	**(831,333)**	(712,305)	**(1,489,377)**	(1,107,945)
Financing Activities				
Proceeds from financings (Notes 9 and 11)	**5,750,000**	2,300,000	**5,750,000**	2,300,000
Share issuance costs (Note 9)	**(591,627)**	(68,157)	**(591,627)**	(68,157)
Proceeds from exercise of warrants (Note 9)	**8,250**	-	**1,009,952**	-
Proceeds from exercise of stock options (Note 9)	**82,500**	-	**252,000**	-
Cash Flows provided by Financing Activities	**5,249,123**	2,231,843	**6,420,325**	2,231,843
Investing Activities				
Additions of property and equipment (Note 7)	**(35,438)**	-	**(35,438)**	-
Cash Flows (used in) Investing Activities	**(35,438)**	-	**(35,438)**	-
Increase (decrease) in cash and cash equivalents	**4,382,352**	1,519,538	**(4,895,508)**	1,123,898
Effect of foreign exchange on cash and cash equivalents	**2,019**	-	**2,019**	-
Cash and cash equivalents, beginning of period	**2,315,442**	1,440,059	**1,802,284**	1,835,699
Cash and cash equivalents, end of period	**6,699,813**	2,959,597	**6,699,813**	2,959,597

1. Nature of Operations and Going Concern

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

The Company holds a 100% interest in its Hercules and Leviathan exploration properties located in Washington County, Idaho, in the United States (the "U.S."). The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that current exploration programs will result in profitable mining operations. This is dependent upon the discovery of economically recoverable reserves, the ability of the Company to raise additional financing, the achievement of profitable operations or, alternatively, upon the Company's ability to dispose of its interests on an advantageous basis.

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

During the six months ended June 30, 2023, the Company incurred a net loss of $2,008,091, and as of that date, the Company's accumulated deficit was $14,906,111 (December 31, 2022 – accumulated deficit of $13,047,739). As at June 30, 2023, the Company had available working capital of $6,130,504 (December 31, 2022 – working capital of $1,458,364), including a cash balance of $2,315,442 (December 31, 2022 – $1,802,284), which it can deploy to fulfill financial requirements for the 12-month period ending June 30, 2024. Nevertheless, it is not possible to predict whether financing efforts will continue to be successful in the future or if the Company will attain profitable levels of operations. These conditions, including the volatile and speculative nature of the mining business, represent material uncertainties which may cast doubt on the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements do not give effect to adjustments that would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in other than the normal course of business and at amounts different from those in the accompanying consolidated financial statements. Such adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

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

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

(b) Basis of Measurement

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

2. Basis of Presentation (continued)

(c) Basis of Consolidation

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

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

The unaudited condensed interim consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

(d) Functional Currency

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

(e) Significant Accounting Judgments and Estimates

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

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

Going concern

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

Fair value of financial assets and financial liabilities

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

Provisions

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

2. Basis of Presentation (continued)

(e) Significant Accounting Judgments and Estimates (continued)

Technical feasibility and commercial viability

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

Income taxes

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

Valuation of share-based compensation and share purchase warrants

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

Expected credit losses on financial assets

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

3. Summary of Significant Accounting Policies

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

(a) Property and Equipment

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

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

(Expressed in Canadian dollars)

3. Summary of Significant Accounting Policies (continued)

(a) Property and Equipment (continued)

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

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

4. Cash and Cash Equivalents

As at June 30, 2023, the Company had total cash and cash equivalents of $6,699,813 (December 31, 2022 – $1,802,284), including a balance of $4,465,685 (December 31, 2022 – $nil) invested in high interest savings funds (the "High Interest Savings Funds"), which are available on demand.

During the three and six months ended June 30, 2023, dividend income of $36,364 and $36,364, respectively, was received and reinvested into the High Interest Savings Funds.

5. Sales Tax Recoverable

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

6. Prepaid Expenses

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

	June 30, 2023	December 31, 2022
	$	$
Prepaid insurance	**49,549**	24,300
Advances made to suppliers	**77,476**	7,883
Advances made to suppliers related to E&E activities	**122,449**	-
	249,474	32,183

7. Property and Equipment

	Drilling Equipment	**Total**
	$	**$**
Cost at:		
December 31, 2022	-	**-**
Additions	35,438	**35,438**
June 30, 2023	35,438	**35,438**
Accumulated depreciation at:		
December 31, 2022	-	**-**
Depreciation expense	1,969	**1,969**
June 30, 2023	1,969	**1,969**
Net book value:		
June 30, 2023	33,470	**33,470**

(Expressed in Canadian dollars)

8. Accounts Payable and Accrued Liabilities

	June 30, 2023	December 31, 2022
	$	$
Trade payables	**894,113**	412,429
Accrued liabilities	**112,774**	104,780
	1,006,887	517,209

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

9. Share Capital

Authorized share capital

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

	June 30, 2023	December 31, 2022
	$	$
Issued and outstanding: 186,650,989 common shares (December 31, 2022 – 149,433,729 common shares)	**18,075,094**	12,731,456

Share capital transactions for the six months ended June 30, 2022

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

During the six months ended June 30, 2022, the Company issued a total of 2,175,000 common shares as a result of the vesting of RSUs. The fair value of these RSUs was estimated to be $171,625.

Share capital transactions for the six months ended June 30, 2023

On April 20, 2023, the Company completed a brokered private placement (the "Brokered Offering") of 28,750,000 Units at a price of $0.20 per Unit, for gross proceeds of $5,750,000. Each Unit is comprised of one common share and one-half of a Warrant exercisable at an exercise price of $0.30 for a period of 24 months from closing. In connection with the Brokered Offering, the Company also issued 1,460,250 Broker Warrants at an exercise price of $0.20 for a period of 24 months from closing.

As consideration for the Agent's services in connection with the Brokered Offering, the Company paid a cash commission of $292,050 to the Agents. The Company also issued 1,460,250 broker warrants (each a "Broker Warrant"), each exercisable to acquire one common share at an exercise price of $0.20 for a period of 24 months from closing (see Note 11 for more details).

During the six months ended June 30, 2023, the Company issued 5,117,260 common shares as a result of the exercise of Warrants for total cash proceeds of $1,009,952.

During the six months ended June 30, 2023, the Company issued 2,600,000 common shares as a result of the exercise of stock options for total cash proceeds of $252,000.

During the six months ended June 30, 2023, the Company also issued a total of 750,000 common shares as a result of the vesting of RSUs. The fair value of these RSUs was estimated to be $67,500.

(Expressed in Canadian dollars)

9. Share Capital (continued)

Escrow

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

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

10. Loss per Share

Basic and diluted loss per share for the three and six months ended June 30, 2023 is calculated by dividing the net loss of $1,613,401 and $2,008,091, respectively (2022 – net loss of $795,478 and $1,352,398, respectively) by the weighted average number of common shares outstanding of 180,199,890 and 166,247,346, respectively (2022 – 164,407,578 and 120,286,952, respectively).

For the three and six months ended June 30, 2023, the basic and diluted loss per share was $0.009 and $0.012, respectively (2022 – basic and diluted loss of $0.070 and $0.011, respectively).

11. Warrants

The following summarizes the warrants activity for the six months ended June 30, 2023 and 2022:

	2023		2022	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**41,395,944**	**0.13**	10,729,278	0.20
Issued from financings	**14,375,000**	**0.30**	30,666,666	0.11
Issued from financings	**1,460,250**	**0.20**	-	-
Exercised	**(4,967,260)**	**0.20**	-	-
Exercised	**(150,000)**	**0.11**	-	-
Expired	**(5,762,018)**	**0.20**	-	-
Outstanding, end of period	**46,351,916**	**0.17**	41,395,944	0.13

Warrant activities for the six months ended June 30, 2022

On May 31, 2022, the Company issued 30,666,666 Warrants in connection with the Private Placement, as disclosed in Note 9. Each Warrant is exercisable at $0.11 to purchase one common share of the Company for a period of 24 months from closing. The grant date fair value of the Warrants issued was estimated to be $849,114 using Black-Scholes with the following assumptions: expected volatility of 115% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.67% and an expected life of two years. In connection with the Private Placement, issuance costs of $25,162 had also been allocated under warrant reserve.

Warrant activities for the six months ended June 30, 2023

On April 20, 2023, the Company issued 14,375,000 Warrants in connection with the Brokered Offering, as disclosed in Note 9. Each Warrant is exercisable at $0.30 to purchase one common share of the Company for a period of 24 months from closing. The grant date fair value of the Warrants issued was estimated to be $1,389,402 using Black-Scholes with the following assumptions: expected volatility of 135% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.79% and an expected life of two years. In connection with the Private Placement, issuance costs of $203,911 had also been allocated under warrant reserve.

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

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

(Expressed in Canadian dollars)

11. Warrants (continued)

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

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	$	Years
May 31, 2024	30,516,666	0.11	0.92
April 20, 2025	14,375,000	0.30	1.81
Aoril 20, 2025	1,460,250	0.20	1.81
	46,351,916	**0.17**	**1.22**

12. Stock Options

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

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

The following summarizes the options activity for the six months ended June 30, 2023 and 2022:

	2023		2022	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
	#	**$**	#	$
Outstanding, beginning of period	**10,170,000**	**0.11**	1,680,000	0.25
Granted	**750,000**	**0.265**	1,200,000	0.10
Granted	**2,750,000**	**0.17**	4,000,000	0.09
Exercised	**(300,000)**	**0.10**	-	-
Exercised	**(2,050,000)**	**0.09**	-	-
Exercised	**(250,000)**	**0.15**	-	-
Expired	**-**	**-**	(390,000)	0.0833
Cancelled	**(2,500,000)**	**0.09**	(250,000)	0.50
Outstanding, end of period	**8,570,000**	**0.15**	6,240,000	0.12

Options activities for the six months ended June 30, 2022

On January 24, 2022, the Company granted 1,200,000 options to an officer. The options are exercisable at a price of $0.10 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to January 24, 2024. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 1.63% and an expected life of five years. The grant date fair value attributable to these options was $68,868, of which $3,762 and $8,331 was recorded as share-based compensation in connection with the vesting of options during the three and six months ended June 30, 2023 (2022 – $17,964 and $30,993), respectively.

On March 19, 2022, 360,000 options granted from the Company's Qualifying Transaction on March 19, 2021 at an exercise a price of $0.0833, expired unexercised.

12. Stock Options (continued)

Options activities for the six months ended June 30, 2022 (continued)

On March 28, 2022, the Company granted 500,000 options to a consultant. The options are exercisable at a price of $0.09 per common share for a period of five years. The options vested immediately on grant. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.46% and an expected life of five years. The grant date fair value attributable to these options of $nil and $29,482, respectively, was recorded as share-based compensation in connection with the vesting of options during the three and six months ended June 30, 2022, respectively.

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

On May 10, 2022, the Company granted 3,500,000 options to a former director. The options are exercisable at a price of $0.09 per common share for a period of five years. 1,000,000 options vested immediately on grant, with the remaining options to vest in equal increment after six months and 12 months until fully vested. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 2.77% and an expected life of five years. The grant date fair value attributable to these options was $222,210, of which $96,574 and $96,574 was recorded as share-based compensation in connection with the vesting of options during the three and six months ended June 30, 2022, respectively.

Options activities for the six months ended June 30, 2023

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

On March 1, 2023, the Company granted 750,000 options to a director. The options are exercisable at a price of $0.265 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to March 1, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 100% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.59% and an expected life of five years. The grant date fair value attributable to these options was $150,912, of which $39,330 and $52,296 was recorded as share-based compensation in connection with the vesting of options during the three and six months ended June 30, 2023, respectively.

On May 22, 2023, the Company granted 2,750,000 options to certain officers and consultants. The options are exercisable at a price of $0.17 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to May 22, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 103% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.29% and an expected life of five years. The grant date fair value attributable to these options was $359,162, of which $39,757 and $39,757 was recorded as share-based compensation in connection with the vesting of options during the three and six months ended June 30, 2023, respectively.

In total, share-based compensation of $175,365 was recorded in connection with the vesting of options during the six months ended June 30, 2023 (2022 – $161,803).

(Expressed in Canadian dollars)

12. Stock Options (continued)

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

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	$	Years
May 19, 2024	300,000	300,000	0.50	0.89
April 16, 2026	400,000	400,000	0.15	2.80
January 24, 2027	900,000	450,000	0.10	3.57
July 27, 2027	3,000,000	1,500,000	0.09	4.08
August 10, 2027	80,000	40,000	0.09	4.12
December 1, 2027	300,000	150,000	0.09	4.42
March 1, 2028	750,000	-	0.265	4.67
May 22, 2028	2,750,000	-	0.17	4.90
August 2, 2028	90,000	90,000	0.0833	5.10
	6,570,000	**2,930,000**	**0.15**	**4.19**

13. Restricted Share Units

RSUs activities for the six months ended June 30, 2022

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

RSUs activities for the six months ended June 30, 2023

On March 1, 2023, the Company granted 750,000 RSUs to a director. The RSUs vest 25% at each six-month anniversary from grant up to March 1, 2025. The RSUs were valued at $198,750 based on the Company's closing share price on the date of grant, of which $51,334 and $68,258 was recorded as share-based compensation in connection with the vesting of RSUs during the three and six months ended June 30, 2023, respectively.

In total, share-based compensation of $115,993 was recorded in connection with the vesting of RSUs during the six months ended June 30, 2023 (2022 – $149,536).

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

14. Related Party Transactions

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

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

	Three Months ended		Six Months ended	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	**$**	$
Consulting fees	**16,250**	69,692	**35,000**	114,170
Exploration and evaluation expenses	**66,850**	33,750	**100,600**	56,250
Professional fees	**75,206**	106,073	**92,690**	164,017
	158,306	209,515	**228,290**	334,437

(Expressed in Canadian dollars)

14. Related Party Transactions (continued)

During the three and six months ended June 30, 2023, Clearwater Resources Inc. ("Clearwater"), an entity controlled by the Chief Executive Officer and also a director of Hercules Silver, charged fees of $11,250 and $22,500, respectively (2022 – $11,250 and $18,750, respectively), for services provided to the Company, which are included in consulting fees under general and administrative ("G&A") expenses (see Note 15). Clearwater also charged fees of $33,750 and $67,500, respectively (2022 – $33,750 and $56,250, respectively) which are included in E&E expenses. As at June 30, 2023, $81,702 (December 31, 2022 – $31,500) owing to Clearwater was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three and six months ended June 30, 2023, a director of the Company, who is also the former Chief Financial Officer ("CFO") of Hercules Silver, charged fees of $5,000 and $12,500, respectively (2022 – $10,000 and $10,000, respectively), for services provided to the Company, which are included in consulting fees under G&A expenses. As at June 30, 2023, $2,500 (December 31, 2022 – $nil) owing to the former CFO was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Effective May 22, 2023, the Company, thru Anglo-Bomarc, and its Vice-President, Exploration ("VP-Exploration") entered into an employment agreement, whereas the Company agreed to pay an annual base salary of USD $200,000 for the VP-Exploration's services. During the three and six months ended June 30, 2023, the VP-Exploration's salaries of $33,100 and $33,100 , respectively, were included in E&E expenses. As at June 30, 2023, no balance was owed to the VP-Exploration.

During the three and six months ended June 30, 2023, Gowling WLG (Canada) LLP ("Gowling"), a law firm in which a director of the Company is also a partner, charged fees of $57,706 and $60,190, respectively (2022 – $106,073 and $164,017, respectively) for legal services provided, which are included in professional fees. As at June 30, 2023, $38,099 (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 six months ended June 30, 2023, Branson Corporate Services Ltd. ("Branson"), where the current CFO is employed, charged fees of $17,500 and $32,500, respectively (2022 – $nil and $nil) for CFO services, as well as other accounting and administrative services which are included in professional fees. As at June 30, 2023, $8,475 (December 31, 2022 – $nil) owing to Branson, and $545 (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 six months ended June 30, 2022, certain former directors charged fees of $48,442 and $85,420, 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 six months ended June 30, 2023, the Company had recorded share-based compensation of $119,604 and $154,108, 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.

15. General and Administrative Expenses

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

	Three Months ended		**Six Months ended**	
	June 30, 2023	June 30, 2022	**June 30, 2023**	June 30, 2022
	$	$	**$**	$
Business development and marketing	**76,610**	49,077	**170,024**	114,800
Office and general	**67,110**	27,145	**104,455**	28,939
Consulting fees	**24,480**	159,758	**45,730**	247,364
Filing fees	**23,729**	66,212	**40,495**	92,839
Insurance	**15,234**	(11,250)	**27,384**	-
Employee benefits	**5,078**	-	**5,078**	-
	212,241	290,942	**393,166**	483,942

(Expressed in Canadian dollars)

16. 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, and accumulated deficit. As at June 30, 2023, the Company's capital consisted of a balance of $6,163,974 (December 31, 2022 – $1,458,364).

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

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

The Company is not subject to externally imposed capital requirements.

17. 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 receivables (excluding sales tax receivable), which expose the Company to credit risk should the borrower default on maturity of the instruments. Cash is held with reputable Canadian chartered banks and financial institutions, which is closely monitored by management. Management believes that the credit risk concentration with respect to financial instruments included in cash and receivables is minimal.

Liquidity risk

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

The Company generates cash flow primarily from its financing activities. The Company endeavors to have sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot be reasonably predicted. As at June 30, 2023, the Company had a cash and cash equivalents balance of $6,699,813 (December 31, 2022 – $1,802,284), to settle current liabilities of $1,006,887 (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 June 30, 2023:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
Accounts payable and accrued liabilities	1,006,887	1,006,887	-	-

17. Financial Instruments (continued)

Liquidity risk (continued)

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 June 30, 2023.

Market risk

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

Price risk

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

Foreign exchange risk

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

Fair value

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

The Company's financial instruments consist of cash and cash equivalents, and accounts payable and accrued liabilities. The fair value of cash and cash equivalents 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 June 30, 2023 and December 31, 2022, the Company did not have any financial instruments which were carried at fair value.

18. Segmented information

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

19. 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 June 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.

20. Reclassifications

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

21. Subsequent Events

Options grants

On July 10, 2023, the Company granted 500,000 options to a consultant. The options are exercisable at a price of $0.215 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to July 10, 2025.

Exercise of warrants and options

Subsequent to June 30, 2023, the Company issued 150,000 common shares as a result of the exercise of options for cash proceeds of $13,500. The Company also issued 1,100,000 common shares from exercises of Warrants for cash proceeds of $121,000.