Hercules Silver Corp.

Management's Discussion and Analysis

For the Three Months ended March 31, 2023

(Expressed in Canadian Dollars)

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 March 31, 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 months ended March 31, 2023 and 2022 (the "Q1 2023 Financials"), and its audited consolidated financial statements for the year ended December 31, 2022. The Q1 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 May 19, 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 properties (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.

Financing Activities

During the three months ended March 31, 2023, the Company issued 1,850,000 common shares as a result of the exercise of options for cash proceeds of $169,500. The Company also issued 5,042,260 common shares from exercises of warrants (each a "Warrant") for cash proceeds of $1,001,702.

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.

Mineral Properties

Hercules Property

The Hercules Property represents 4,246 acres consisting of one patented lode claim, 158 unpatented lode claims and approximately 1,165 acres of mineral rights owned in fee with attendant access, exploration, drilling mining and milling rights to 1,770 acres of surface. 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 northwest of Boise, Idaho. Cuddy Mountain is an uplifted and tilted fault block of accreted Mesozoic terrane about 19 kilometers across, which is characterized by open grassy slopes. Mineralization is hosted within a Triassic-Jurassic sequence of volcanics, volcaniclastics and carbonate rocks.

Highlights of the Hercules Property include:

- Multiple target zones spanning 5.5 kilometers of geology favorable for shallow high-grade silver-lead-zinc mineralization. The Company completed a Phase I drill program in 2022 and plans to commence a second phase of drilling in Q2 2023.
- Over 300 historical drill holes spanning 3.5 kilometers were input into a three-dimensional 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.herculessilver.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 three-dimensional ("3D") 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 3D and assist with guiding our exploration drilling plans. A 3D geological modelling was not historically completed by past operators.

On October 18, 2022, the Company reported that it has commenced the 3D 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.

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.sedar.com.

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 kilometers 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.

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.

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.

On May 8, 2023, the Company announced that it has upsized its Phase II drill program on the Property. It has elected to increase the size of its upcoming Phase II drill program 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 upcoming Phase II drill program will commence in late May 2023. The Company has selected Timberline Drilling ("Timberline") to carry out the Phase II program. Timberline will provide a rig capable of oriented core drilling, offering significantly more geological and structural information than previous RC drilling methods on the Property. Oriented core helps determine the direction that mineralization is trending and increases the probability of tracing mineralized zones with subsequent step-out holes.

As part to the Hercules Property are the Leviathan claims 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 Project. 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 volcanic rocks at surface on the south side of the Leviathan claims, suggesting a potential porphyry copper system may be present at depth.

Numerous quartz porphyry plugs, believed to be Cretaceous in age, 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 prospect to the southeast. The intrusive complex present at the IXL prospect is interpreted to be genetically related to similar intrusive rocks on the Leviathan.

On June 12, 2022, the Company completed its interpretation of 2021 soil sampling data, and reported a new 2-kilometer diameter copper soil anomaly, immediately adjacent to the CRD-style silver-lead-zinc mineralization on the Hercules Property. The size and grade of the newly discovered anomaly, which remains open under cover to the south, is consistent with a significant porphyry copper system that may have been a feeder system to the adjacent silver-rich CRD-style silver-lead-zinc mineralization.

On August 31, 2022, the Company reported results of further infill and expansion sampling at its new copper-gold soil anomaly, which may represent a possible porphyry copper system. Select rock grab samples from within the anomaly have graded from nil to 246 g/t silver with 8.2% copper. The presence of intrusive rocks at surface, strong alteration and widespread copper oxide staining provides encouragement for a significant hydrothermal system.

(Expressed in Canadian dollars)

Overall Performance

Selected quarterly financial results

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

	Q1 2023	**Q4 2022**	**Q3 2022**	**Q2 2022**
	$	**$**	**$**	**$**
Operating expenses	(394,690)	(1,278,499)	(758,166)	(677,002)
Net loss and comprehensive loss	(394,690)	(1,278,499)	(758,166)	(677,002)
Net loss per share – basic	(0.00)	(0.01)	(0.01)	(0.00)
Cash	2,315,442	1,802,284	2,488,594	2,959,597
Total assets	2,503,048	1,975,573	2,653,945	3,033,031

	Q1 2022	**Q4 2021**	**Q3 2021**	**Q2 2021**
	$	**$**	**$**	**$**
Operating expenses	(581,657)	(492,740)	(683,866)	(860,544)
Net loss and comprehensive loss	(581,657)	(492,740)	(683,866)	(860,544)
Net loss per share – basic	(0.07)	(0.08)	(0.01)	(0.01)
Cash	1,440,059	1,835,699	1,056,336	1,521,533
Total assets	1,501,544	1,883,717	1,159,974	1,823,078

Results of operations

The Company has currently yet to generate any revenues. During the three months ended March 31, 2023 ("Q1 2023"), the Company recorded a net loss of $394,690, as compared to a net loss of $581,657 in the comparative period. The decrease in net loss is primarily due to the reduction of $99,637 in share-based compensation to $105,988 (2022 – $205,625), and a reduction of $16,930 in professional fees to $34,638 (2022 – $51,568).

During Q1 2023, the Company incurred total general and administrative ("G&A") expenses of $180,925, as compared to total G&A expenses of $190,000 incurred in the comparative period. The following provides a breakdown of the Company's G&A expenses for the three months ended March 31, 2023 and 2022:

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

During Q1 2023, the Company recorded total exploration and evaluation ("E&E") expenses of $43,310 on the Hercules Property (2022 – $103,464) for a decrease of $60,154, as various previously funded drill programs on the Hercules Property were undertaken in the current quarter, with the Phase II drill program to commence in the next quarter.

During Q1 2023, the Company recorded total share-based compensation of $105,988 (2022 – $205,625) for decrease of $99,637. 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.

Based on the above, the Company recorded a total net loss of $394,690 in Q1 2023, for a net loss per share of $0.00, versus a total net loss of $581,657, for a net loss per share of $0.07 in 2022.

Cash flows

During the three months ended March 31, 2023, net cash used in the Company's operating activities totaled $658,044 (2022 – $395,640). The net spending relates primarily to G&A expenses incurred, and the settlement of bills, from the excess of cash received upon closing of the Brokered Offering.

(Expressed in Canadian dollars)

During Q1 2023, net cash provided by financing activities totaled $1,171,202 (2022 – $nil). The inflow came in the form of cash proceeds of $1,001,702 received from exercise of warrants, and $169,500 received from exercise of options.

During Q1 2023, the Company did not participate in any investing activities (2022 – $nil).

Liquidity and Capital Resources

As at March 31, 2023, the Company's cash balance was $2,315,442 (December 31, 2022 – $1,802,284) and it had sales tax recoverable of $161,913 (December 31, 2022 – $141,106). The Company also had current liabilities of $162,184 (December 31, 2022 – $517,209) and a working capital of $2,340,864 (December 31, 2022 – $1,458,364).

As at March 31, 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 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 months ended March 31, 2023 and 2022 were as follows:

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

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

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

During the three months ended March 31, 2023, Gowling WLG (Canada) LLP ("Gowling"), a law firm in which Peter Simeon, a director of the Company, is also a partner, charged fees of $2,488 (2022 – $57,944) for legal services provided, which are included in professional fees. As at March 31, 2023, $117,056 (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 months ended March 31, 2023, Branson Corporate Services Ltd. ("Branson"), where Keith Li, the Company's current CFO is employed, charged fees of $15,000 (2022 – $nil) for CFO services, as well as other accounting and administrative services which are included in professional fees. As at March 31, 2023, $5,650 (December 31, 2022 – $nil) owing to Branson, and $541 (December 31, 2022 – $nil) owing to the CFO for expense reimbursement, were included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three months ended March 31, 2022, a former director charged fees of $36,978 for services provided to the Company, which are included in consulting fees under G&A expenses.

Capital Management

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development of its planned business activities. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. In order to carry out the planned business activities and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes to the Company's approach for managing capital during the three months ended March 31, 2023 and the year ended December 31, 2022.

The Company considers its capital to be shareholders' equity, which is comprised of share capital, warrants reserve, options reserve, RSUs reserve, and accumulated deficit. As at March 31, 2023, the Company's capital consisted of a balance of $2,340,864 (December 31, 2022 – $1,458,364).

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

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

The Company is not subject to externally imposed capital requirements.

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 March 31, 2023, the Company had a cash balance of $2,315,442 (December 31, 2022 – $1,802,284), to settle current liabilities of $162,184 (December 31, 2022 – $517,209).

(Expressed in Canadian dollars)

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

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

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

Management believes there will be sufficient capital to meet short-term business obligations, after taking into account cash flow requirements from operations and the Company's cash position as at March 31, 2023. Nevertheless, management understands that it will have to raise more funds in order to support its operations going forward.

Market risk

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

Price risk

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

Foreign exchange risk

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

Fair value

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

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

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

The fair value hierarchy has the following levels:

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

As at March 31, 2023 and December 31, 2022, the Company did not have any financial instruments which were carried at fair value.

(Expressed in Canadian dollars)

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 Q1 2023 Financials.

Summary of Significant Accounting Policies

The accounting policies applied in the Company's Q1 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 noted.

Contingencies

The Company's E&E activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. As at March 31, 2023, the Company believes its operations are materially in compliance with all applicable laws and regulations. The Company expects to make future expenditures to comply with such laws and regulations.

Subsequent Events

Financing

On April 20, 2023, the Company completed 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.

Investments

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

Exercise of warrants and options

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

Off Balance Sheet Arrangements

As at March 31, 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 May 19, 2023

As of the date of this MD&A, the Company has 186,650,989 common shares issued and outstanding.

Common shares outstanding	186,650,989
Options	5,820,000
Warrants	46,351,916
Restricted share units	2,250,000

Risk Factors

The business and performance of the Company is highly speculative and there are numerous and varied risks, known and unknown, that may prevent the Company from achieving its goals. The trends and risks which are likely to impact the Company's business and operations are referenced below under "Cautionary Note Regarding Forward-Looking Statements" and are also detailed in the Company's Filing Statement dated March 5, 2021, under the heading "Risk Factors".

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, including without limitation, those mentioned in the Company's Filing Statement dated March 5, 2021. 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.

Management's Responsibility for Financial Information

Management is responsible for all information contained in this MD&A. The Company's Q1 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 Q1 2023 Financials and this MD&A. The Board of the Company approved the Q1 2023 Financials and this MD&A on the recommendation of the Audit Committee.

May 19, 2023

Christopher Paul
Chief Executive Officer