



Hercules Metals Corp.
(Formerly "Hercules Silver Corp.")

Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months ended September 30, 2024 and 2023

(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 Metals 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 Metals Corp. (Formerly “Hercules Silver Corp.”)

Unaudited Condensed Interim Consolidated Statements of Financial Position

As at September 30, 2024 and December 31, 2023

(Expressed in Canadian dollars)

	As at September 30, 2024	As at December 31, 2023
	\$	\$
Assets		
Cash and cash equivalents (Note 4)	4,374,106	12,723,946
Short-term investments (Note 5)	10,436,402	11,854,531
Sales tax recoverable (Note 6)	28,344	168,351
Prepaid expenses (Note 7)	248,572	340,813
Total Current Assets	15,087,424	25,087,641
Investment (Note 8)	742,445	727,430
Property, plant and equipment (Note 9)	944,804	34,476
Total Assets	16,774,673	25,849,547
Liabilities		
Accounts payable and accrued liabilities (Notes 10 and 16)	2,800,457	504,930
Total Liabilities	2,800,457	504,930
Shareholders' Equity		
Share capital (Note 11)	46,006,376	42,081,995
Warrant reserve (Note 13)	4,450,000	5,104,257
Options reserve (Note 14)	958,085	714,536
RSU reserve (Note 15)	1,097,790	190,448
Accumulated other comprehensive loss	(175,201)	(170,144)
Accumulated deficit	(38,362,834)	(22,576,475)
Total Shareholders' Equity	13,974,216	25,344,617
Total Liabilities and Shareholders' Equity	16,774,673	25,849,547

Nature of operations and going concern (Note 1)

Commitments (Note 18)

Contingencies (Note 23)

Subsequent event (Note 24)

Approved on behalf of the Board of Directors:“Christopher Paul”

Christopher Paul, Director

“Kelly Malcolm”

Kelly Malcolm, Director

Hercules Metals Corp. (Formerly “Hercules Silver Corp.”)

Unaudited Condensed Interim Consolidated Statements of Loss and Comprehensive loss

For the Three and Nine Months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

	<u>Three Months ended</u>		<u>Nine Months ended</u>	
	<u>September 30,</u> <u>2024</u>	September 30, 2023	<u>September 30,</u> <u>2024</u>	September 30, 2023
	\$	\$	\$	\$
<u>Expenses</u>				
Exploration & evaluation expenditures (Notes 16,19 & 23)	7,218,744	3,637,348	13,159,278	4,739,703
General and administrative (Notes 16 and 17)	632,670	178,173	1,415,495	571,339
Share-based compensation (Notes 14,15 and 16)	635,325	242,377	1,389,457	533,735
Professional fees (Note 16)	89,516	82,059	564,801	249,273
Property acquisition costs (Notes 11 and 18)	162,226	67,285	162,226	67,285
Depreciation expense (Note 9)	29,255	3,204	86,810	5,173
Foreign exchange (gains) loss	41,867	20,390	(185,254)	108,783
Dividend and interest income (Notes 4 and 5)	(190,404)	(49,775)	(791,439)	(86,139)
Total Expenses	(8,619,199)	(4,181,061)	(15,801,374)	(6,189,152)
<u>Other Items</u>				
Unrealized (loss) gain on investment (Note 8)	(10,340)	-	15,015	-
Total Other (Expenses) Income	(10,340)	-	15,015	-
Net Loss	(8,629,539)	(4,181,061)	(15,786,359)	(6,189,152)
<u>Other Comprehensive Loss</u>				
Exchange loss on translation of foreign operations	(132,067)	(9,436)	(5,057)	(7,417)
Comprehensive Loss	(8,761,606)	(4,190,497)	(15,791,416)	(6,196,569)
Net Loss per Share – Basic and Diluted (Note 12)	(0.03)	(0.02)	(0.06)	(0.04)
Weighted Average Number of Outstanding Shares				
- Basic and Diluted (Note 12)	252,627,783	187,833,598	246,170,540	173,521,834

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

Hercules Metals Corp. (Formerly “Hercules Silver Corp.”)

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the Nine Months ended September 30, 2024 and 2023

(Expressed in Canadian dollars)

	Number of Shares	Share Capital	Warrants Reserve	Options Reserve	Restricted Share Units Reserve	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	#	\$	\$	\$	\$	\$	\$	\$
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 11 and 13)	28,750,000	4,360,598	1,389,402	-	-	-	-	5,750,000
Share issuance costs (Notes 11 and 13)	-	(639,968)	(203,911)	-	-	-	-	(843,880)
Issuance of broker warrants from private placement (Note 13)	-	-	252,252	-	-	-	-	252,252
Issuance of shares on exercises of RSUs (Notes 11 and 15)	1,250,000	112,500	-	-	(112,500)	-	-	-
Issuance of shares on exercises of warrants (Notes 11 and 13)	6,217,260	1,293,650	(162,698)	-	-	-	-	1,130,952
Issuance of shares on exercises of options (Notes 11 and 14)	2,775,000	441,070	-	(173,320)	-	-	-	267,750
Share-based compensation (Notes 14 and 15)	-	-	-	342,034	191,701	-	-	533,735
Expiry of warrants (Note 13)	-	-	(149,720)	-	-	-	149,720	-
Exchange differences on translating foreign operations	-	-	-	-	-	(7,417)	-	(7,417)
Net loss for the period	-	-	-	-	-	-	(6,189,152)	(6,189,152)
Balance, September 30, 2023	188,425,989	18,299,306	2,228,109	713,936	205,842	(7,417)	(19,087,171)	2,352,604
Balance, December 31, 2023	231,128,716	42,081,995	5,104,257	714,536	190,448	(170,144)	(22,576,475)	25,344,617
Issuance of shares on exercises of RSUs (Notes 11 and 15)	500,000	45,000	-	-	(45,000)	-	-	-
Issuance of shares on exercises of warrants (Notes 11 and 13)	18,882,279	3,220,463	(654,257)	-	-	-	-	2,566,206
Issuance of shares on exercises of options (Notes 11 and 14)	2,450,000	578,316	-	(193,566)	-	-	-	384,750
Issuance of shares pursuant to lease option agreement (Notes 11 and 18)	130,004	80,602	-	-	-	-	-	80,602
Share-based compensation (Notes 14 and 15)	-	-	-	437,115	952,342	-	-	1,389,457
Exchange differences on translating foreign operations	-	-	-	-	-	(5,057)	-	(5,057)
Net loss for the period	-	-	-	-	-	-	(15,786,359)	(15,786,359)
Balance, September 30, 2024	253,090,999	46,006,376	4,450,000	958,085	1,097,790	(175,201)	(38,362,834)	13,974,216

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

Hercules Metals Corp. (Formerly “Hercules Silver Corp.”)
Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three and Nine Months ended September 30, 2024 and 2023
(Expressed in Canadian dollars)

	<u>Three Months ended</u>		<u>Nine Months ended</u>	
	<u>September 30, 2024</u>	September 30, 2023	<u>September 30, 2024</u>	September 30, 2023
	\$	\$	\$	\$
<u>Operating Activities</u>				
Net loss for the period	(8,629,539)	(4,181,061)	(15,786,359)	(6,189,152)
Items not affecting cash:				
Interest earned on short-term investments (Note 5)	(134,140)	-	(485,914)	-
Unrealized loss (gain) on investment (Note 8)	10,340	-	(15,015)	-
Depreciation expense (Note 9)	29,255	3,204	86,810	5,173
Share-based compensation (Notes 14 and 15)	635,325	242,377	1,389,457	533,735
Option payment issued in shares (Notes 11 and 18)	80,602	-	80,602	-
Foreign exchange gains	18,032	-	(98,050)	-
	(7,990,125)	(3,935,480)	(14,828,469)	(5,650,244)
Change in working capital items:				
Sales tax recoverable	(2,436)	(25,379)	140,007	(72,377)
Prepaid expenses	80,362	(263,098)	92,241	(480,389)
Accounts payables and accrued liabilities	(15,538)	337,920	2,295,527	827,596
Cash Flows (used in) Operating Activities	(7,927,737)	(3,886,037)	(12,300,694)	(5,375,414)
<u>Financing Activities</u>				
Proceeds from financings (Notes 11 and 13)	-	-	-	5,750,000
Share issuance costs (Note 11)	-	-	-	(591,627)
Proceeds from exercise of warrants (Notes 11 and 13)	631,456	121,000	2,566,206	1,130,952
Proceeds from exercise of stock options (Notes 11 and 14)	101,875	15,750	384,750	267,750
Cash Flows provided by Financing Activities	733,331	136,750	2,950,956	6,557,075
<u>Investing Activities</u>				
Redemption of short-term investments (Note 5)	3,508,463	-	9,687,452	-
Purchases of short-term investments (Note 5)	-	-	(7,685,359)	-
Acquisition of minority interest in investment (Note 8)	-	(340,425)	-	(340,425)
Additions of property, plant and equipment (Note 9)	-	(7,542)	(986,446)	(42,980)
Cash Flows provided by (used in) Investing Activities	3,508,463	(347,967)	1,015,647	(383,405)
(Decrease) increase in cash and cash equivalents	(3,685,943)	(4,097,254)	(8,334,091)	798,256
Effect of foreign exchange on cash and cash equivalents	(119,160)	(9,436)	(15,749)	(7,417)
Cash and cash equivalents, beginning of period	8,179,209	6,699,813	12,723,946	1,802,284
Cash and cash equivalents, end of period	4,374,106	2,593,123	4,374,106	2,593,123

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

1. Nature of Operations and Going Concern

Hercules Metals Corp. (“Hercules Metals” or the “Company”) is incorporated under the *Business Corporations Act (Ontario)* with its registered office located at 100 King Street West, Suite 1600, Toronto, Ontario, M5X 1G5, Canada. The Company’s common shares are listed on the TSX Venture Exchange (the “TSXV”) 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 is a junior mining company focused on the exploration and development of the 100% owned Hercules Project (the “Hercules Project”), located in Washington County, Idaho, in the United States (the “U.S.”). Effective June 28, 2024, the Company changed its name from Hercules Silver Corp. to Hercules Metals Corp., to reflect its diversified metals portfolio, including the newly discovered porphyry copper target at the Hercules Project.

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 nine months ended September 30, 2024, the Company incurred a net loss of \$15,786,359 (2023 – net loss of \$6,189,152), and as of that date, the Company’s accumulated deficit was \$38,362,834 (December 31, 2023 – accumulated deficit of \$22,576,475). As at September 30, 2024, the Company had available working capital of \$12,286,967 (December 31, 2023 – working capital of \$24,582,711), including a cash and cash equivalents balance of \$4,374,106 (December 31, 2023 – \$12,723,946), which it can deploy to fulfill financial requirements for the 12-month period ending September 30, 2025. 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 (“IASB”). 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 (the “Board”) of the Company on November 21, 2024.

(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.

Hercules Metals Corp. (Formerly “Hercules Silver Corp.”)
 Unaudited Condensed Interim Consolidated Statements of Cash Flows
 For the Three and Nine Months ended September 30, 2024 and 2023
 (Expressed in Canadian dollars)

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 Metals Corp.	Ontario, Canada	100%
BE Gold Canada Inc.	Ontario, Canada	100%
Frontera Gold Nevada Inc.	Nevada, U.S.	100%
1218530 B.C. Ltd.	British Columbia, Canada	100%
Anglo-Bomarc, U.S., Inc.	Idaho, U.S.	100%
Frontier Metals Canada Holdings Corp.	Ontario, Canada	100%
Frontier Metals LLC	Idaho, U.S.	100%

These 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 U.S. dollar (“USD”). 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 unaudited condensed interim 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 consistent with those disclosed in the Company’s audited financial statements for the years ended December 31, 2023 and 2022, unless otherwise noted.

3. Summary of Material 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, 2023 and 2022, unless otherwise noted below:

(a) Adoption of New Accounting Policies

The Company adopted the following amendments, effective January 1, 2024. The changes were made in accordance with the applicable transitional provisions. The Company had assessed that there was no material impact upon the adoption of these amendments on its consolidated financial statements:

Amendments to IFRS 7 – Financial Instruments: Disclosures (“IFRS 7”) and IAS 7 – Statements of Cash Flows (“IAS 7”)

In May 2023, the IASB issued disclosure-only amendments to IFRS 7 and IAS 7. The amendments require entities to disclose sufficient information necessary for users of financial statements to understand the effects of supplier finance arrangements on an entity’s liabilities and cash flows, as well as on its liquidity risk and risk management.

4. Cash and Cash Equivalents

As at September 30, 2024, the Company had total cash of \$4,374,106 (December 31, 2023 – \$12,723,946, including a balance of \$1,926,851 invested in high interest savings funds (the “High Interest Savings Funds”)), which are available on demand. As at September 30, 2024, there were no cash equivalents on hand (December 31, 2023 – \$6,527,086 invested in certain guaranteed investment certificates (“GICs”) with a maturity of less than three months).

During the three and nine months ended September 30, 2024, dividend income of \$nil and \$61,858, respectively, (2023 – \$49,775 and \$86,139, respectively) was received and reinvested into the High Interest Savings Funds, and interest income of \$56,264 and \$236,764, respectively, (2023 – \$nil and \$nil) was received on the GICs, respectively.

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 Unaudited Condensed Interim Consolidated Statements of Cash Flows
 For the Three and Nine Months ended September 30, 2024 and 2023
 (Expressed in Canadian dollars)

5. Short-Term Investments

As at September 30, 2024, the Company had invested in various short-term GICs with maturity ranging between six months to one year valued at \$10,436,402 (December 31, 2023 – \$11,854,531), which are measured at amortized cost. These short-term investments were held in order to collect contractual cash flows which are solely payments of principal and interest on the principal amount outstanding.

During the three and nine months ended September 30, 2024, interest income of \$134,140 and \$485,914, respectively, (2023 – \$nil and \$nil) was received on these short-term GICs.

During the three and nine months ended September 30, 2024, the Company redeemed short-term GICs for proceeds of \$3,508,463 and \$9,687,452, respectively. During the same period, the Company also re-invested funds of \$nil and \$7,685,359, respectively, into additional short-term GICs.

6. Sales Tax Recoverable

As at September 30, 2024, the Company’s sales tax recoverable balance comprises amounts in respect of Harmonized Sales Tax refunds. The Company did not record any allowance for expected credit losses against these receivables, which are due in less than one year. Subsequent to period-end, the Company received these amounts in full.

7. Prepaid Expenses

As at September 30, 2024 and December 31, 2023, the Company’s prepaid expenses are comprised of the following items:

	September 30, 2024	December 31, 2023
	\$	\$
Prepaid insurance	37,710	25,683
Advances made to suppliers	86,439	63,836
Advances made to suppliers related to E&E activities	124,423	251,294
	248,572	340,813

8. Investment

On July 28, 2023, the Company participated in a private placement investment (the “Investment”) and acquired a minority interest in Scout Discoveries Corp. (“Scout Discoveries”), a mineral exploration company with a 100% interest in four precious and base metals projects based in Idaho, U.S. The Company subscribed for 500,000 shares of Scout Discoveries for a sum of \$340,425 (USD \$250,000). The Investment was recorded at fair value at initial recognition.

On November 14, 2023, the Company participated in a second round of the Investment with Scout Discoveries and subscribed for an additional 600,000 shares of Scout Discoveries for a sum of \$426,990 (USD \$300,000). The Investment was recorded at fair value at initial recognition.

As a result of this investment, the Company holds 1.1 million shares of Scout Discoveries, representing approximately 9% of Scout Discoveries.

As at September 30, 2024, the investment in Scout Discoveries was recorded at a fair value of \$742,445 (December 31, 2023 – \$727,430), with an unrealized loss of \$10,340 and an unrealized gain of \$15,015 being recorded during the three and nine months ended September 30, 2024, respectively, (2023 – \$nil and \$nil, respectively).

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Unaudited Condensed Interim Consolidated Statements of Cash Flows
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(Expressed in Canadian dollars)

9. Property, Plant and Equipment

	Building	Leasehold improvements	Drilling Equipment	Trailer Equipment	Vehicle	Total
	\$	\$	\$	\$	\$	\$
Cost at:						
December 31, 2022	-	-	-	-	-	-
Additions	-	-	35,438	7,542	-	42,980
September 30, 2023	-	-	35,438	7,542	-	42,980
Accumulated depreciation at:						
December 31, 2022	-	-	-	-	-	-
Depreciation expense	-	-	4,922	251	-	5,173
September 30, 2023	-	-	4,922	251	-	5,173
	Building	Leasehold improvements	Drilling Equipment	Trailer Equipment	Vehicle	Total
	\$	\$	\$	\$	\$	\$
Cost at:						
December 31, 2023	-	-	35,438	7,542	-	42,980
Additions	956,542	23,129	-	-	6,775	986,446
Effect of FX on translation	10,242	(117)	-	-	(25)	10,100
September 30, 2024	966,784	23,012	35,438	7,542	6,750	1,039,526
Accumulated depreciation at:						
December 31, 2023	-	-	7,875	629	-	8,504
Depreciation expense	73,073	2,840	8,860	1,131	907	86,811
Effect of FX on translation	(564)	(22)	-	-	(7)	(593)
September 30, 2024	72,509	2,818	16,735	1,760	900	94,722
	Building	Leasehold improvements	Drilling Equipment	Trailer Equipment	Vehicle	Total
	\$	\$	\$	\$	\$	\$
Net book value:						
September 30, 2023	-	-	30,516	7,291	-	37,807
September 30, 2024	894,275	20,194	18,703	5,782	5,850	944,804

10. Accounts Payable and Accrued Liabilities

	September 30, 2024	December 31, 2023
	\$	\$
Trade payables	2,264,146	152,222
Accrued liabilities	536,311	352,718
	2,800,457	504,930

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

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For the Three and Nine Months ended September 30, 2024 and 2023
(Expressed in Canadian dollars)

11. 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 September 30, 2024 and 2023 are as follows:

	Common shares	Amount
	#	\$
Balance, December 31, 2022	149,433,729	12,731,456
Shares issued from private placement financing	28,750,000	4,360,598
Share issuance cost	-	(639,968)
Shares issued on exercise of RSUs	1,250,000	112,500
Shares issued on exercise of warrants	6,217,260	1,293,650
Shares issued on exercise of options	2,775,000	441,070
Balance, September 30, 2023	188,425,989	18,299,306
Balance, December 31, 2023	231,128,716	42,081,995
Shares issued on exercise of RSUs	500,000	45,000
Shares issued on exercise of warrants	18,882,279	3,220,463
Shares issued on exercise of options	2,450,000	578,316
Shares issued as option payments	130,004	80,602
Balance, September 30, 2024	253,090,999	46,006,376

Share capital transactions for the nine months ended September 30, 2023

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 (each a “Warrant”) exercisable at an exercise price of \$0.30 for a period of 24 months from closing. As consideration for 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 13 for more details).

During the nine months ended September 30, 2023, the Company issued a total of 1,250,000 common shares as a result of the exercises of restricted share units (“RSUs”). The fair value of these RSUs was estimated to be \$112,500.

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.

During the nine months ended September 30, 2023, 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.

Share capital transactions for the nine months ended September 30, 2024

On September 30, 2024, the Company issued 130,004 common shares as share consideration pursuant to a lease option agreement (the “Lease Option Agreement”) (see Note 18). These common shares were valued at \$80,602, based on the Company’s closing share price on the date of issuance, and the amount was recorded as property acquisition costs on the consolidated statements of loss and comprehensive loss.

During the nine months ended September 30, 2024, the Company issued a total of 500,000 common shares as a result of the exercises of RSUs. The fair value of these RSUs was estimated to be \$45,000.

During the nine months ended September 30, 2024, the Company issued 18,882,279 common shares as a result of the exercise of Warrants for total cash proceeds of \$2,566,206.

During the nine months ended September 30, 2024, the Company also issued 2,450,000 common shares as a result of the exercise of stock options for total cash proceeds of \$384,750.

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Unaudited Condensed Interim Consolidated Statements of Cash Flows
For the Three and Nine Months ended September 30, 2024 and 2023
(Expressed in Canadian dollars)

12. Loss per Share

Basic and diluted loss per share for the three and nine months ended September 30, 2024 is calculated by dividing the net loss of \$8,629,539 and \$15,786,359, respectively, (2023 – net loss of \$4,181,061 and \$6,189,152, respectively) by the weighted average number of common shares outstanding of 252,627,783 and 246,170,540, respectively, (2023 – 187,833,598 and 173,521,834, respectively).

For the three and nine months ended September 30, 2024, the basic and diluted loss per share was \$0.03 and \$0.06, respectively, (2023 – basic and diluted loss of \$0.02 and \$0.04, respectively).

13. Warrants

The following summarizes the warrants activity for the nine months ended September 30, 2024 and 2023:

	2024		2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of period	33,366,977	0.13	41,395,944	0.13
Issued from private placement financing	-	-	14,375,000	0.30
Issued from private placement financing	-	-	1,460,250	0.20
Exercised	(157,280)	0.20	(4,967,260)	0.20
Exercised	(16,224,999)	0.11	(1,250,000)	0.11
Exercised	(2,500,000)	0.30	-	-
Expired	-	-	(5,762,018)	0.20
Outstanding, end of period	14,484,698	0.78	45,251,916	0.17

Warrant activities for the nine months ended September 30, 2023

On April 20, 2023, the Company issued 14,375,000 Warrants in connection with the Brokered Offering, as disclosed in Note 11. 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 \$1,295,617 using the Black-Scholes valuation model (“Black-Scholes”) with the following assumptions: expected volatility of 121% 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 \$186,526 had also been allocated under warrant reserve. In addition, the Company 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.

On March 24, 2023, 5,762,018 Warrants, including 168,513 Broker Warrants, all exercisable at \$0.20, expired unexercised. An amount of \$149,719, representing the grant date fair value of these Warrants recorded in warrants reserve, was transferred to accumulated deficit upon expiry.

During the nine months ended September 30, 2023, 6,217,260 Warrants were exercised for total cash proceeds of \$1,130,952. An amount of \$162,698, representing the grant date fair value of these Warrants was transferred to share capital upon the exercises.

Warrant activities for the nine months ended September 30, 2024

During the nine months ended September 30, 2024, 18,882,279 Warrants were exercised for total cash proceeds of \$2,566,206. An amount of \$654,257, representing the grant date fair value of these Warrants was transferred to share capital upon the exercises.

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13. Warrants (continued)

The following table summarizes information of warrants outstanding as at September 30, 2024:

Date of expiry	Number of warrants outstanding	Exercise price	Weighted average remaining life
	#	\$	Years
April 20, 2025	7,212,500	0.30	0.55
April 20, 2025	467,280	0.20	0.55
November 7, 2025	6,804,918	1.32	1.10
	14,484,698	0.78	0.81

14. 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 nine months ended September 30, 2024 and 2023:

	2024		2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	#	\$	#	\$
Outstanding, beginning of period	6,847,500	0.17	10,670,000	0.11
Granted	200,000	0.83	750,000	0.265
Granted	200,000	0.72	2,750,000	0.17
Granted	500,000	0.62	500,000	0.215
Exercised	(1,900,000)	0.09	(2,225,000)	0.09
Exercised	-	-	(300,000)	0.10
Exercised	(125,000)	0.17	(250,000)	0.15
Exercised	(125,000)	0.215	-	-
Exercised	(300,000)	0.50	-	-
Cancelled	-	-	(2,500,000)	0.09
Outstanding, end of period	5,297,500	0.26	9,395,000	0.15

Options activities for the nine months ended September 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 102% 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 \$152,273, of which \$9,152 and \$37,572 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and nine months ended September 30, 2024 (2023 – \$33,762 and \$86,058, respectively).

14. Stock Options (continued)

Options activities for the nine months ended September 30, 2023 (continued)

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 \$26,320 and \$113,470 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and nine months ended September 30, 2024 (2023 – \$93,786 and \$133,543, respectively).

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. The options were valued using Black-Scholes with the following assumptions: expected volatility of 102% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.91% and an expected life of five years. The grant date fair value attributable to these options was \$82,894, of which \$6,641 and \$30,090 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and nine months ended September 30, 2024 (2023 – \$19,293 and \$19,293, respectively).

During the nine months ended September 30, 2023, 2,775,000 options were exercised for total cash proceeds of \$267,750. An amount of \$173,320, representing the grant date fair value of these options was transferred to share capital upon the exercises.

Options activities for the nine months ended September 30, 2024

On April 4, 2024, the Company granted 200,000 stock options to certain investor relations consultants. The options are exercisable at a price of \$0.83 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to April 4, 2026. The options were valued using Black-Scholes with the following assumptions: expected volatility of 106% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.58% and an expected life of five years. The grant date fair value attributable to these options was \$128,238, of which \$33,621 and \$65,414 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and nine months ended September 30, 2024.

On June 24, 2024, the Company granted 200,000 stock options to an employee. The options are exercisable at a price of \$0.72 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to June 24, 2026. The options were valued using Black-Scholes with the following assumptions: expected volatility of 117% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.37% and an expected life of five years. The grant date fair value attributable to these options was \$96,750, of which \$25,365 and \$27,020 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and nine months ended September 30, 2024.

On July 30, 2024, the Company granted 500,000 stock options to a consultant. The options are exercisable at a price of \$0.62 per common share for a period of five years. The options vest 50% on grant, and 25% at each six-month anniversary from grant up to July 30, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 117% based on comparable companies, expected dividend yield of 0%, risk-free interest rate of 3.16% and an expected life of five years. The grant date fair value attributable to these options was \$255,189, of which \$159,928 and \$159,928 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and nine months ended September 30, 2024.

During the nine months ended September 30, 2024, 2,450,000 options were exercised for total cash proceeds of \$384,750. An amount of \$193,566, representing the grant date fair value of these options was transferred to share capital upon the exercises.

In total, share-based compensation of \$437,115 was recorded in connection with the vesting of options during the nine months ended September 30, 2024 (2023 – \$342,034).

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14. Stock Options (continued)

The following table summarizes information of stock options outstanding and exercisable as at September 30, 2024:

Date of expiry	Number of options outstanding	Number of options exercisable	Exercise price	Weighted average remaining contractual life
	#	#	\$	Years
January 24, 2027	300,000	300,000	0.10	2.32
July 27, 2027	375,000	375,000	0.09	2.82
August 10, 2027	7,500	7,500	0.09	2.86
March 1, 2028	750,000	562,500	0.265	3.42
May 22, 2028	2,500,000	1,250,000	0.17	3.64
July 10, 2028	375,000	187,500	0.215	3.78
August 2, 2024	90,000	90,000	0.0833	3.84
April 4, 2029	200,000	-	0.83	4.51
June 24, 2029	200,000	-	0.72	4.73
July 30, 2029	500,000	250,000	0.62	4.83
	5,297,500	3,022,500	0.26	3.68

15. Restricted Share Units

RSUs activities for the nine months ended September 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 \$6,253 and \$40,758 was recorded as share-based compensation, respectively, in connection with the vesting of RSUs during the three and nine months ended September 30, 2024 (2023 – \$64,838 and \$133,096, respectively).

RSUs activities for the nine months ended September 30, 2024

On February 9, 2024, the Company granted 600,000 RSUs to certain consultants. The RSUs vest 50% after the one-year anniversary, and 25% at each six-month anniversary thereafter up to February 9, 2026. The RSUs were valued at \$552,000 based on the Company’s closing share price on the date of grant, of which \$(43,863) and \$125,851 was recorded as share-based compensation, respectively, in connection with the vesting of RSUs during the three and nine months ended September 30, 2024. 330,000 of these RSUs had since been cancelled upon the resignation of one of the consultants.

On April 8, 2024, the Company granted 1,916,000 RSUs to certain officers and directors. The RSUs vest 25% at each six-month anniversary from grant up to April 8, 2026. The RSUs were valued at \$1,571,120 based on the Company’s closing share price on the date of grant, of which \$411,907 and \$783,520 was recorded as share-based compensation, respectively, in connection with the vesting of RSUs during the three and nine months ended September 30, 2024.

In total, share-based compensation of \$952,342 was recorded in connection with the vesting of RSUs during the nine months ended September 30, 2024 (2023 – \$191,701).

As at September 30, 2024, the Company had a total of 2,936,000 RSUs outstanding (December 31, 2023 – 1,250,000 RSUs).

16. Related Party Transactions and Balances

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.

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16. Related Party Transactions and Balances (continued)

Remuneration to key management personnel and directors

The remuneration of directors and other members of key management personnel during the three and nine months ended September 30, 2024 and 2023 were as follows:

	<u>Three Months ended</u>		<u>Nine Months ended</u>	
	<u>September 30,</u> <u>2024</u>	September 30, 2023	<u>September 30,</u> <u>2024</u>	September 30, 2023
	\$	\$	\$	\$
Consulting fees, salaries and wages	468,200	110,800	789,060	246,400
Professional fees	44,579	45,231	228,420	137,921
Share-based compensation – options	25,901	94,818	109,989	180,668
Share-based compensation – RSUs	418,161	64,838	824,277	133,096
	956,841	315,687	1,951,746	698,085

During the three and nine months ended September 30, 2024, Clearwater Resources Inc. (“Clearwater”), an entity controlled by the Chief Executive Officer (“CEO”) and also a director of Hercules Metals, charged fees of \$21,875 and \$44,375, respectively, (2023 – \$11,250 and \$33,750, respectively), for services provided to the Company, which are included in consulting fees, salaries and wages under general and administrative (“G&A”) expenses (see Note 17). During the current period, Clearwater also charged fees of \$65,625 and \$133,125, respectively, (2023 – \$33,750 and \$101,250, respectively) which are included in exploration and evaluation (“E&E”) expenditures. As at September 30, 2024, no balance was owed to Clearwater (December 31, 2023 – \$16,002, included in accounts payable and accrued liabilities).

During the three and nine months ended September 30, 2024, the CEO, through Clearwater, also received a management bonus amount of \$265,000 and \$265,000, respectively, (2023 – \$nil and \$nil), which are included in consulting fees, salaries and wages under G&A expenses. As at September 30, 2024, the management bonus amount had been paid to Clearwater.

Effective May 22, 2023, the Company, through its wholly-owned subsidiary, Anglo-Bomarc, U.S., Inc. (“Anglo-Bomarc”) and its Vice-President, Exploration (“VP-Exploration”) entered into an employment agreement, whereas Hercules Metals 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, 2024, the VP-Exploration’s salaries of \$68,200 (USD \$50,000) and \$204,060 (USD \$150,000), respectively, (2023 – \$68,300 and \$101,400, respectively) were included in E&E expenditures. As at September 30, 2024, \$2,847 (December 31, 2023 – \$4,198) owing to the VP-Exploration 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, 2024, Gowling WLG (Canada) LLP (“Gowling”), a law firm in which a director of the Company is also a partner, charged fees of \$14,579 and \$153,420, respectively, (2023 – \$22,731 and \$60,190, respectively) for legal services provided, which are included in professional fees. As at September 30, 2024, \$9,898 (December 31, 2023 – \$82,921) 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 nine ended September 30, 2024, Branson Corporate Services Ltd. (“Branson”), where the Company’s Chief Financial Officer (“CFO”) and Corporate Secretary, was formerly a director, charged fees of \$45,000 (2023 – \$55,000) for accounting and administrative services which are included in professional fees. As at September 30, 2024, no balance was owed to Branson (December 31, 2023 – \$nil).

During the three and nine months ended September 30, 2024, Blueknight Advisory Services Inc. (“Blueknight”), where the CFO is the principal, charged professional fees of \$30,000 and \$30,000, respectively, for CFO and accounting services provided to the Company, which are included in professional fees. As at September 30, 2024, no balance was owed to Blueknight.

During the three and nine months ended September 30, 2024, the Company’s non-executive directors and the Chairman of the Audit Committee received fees of \$47,500 and \$142,500, respectively, (2023 – \$nil and \$nil) as consideration for the services provided to the Company, which are included in consulting fees, salaries and wages under G&A expenses. As at September 30, 2024, no fees were owed to any of the directors (December 31, 2023 – \$nil).

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16. Related Party Transactions and Balances (continued)

Other related party transactions

During the three and nine months ended September 30, 2024, the Company recorded share-based compensation of \$25,901 and \$109,989, respectively, in connection with the vesting of options previously granted to its officers and directors (2023 – \$94,818 and \$180,668, respectively).

During the three and nine months ended September 30, 2024, the Company also recorded share-based compensation of \$418,161 and \$824,277, respectively, in connection with the vesting of RSUs previously granted to its officers and directors (2023 – \$64,838 and \$133,096, respectively).

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.

17. General and Administrative Expenses

The Company’s G&A expenses for the three and nine months ended September 30, 2024 and 2023 were comprised of the following:

	<u>Three Months ended</u>		<u>Nine Months ended</u>	
	<u>September 30, 2024</u>	September 30, 2023	<u>September 30, 2024</u>	September 30, 2023
	\$	\$	\$	\$
Consulting fees, salaries and wages	379,202	68,361	610,290	119,169
Office and general	76,814	39,477	361,156	143,932
Business development	130,116	38,921	277,968	208,945
Filing fees	25,249	18,228	109,739	58,723
Insurance	21,289	13,186	56,342	40,570
	632,670	178,173	1,415,495	571,339

18. Lease Option Agreement

On September 27, 2023, the Company entered into the Lease Option Agreement between the Company, Anglo-Bomarc (the “Lessee”) and a local prospector (the “Lessor”), which grants Hercules Metals the option to acquire a 100% interest in a mineral property, comprising 87 unpatented lode mining claims within the Mineral mining district (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 is required to make lease payments in accordance with the following schedule:

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

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.

During the three and nine months ended September 30, 2024, property acquisition costs of \$162,226 and \$162,226, respectively, comprised of the respective cash payment and share consideration of USD \$60,000, were recorded as property acquisition costs on the consolidated statements of loss and comprehensive loss (2023 – \$67,285 and \$27,685, respectively, comprised of the initial cash payment of USD \$100,000).

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18. Lease Option Agreement (continued)

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.

19. Exploration and Evaluation Expenditures

The Company’s E&E expenditures for the three and nine months ended September 30, 2024 and 2023 were comprised of the following:

	<u>Three Months ended</u>		<u>Nine Months ended</u>	
	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>	<u>September 30,</u> <u>2024</u>	<u>September 30,</u> <u>2023</u>
	\$	\$	\$	\$
Claims maintenance	201,573	225,110	537,407	252,946
Geological work and technical studies	91,018	433,038	237,669	649,219
Exploration drilling	6,926,153	2,979,200	12,384,202	3,837,538
	7,218,744	3,637,348	13,159,278	4,739,703

20. 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 Company’s 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, 2024, the Company’s capital consisted of a balance of \$38,362,834 (December 31, 2023 – \$25,344,617).

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.

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21. 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 short-term investments, which expose the Company to credit risk should the borrower default on the maturity of the instruments. Cash and cash equivalents and short-term investments 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 short-term investments is minimal.

The Company’s second exposure to credit risk is on receivables. At each reporting period, management assesses the credit risk of its receivables balance. As the Company does not currently have any trade receivable, management believes that the credit risk concentration with respect to trade receivable 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 September 30, 2024, the Company had a cash and cash equivalents balance of \$4,374,106 (December 31, 2023 – \$12,723,946) and short-term investments of \$10,436,402 (December 31, 2023 – \$11,854,531), to settle current liabilities of \$2,800,457 (December 31, 2023 – \$504,930).

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, 2024:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,800,457	2,800,457	-	-

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 and cash equivalents and short-term investments position as at September 30, 2024.

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.

21. Financial Instruments (continued)

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. Management monitors closely the movement of foreign exchange between CAD and USD and may periodically purchase USD when the rate of CAD appreciates versus USD.

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, short-term investments, the Investment in Scout Discoveries and accounts payable and accrued liabilities. The fair value of cash and cash equivalents, short-term investments, the Investment in Scout Discoveries 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, 2024, the Company's financial instruments carried at a fair value of \$742,445 consisted of the Investment in Scout Discoveries, which have been classified as Level 3 (December 31, 2023 – \$727,430).

22. Segmented information

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

23. 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, 2024, 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.

The Company may also, from time to time, be subject to various administrative, regulatory, and other legal proceedings arising in the ordinary course of business. Liabilities associated with legal proceedings are recorded when (i) the liabilities are a result of a past event, (ii) it is probable that an outflow of resources will be required to settle the obligations, and (iii) a reliable estimate can be made of the amount of obligation.

The Company was previously responsible for payment of a dispute in connection to certain exploration drilling services provided by an arm's length party (the "Contractor"), for an alleged breach of the terms pursuant to a drilling services agreement between the parties, for the Contractor's failure to complete drilling as required. During the nine months ended September 30, 2024, the Company settled the dispute by making a payment of USD \$150,000 to the Contractor.

24. Subsequent Event

Subsequent to September 30, 2024, the Company issued 300,000 common shares as a result of the exercise of options for total cash proceeds of \$30,000.