Hercules Metals Corp.

Management's Discussion and Analysis

For the Three and Six Months ended June 30, 2026

(Expressed in Canadian Dollars)

The following management's discussion and analysis (the "MD&A") discusses the results of operations and financial condition of Hercules Metals Corp. ("Hercules Metals", "Hercules", or the "Company") as at and for the three and six months ended June 30, 2026. This MD&A was written to comply with the requirements of National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators. This MD&A should be read in conjunction with the Company's unaudited condensed interim consolidated financial statements and related notes for the three and six months ended June 30, 2026 and 2025 (the "Q2 2026 Financials"), and its audited consolidated financial statements and related notes for the years ended December 31, 2025 and 2024 (the "2025 Financials"). The Q2 2026 Financials and the financial information contained in this MD&A are prepared in accordance with IFRS® Accounting Standards as issued by the International Accounting Standards Board and IFRIC® Interpretations issued by the IFRS Interpretations Committee. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. All figures are expressed in Canadian dollars ("$" or "CAD") unless stated otherwise. This MD&A also covers the subsequent period up to August 19, 2026.

Company Overview

Hercules Metals is a mineral exploration company focused on advancing a large-scale copper discovery on the Hercules Property in western Idaho, United States ("U.S.") which was historically explored for silver. It holds a 100% interest in the Hercules Property, which covers approximately 24,276 acres and hosts the Leviathan porphyry copper system ("Leviathan"), discovered by Hercules in 2023. The Company's common shares are listed on the TSX Venture Exchange (the "TSXV") under the ticker symbol "BIG", on the OTCQB® Venture Market under the symbol "BADEF", and on the Frankfurt Stock Exchange under the symbol "C0X".

Since acquiring the Hercules Property in 2021, the Company has re-evaluated the project using modern geological, geochemical, and geophysical techniques which led to the drill discovery of the large Leviathan copper porphyry system in 2023. Exploration work to date has focused on progressively expanding the Leviathan discovery, demonstrating that the copper mineralization extends significant distances beyond the original discovery hole at depth, beneath the silver-rich zones that were previously defined by historical drilling from the 1960s through to the 1980s.

During 2025, the Company advanced its understanding of Leviathan through systematic drilling, 3-D geological modelling and property-wide geophysical surveys. Drilling continued to demonstrate the continuity, thickness and higher-grade zones within the Leviathan system, while geophysical work identified several large new anomalies that extend beyond the areas previously tested by drilling. Together, these results shifted the Company's exploration focus toward both delineating the known Leviathan system, as well as testing for additional porphyry centres along the broader geophysical trend.

In 2026, the Company significantly increased the scale and scope of its exploration activities. The Company commenced a 20,000-metre drill program focused on expanding Leviathan while also testing the additional geophysical targets along strike. The Company has also increased its operational capacity and continued to expand its land position, further encompassing the newly defined Idaho Copper Belt.

The Company believes that the continued expansion of Leviathan, together with the testing of additional prospective targets across its broader land package, supports the potential for a district-scale porphyry copper exploration opportunity in western Idaho.

Corporate Developments

Management Transition

On July 30, 2026, the Company announced an expansion of its senior management team led by George Ogilvie, who will assume the role of President and Chief Executive Officer ("CEO") effective September 1, 2026. Mr. Ogilvie brings more than 36 years of mining, operations and project development experience, including his most recent role as President and CEO of Arizona Sonoran Copper Company Inc. ("Arizona Sonoran"). Concurrent with Mr. Ogilvie's appointment, six additional senior executives and mining professionals from the former Arizona Sonoran team will join Hercules, bringing expertise across resource development, project development, permitting, environmental management, finance, legal affairs, capital markets, corporate development and investor relations.

As part of the transition, Hercules Metals' founder and current CEO Christopher Paul will assume the role of Senior Vice President, Exploration, where he will lead the Company's exploration team and continue to focus on Leviathan and other potential discoveries across the Company's district-scale land position.

The Company also granted 18,650,000 stock options on July 30, 2026 to members of the incoming management team.

Management Investment

On August 5, 2026, the Company announced that the incoming management team had committed to invest an aggregate of approximately $4.5 million of personal capital in Hercules through a non-brokered private placement. The investment is expected to be subscribed for by all seven members of the incoming management team at $0.62 per share. The financing is intended to support continued drilling and expansion of Leviathan, exploration of additional porphyry targets, geological and resource modelling, and general working capital and corporate purposes. Closing is expected on or about September 1, 2026, subject to acceptance by the TSXV and satisfaction of customary closing conditions.

Expansion of the Hercules land position

In March 2026, Anglo-Bomarc, U.S., Inc. ("Anglo-Bomarc"), a wholly-owned subsidiary of the Company, entered into a definitive real property lease with option to purchase agreement with an arm's length private landowner covering approximately 1,473 acres of private land contiguous with the Hercules Property. The property includes both surface and mineral rights and is located along trend with the Leviathan porphyry copper system.

The agreement provides Anglo-Bomarc with an eight-year lease and the exclusive right to conduct exploration activities, including drilling and geophysical surveys, together with an exclusive option to acquire a 100% interest in the property. If exercised, the acquisition would increase the Company's surface rights across the Leviathan system from approximately 1,800 acres to approximately 3,273 acres.

Strengthened financial position

In May 2026, the Company completed a bought-deal private placement offering (the "Offering") of 53,353,000 common shares at $0.59 per share for gross proceeds of approximately $31.5 million. The net proceeds are intended primarily to fund exploration activities at the Hercules Property and for general working capital purposes. The financing significantly strengthened the Company's liquidity and provides greater financial flexibility to execute its expanded exploration program, including the 20,000-metre 2026 drill program.

Disposition of non-core investment

In April 2026, the Company entered into a share purchase agreement (the "SPA") to sell its 1.1 million-share minority investment in Scout Discoveries Corp. ("Scout") for aggregate consideration of USD$1.32 million. The transaction was completed on July 8, 2026. The disposition monetized a non-core investment and allowed the Company to maintain its primary focus on exploration at the Hercules Property.

Hercules Property

The Hercules Property is located in western Idaho and covers approximately 24,276 acres. The Property hosts the Leviathan porphyry copper system and forms part of the broader Hercules Copper Belt. Exploration at the Hercules Property has progressively expanded the Company's understanding of Leviathan from the initial discovery into a large, structurally controlled porphyry copper system with significant remaining exploration potential. The Company has also identified several additional geophysical and geological targets along trends that may represent separate porphyry centres, supporting a broader district-scale exploration strategy.

Leviathan

The Company's exploration strategy at Leviathan has evolved as additional drilling and geological information have improved its understanding of the system. In 2024, drilling from multiple orientations, together with oriented core and other geological information, enabled the technical team to develop a 3-D geological model of the Leviathan system. The model provided a more comprehensive interpretation of the geometry and structural controls of the mineralization and formed the basis for a more systematic drilling strategy in 2025.

The 2025 drilling program was designed around this model and used northwest-oriented drill fences to test the interpreted southeast-dipping system. Early drilling validated the model, defining a shell of copper-molybdenum mineralization surrounding a central porphyry intrusion and identifying increasing grades around the contacts of the intrusion. The Company subsequently increased the number of drill rigs from three to five and expanded drilling across approximately 2.2 kilometres of strike.

Drilling subsequently demonstrated that the system extends beyond the area initially tested. In September 2025, drill hole HER-25-02 extended the known strike of Leviathan to approximately 1.0 kilometres and returned 346 metres grading 0.66% copper, including 81 metres grading 1.5% copper. The results also identified stronger hypogene enrichment toward the centre of the system.

Subsequent drilling continued to demonstrate substantial thickness and continuity. HER-25-12 returned 285 metres grading 0.47% copper, including 56 metres grading 0.89% copper, while visual observations from subsequent drilling indicated that the higher-grade enriched portion of the system may extend farther to the southwest. Subsequent results from HER-25-18 and HER-25-21 further extended mineralization along the southwest portion of the Leviathan system, returning mineralized intervals of 787.9 metres and 801.6 metres, respectively, with higher-grade intervals occurring within both holes. These results further support the continuity and scale of the Leviathan system and have contributed to the Company's continued focus on southwest step-out drilling.

The Company's understanding of Leviathan has also been informed by geophysical surveys covering areas beyond the current drilling footprint. Magnetotelluric ("MT") and induced polarization ("IP") surveys have identified conductive and chargeability anomalies extending along trend from the known Leviathan mineralization. The MT response associated with Leviathan has demonstrated a strong correlation with drilled mineralization and extends for several kilometres beyond the area tested by drilling. The survey identified a broader conductive corridor extending along trend toward Southern Flats and other untested areas of the Hercules Property, providing additional targets for exploration and supporting the potential for mineralization beyond the currently defined Leviathan footprint.

At Southern Flats, drilling has provided evidence that the area may represent a separate porphyry centre. HER-25-25 intersected 177 metres grading 0.66% CuEq within 271 metres grading 0.51% CuEq, with alteration and copper mineralization interpreted to represent the outer margins of a previously untested porphyry centre. The hole was terminated in encouraging geology, and follow-up drilling was directed toward increasing alteration, veining and mineralization to the west. The style of copper mineralization and alteration differs from that observed at Leviathan, supporting the interpretation that Southern Flats may represent a separate porphyry centre rather than simply an extension of the Leviathan system.

The identification of mineralization at Southern Flats, together with the broader geophysical results, has strengthened the Company's view that the Hercules Property may host multiple porphyry centres along a broader mineralized corridor rather than being limited to a single discovery at Leviathan.

Exploration Program in 2026

In 2026, the exploration program is focused on expanding Leviathan along strike while also testing additional targets identified through the Company's property-wide geophysical work.

Leviathan drilling

Drilling resumed in early 2026 on several holes initiated during the 2025 campaign, including HER-25-18, HER-25-21 and HER-25-25. The Company continued to focus on the southwest extension of Leviathan, where the geological model and prior drilling indicated potential for continued mineralization and expansion of the Footwall Zone. Results received during 2026 continued to support the scale and continuity of Leviathan. HER-25-18 returned 787.9 metres grading 0.54% CuEq, including 212.8 metres grading 0.89% CuEq and 57.4 metres grading 1.18% CuEq. HER-25-21 extended the Footwall Zone farther to the southwest and returned 801.6 metres grading 0.40% CuEq, including 21.3 metres grading 2.00% CuEq. The Company has continued to pursue step-out drilling along this southwest corridor, where Leviathan remains open for expansion. These results have further supported the Company's strategy of systematically testing the interpreted extensions of the system beyond the previously drilled footprint.

Southern Flats

At Southern Flats, the Company continued drilling to evaluate the potential for a separate porphyry centre identified through the 2025 MT survey and subsequent drilling. HER-25-25, which resumed in 2026 after being paused during the 2025 winter break, ultimately intersected 177 metres grading 0.66% CuEq within 271 metres grading 0.51% CuEq. The mineralization was associated with alteration and veining interpreted to represent the outer margins of a previously untested porphyry system. Follow-up drilling in HER-26-01, for which assays are pending, was directed toward the west, where alteration, veining and mineralization were increasing, with the objective of vectoring toward the potential centre of the system. The results at Southern Flats are significant to the Company's broader exploration strategy because they provide evidence that mineralization outside the known Leviathan footprint may represent a separate porphyry centre rather than simply an extension of Leviathan.

New targets: Pegasus and Hook

During 2026, the Company also advanced two new targets, Pegasus and Hook, identified through the 2025 district-scale MT survey. Follow-up IP surveys identified coincident chargeability anomalies at both targets, with a particularly strong response at the Hook target, exceeding 20 mV/V, which is comparable to that of the original Leviathan anomaly.

- At Pegasus, the Company completed its first drill hole, HER-26-02. The hole intersected distal porphyry alteration, veining and mineralization, providing geological evidence that a copper porphyry system may be nearby, potentially within 1-2 kilometres distance. The Company subsequently planned additional IP surveying to the west of the hole, to test the chargeability response over the newly interpreted Highway 71 Fault, which may be associated with the emplacement of the Leviathan and Southern Flats porphyry copper systems along trend.
- At Hook, the Company identified a robust chargeability anomaly, with strong values ranging from 20-40 mV/V on the southern three IP lines, consistent with values observed at the Leviathan porphyry copper system. The anomaly begins relatively close to surface on the southern three lines and extends for approximately 1.2 kilometres along strike to the north, based on the completed IP lines. Reconnaissance drilling subsequently commenced, with an initial drill hole designed to test the margins of the target at depth using existing road access, prior to committing to more extensive drill permitting, involving road building to test the central part of the anomaly.

Overall Exploration Strategy

Collectively, the 2026 exploration activities have continued to expand the Company's understanding of the Hercules Property. Drilling at Leviathan has demonstrated further southwest continuity over substantial widths, while exploration at Southern Flats has identified mineralization consistent with a separate porphyry centre. At the same time, geophysical work and initial drilling at Pegasus and Hook have generated additional targets in the broader Hercules Copper district. The Company is therefore pursuing a multi-target exploration strategy that combines continued expansion of Leviathan with systematic testing of additional porphyry centres across the Hercules Property.

Overall Performance

Selected quarterly financial results

The following table summarizes selected financial information for the eight most recently completed quarters:

	Q2 2026	Q1 2026	Q4 2025	Q3 2025
	$	$	$	$
Operating expenses	(4,453,309)	(2,409,157)	(5,448,861)	(10,028,169)
Net loss	(4,877,524)	(2,370,712)	(4,718,681)	(9,997,589)
Net loss per share – basic and diluted	(0.02)	(0.01)	(0.02)	(0.04)
Cash and cash equivalents	25,603,581	8,092,724	10,532,346	11,908,682
Total assets	36,367,091	11,809,858	13,796,315	19,164,829

	Q2 2025 [1]	Q1 2025 [1]	Q4 2024	Q3 2024
	$	$	$	$
Operating expenses	(4,207,417)	(869,237)	(4,036,441)	(8,619,199)
Net loss	(4,288,047)	(870,667)	(3,196,096)	(8,629,539)
Net loss per share – basic and diluted	(0.02)	(0.00)	(0.01)	(0.03)
Cash and cash equivalents	678,607	737,934	608,283	4,374,106
Total assets	11,521,952	12,604,949	12,124,741	16,774,673

Results of operations for the three months ended June 30, 2026

During the three months ended June 30, 2026 ("Q2 2026"), the Company was actively advancing its 2026 exploration program at the Hercules Property. Total operating expenses were $4,453,309, versus $4,207,417 in the comparative period, an increase of $245,892. The increase was primarily attributable to higher exploration and evaluation ("E&E") expenditures as the Company expanded its drilling and geological activities during the 2026 exploration season.

E&E expenditures increased to $4,331,752 from $3,330,403, an increase of $1,001,349. Exploration drilling accounted for $4,189,205 of the current-period expenditures, compared with $3,280,863 in the comparative period, while geological work increased to $142,557 from $42,536. The higher expenditures were primarily driven by the increased scale of the 2026 exploration program, which was expanded to approximately 20,000 metres of drilling and included continued step-out drilling at Leviathan, follow-up drilling at Southern Flats and initial testing of additional targets such as Pegasus and Hook.

[1] For comparison purposes, the Company had reclassified and adjusted certain items on the unaudited condensed interim consolidated statements of loss and comprehensive loss and cash flows for the period ended June 30, 2025, to conform with certain audit adjustments recorded for the year ended December 31, 2025.

General and administrative ("G&A") expenses increased to $315,449 from $228,378, for an increase of $87,071. Professional fees remained relatively consistent at $138,098 compared with $135,242 in the comparative period. Share-based compensation increased slightly to $225,476 from $215,340 and related to the vesting of options and restricted share units ("RSUs"). Share-based compensation is a non-cash expense and therefore does not affect the Company's cash flows.

The Company earned dividend and interest income of $91,515 during Q2 2026, compared with $71,789 in the comparative period, primarily from its high-interest savings funds and GIC investments. The Company also recorded a foreign exchange gain of $493,628, compared with a foreign exchange loss of $340,214 in the comparative period, primarily as a result of movements in the USD/CAD exchange rate on the Company's USD-denominated cash, short-term investments and other monetary balances.

The Company also recorded an unrealized loss of $424,215 on its Investment in Scout, compared with an unrealized loss of $80,630 in the comparative period. The current-period loss primarily reflected the decrease in the fair value of the Investment based on the USD$1.20 per share purchase price under the SPA, partially offset by the appreciation of the USD against the CAD. The loss included a foreign exchange gain of $35,772.

As a result, the Company recorded a net loss of $4,877,524, or $0.02 per share, compared with a net loss of $4,288,047, or $0.02 per share, in Q2 2025.

Results of operations for the six months ended June 30, 2026

During the six months ended June 30, 2026, the Company incurred total operating expenses of $6,862,466, versus $5,076,654 in the comparative period, an increase of $1,785,812. The increase primarily reflects the significant expansion of the Company's exploration activities at the Hercules Property during the first half of 2026.

E&E expenditures increased to $6,319,733 from $3,594,331, an increase of $2,725,402. Direct drilling costs accounted for $5,918,856 of the current-period expenditures, compared with $3,542,399 in the comparative period. Geological work increased to $207,545 from $42,536, while $171,462 was incurred in connection with property acquisition activities and option payments during the period. The increase in E&E expenditures reflects the earlier commencement and expanded scope of the 2026 exploration season, including the planned 20,000-metre drill program and the continued testing of Leviathan, Southern Flats, Pegasus and Hook.

G&A expenses increased by $142,758 to $554,001 from $411,243, reflecting the broader scope of the Company's corporate and exploration activities. Professional fees remained relatively stable at $270,002 compared with $258,130 in the comparative period. Share-based compensation decreased to $432,340 from $531,888, primarily reflecting the timing of vesting of options and RSUs during the respective periods. As a non-cash expense, share-based compensation did not affect cash flows.

Dividend and interest income increased to $161,720 from $151,127, reflecting the Company's larger cash and investment balances during the period. The Company also recorded a foreign exchange gain of $608,969, compared with a foreign exchange loss of $371,951 in the comparative period, primarily due to movements in the USD/CAD exchange rate on the Company's USD-denominated cash, short-term investments and other monetary balances.

The Company recorded an unrealized loss of $385,770 on its Investment in Scout Discoveries, compared with an unrealized loss of $82,060 in the comparative period. The current-period loss reflected the decrease in the fair value of the Investment based on the USD$1.20 per share purchase price under the SPA, partially offset by the appreciation of the USD against the CAD. The loss included a foreign exchange gain of $66,528.

As a result, the Company recorded a net loss of $7,248,236, or $0.02 per share, for the six months ended June 30, 2026, compared with a net loss of $5,158,714, or $0.02 per share, in the comparative period. The increase in the net loss was primarily attributable to the substantially higher level of exploration activity during the period and the higher unrealized loss on the Investment in Scout, partially offset by the significant foreign exchange gain recognized on the Company's USD-denominated monetary assets.

Cash flows

For the six months ended June 30, 2026, the Company used $6,605,573 in operating activities, compared with $3,801,726 in the comparative period. The increase in cash used in operating activities was primarily attributable to the significant expansion of the Company's exploration activities during the period. The 2026 exploration season commenced earlier than in the prior year, and the Company increased its planned drilling program to approximately 20,000 metres. As a result, cash expenditures associated with drilling and other exploration activities increased significantly during the period. The Company also made advances to suppliers during the period in connection with its exploration activities.

The increase in operating cash usage was partly offset by non-cash items and an increase in accounts payable and accrued liabilities. The Company recorded a $608,969 foreign exchange gain and $432,340 of share-based compensation during the period, neither of which represented operating cash flows.

Investing activities used $7,500,000 during the six months ended June 30, 2026, compared with $1,725,846 of cash provided by investing activities in the comparative period. The current-period investing outflow relates to the purchase of GICs with maturities of one year. The investment of these funds allowed the Company to earn interest on cash not immediately required for exploration and corporate expenditure.

Financing activities provided $29,195,851 during the period, compared with $2,105,506 in the comparative period. The current-period financing cash inflow primarily resulted from the Company's May 2026 bought-deal private placement, which raised gross proceeds of approximately $31.5 million through the issuance of 53,353,000 common shares. After share issuance costs of $2,282,419, the financing provided approximately $29.2 million of net cash.

After considering operating, investing and financing activities, cash and cash equivalents increased to $25,603,581 as at June 30, 2026 from $10,532,346 as at December 31, 2025. The Company also held $7,609,577 of short-term investments as at June 30, 2026.

Liquidity and Capital Resources

As at June 30, 2026, the Company had cash and cash equivalents of $25,603,581 and short-term investments of $7,609,577, compared with cash and cash equivalents of $10,532,346 as at December 31, 2025. The increase primarily reflects the net proceeds from the $31.5 million Offering completed in May 2026, partially offset by cash used in exploration and operating activities and the purchase of short-term GICs. The Company also had $1,361,433 of current liabilities as at June 30, 2026, resulting in working capital of approximately $32.3 million.

The Company's available cash resources are primarily intended to fund exploration activities at the Hercules Property and general corporate and administrative requirements. The Company's 2026 exploration program has been expanded to approximately 20,000 metres of drilling and includes continued expansion of Leviathan and the testing of additional exploration targets across the Hercules Property.

The Company also maintains a portion of its cash resources in interest-bearing investments. As at June 30, 2026, $7.5 million was invested in GICs with maturities of one year, while $15.4 million of the Company's cash and cash equivalents was invested in GICs with maturities of less than three months. These investments allow the Company to earn interest on funds not immediately required for its operations while maintaining access to a significant portion of its cash resources on a short-term basis.

Based on its current cash resources, short-term investments and planned expenditures, management believes the Company has sufficient liquidity to fund its current administrative requirements and planned exploration activities through August 2027. However, the Company remains an exploration-stage company and does not generate revenue from operations. Additional financing will therefore be required to continue its exploration activities and support any potential future development activities beyond that period. There can be no assurance that additional financing will be available when required, or on terms acceptable to the Company.

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.

Remuneration to key management personnel and directors

The remuneration of directors and other members of key management personnel during the three and six months ended June 30, 2026 and 2025 was as follows:

	Three Months ended		Six Months ended	
	June 30, 2026	June 30, 2025	**June 30, 2026**	June 30, 2025
	$	$	**$**	$
Consulting fees, salaries and wages included in G&A expenses	**42,500**	17,292	**80,000**	39,167

Consulting fees, salaries and wages included in E&E expenditures	**110,001**	108,909	**205,002**	178,034
Professional fees	**78,949**	65,612	**162,500**	125,390
	231,450	191,813	**447,502**	342,591

During the three and six months ended June 30, 2026, Clearwater Resources Inc. ("Clearwater"), an entity controlled by Christopher Paul, CEO, was paid fees of $20,000 and $35,000, respectively, (2025 – $17,292 and $39,167, respectively), which are included in consulting fees, salaries and wages under G&A expenses. Clearwater was also paid fees of $60,000 and $105,000, respectively, (2025 – $51,875 and $117,500, respectively) which are included in E&E expenditures. As at June 30, 2026, $37,374 (December 31, 2025 – $23,389) owing to Clearwater was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three and six months ended June 30, 2026, the Company's non-executive directors were paid fees of $22,500 and $45,000, respectively, (2025 – $nil and $nil), for services as directors, which are included in consulting fees, salaries and wages under G&A expenses. As at June 30, 2026, no fees were owed to any of the directors (December 31, 2025 – $nil).

During the three and six months ended June 30, 2026, Hume Exploration Services ("Hume Exploration"), an entity controlled by Dillon Hume, the Vice President, Exploration of Hercules Metals, was paid fees of $50,001 and $100,002, respectively, (2025 – $57,034 and $60,534, respectively), which are included in E&E expenditures. As at June 30, 2026, $16,667 (December 31, 2025 – $16,667) owing to Hume 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 six months ended June 30, 2026, Gowling WLG (Canada) LLP ("Gowling"), a law firm in which Peter Simeon, a director of the Company, is a partner, was paid fees of $48,949 and $102,500, respectively, (2025 – $35,612 and $65,390, respectively) for legal services included in professional fees. As at June 30, 2026, $12,674 (December 31, 2025 – $9,050) owing to Gowling was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

During the three and six months ended June 30, 2026, Blueknight Advisory Services Inc. ("Blueknight"), an entity controlled by Keith Li, the Chief Financial Officer and Corporate Secretary of Hercules Metals, was paid fees of $30,000 and $60,000, respectively, (2025 – $30,000 and $60,000, respectively) for CFO and accounting services included in professional fees. As at June 30, 2026, $11,586 (December 31, 2025 – $11,481) owing to Blueknight was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

Other related party transactions

During the three and six months ended June 30, 2026, the Company recorded share-based compensation of $203,254 and $346,577, respectively, in connection with the vesting of stock options previously granted to its officers and directors (2025 – $30,990 and $36,125, respectively). Amounts of $4,304 and $52,729, respectively, were also recorded as share-based compensation in connection with the vesting of RSUs previously granted to its officers and directors (2025 – $122,796 and $336,657, respectively).

In connection with the Offering which closed on May 20, 2026, Gowling was also paid fees of $180,048 for legal services related to the financing, which are included in share issuance costs.

Property Agreements

The Company has entered into various property agreements relating to the Hercules Property and certain other mineral properties, including mineral leases and option agreements. These agreements provide the Company with rights to explore and, in certain circumstances, acquire interests in mineral properties, and require the Company to make certain payments and satisfy other contractual obligations.

Lease with Option to Purchase Agreement

On March 20, 2026, Anglo-Bomarc entered into a definitive real property lease with option to purchase agreement with an arm's length private landowner covering approximately 1,473 acres of private land contiguous with the Hercules Property. The agreement provides Anglo-Bomarc with an eight-year lease and an exclusive option to acquire a 100% interest in the property. The Company is required to make annual lease payments of USD$125,000. See Note 17 to the Q2 2026 Financials for further details.

Mineral Lease Agreement

On March 1, 2025, Anglo-Bomarc entered into a 20-year mineral lease agreement with the Idaho Department of Lands to explore, develop and mine metallic minerals on approximately 7,669 acres of state-owned land adjacent to the Hercules Property and 640 acres adjacent to its nearby mineral property. The Mineral Lease expires on February 28, 2045, subject to extension in accordance with its terms and applicable law. See Note 17 to the Q2 2026 Financials for further details regarding rental fees and royalty payments.

Strategic Option Agreement

On July 27, 2025, the Company completed the closing of a strategic option agreement with Anglo-Bomarc and Barrick Gold Exploration Inc., a wholly-owned U.S. subsidiary of Barrick Mining Corporation, pursuant to which the Company has the right to earn a 100% interest in the Olympus Claims surrounding the Hercules Property and Leviathan, subject to the terms of the agreement. See Note 17 to the Q2 2026 Financials for further details regarding the Strategic Option Agreement and the Company's remaining commitments.

Financial Instruments and Risk Management

The Company is exposed to various risks arising from its 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 its cash and cash equivalents and short-term investments, which expose the Company to credit risk in the event that the counterparties fail to meet their obligations. 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 other exposure to credit risk is on receivables. As the Company does not currently have any trade receivables, management believes that the credit risk associated with 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. During the six months ended June 30, 2026, the Company completed the Offering for gross proceeds of $31,478,270. The Company endeavors to maintain sufficient liquidity to meet expected operational expenses, including the servicing of financial obligations. As at June 30, 2026, the Company had cash and cash equivalents of $25,603,581 (December 31, 2025 – $10,532,346) and short-term investments of $7,609,577 (December 31, 2025 – $nil), which were available to settle current liabilities of $1,361,433 (December 31, 2025 – $1,179,510).

The following table summarizes the carrying amount and the contractual maturity of both the interest and principal portion of significant financial liabilities as at June 30, 2026:

	Carrying amount	Year 1	Year 2 to 3	Year 4 to 5
	$	$	$	$
Accounts payable and accrued liabilities	1,361,433	1,361,433	-	-

The Company manages liquidity risk by maintaining adequate cash reserves and by continuously monitoring forecasts and actual cash flows for a rolling 12-month period 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 as at June 30, 2026.

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.

Foreign exchange risk

Foreign exchange risk is the risk that changes in foreign exchange rates will adversely affect the Company's financial position, results of operations or cash flows. As the Company's E&E activities are primarily based in the U.S., it is exposed to fluctuations in the USD relative to its CAD functional currency. The Company primarily raises funds in CAD and incurs expenditures in USD in connection with its U.S. activities.

The Company's foreign exchange exposure arises primarily from its USD-denominated monetary assets and liabilities, including cash and cash equivalents, short-term investments, and accounts payable and accrued liabilities. The Company is also exposed to fluctuations in the CAD/USD exchange rate on future expenditures denominated in USD. Changes in the exchange rate can result in foreign exchange gains or losses on existing USD-denominated monetary balances and can affect the CAD cost of future USD-denominated expenditures. The Company manages its foreign exchange exposure by maintaining sufficient USD-denominated cash and short-term investments to fund its USD-denominated obligations and, from time to time, converting CAD funds into USD based on prevailing exchange rates and anticipated USD funding requirements.

As at June 30, 2026, the Company had the following USD assets and liabilities in Canadian dollars:

	$
Cash and cash equivalents	**16,123,200**
Short-term investments	**5,355,086**
Accounts payable and accrued liabilities	**(860,566)**
Net Exposure to USD	**20,617,720**

Had the value of the USD increased or decreased by 10%, the net loss and comprehensive loss for the six months ended June 30, 2026 would have increased or decreased by approximately $2.06 million, as a result of this exposure.

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, and accounts payable and accrued liabilities approximates their carrying value due to their short-term nature.

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

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

As at June 30, 2026, the Company's financial instruments carried at a fair value of $1,875,720 consisted of the Investment in Scout Discoveries, which has been classified as Level 2 (December 31, 2025 – $2,261,490).

Contingencies

The Company's E&E activities are subject to various laws and regulations governing the protection of the environment. These laws and regulations are continually changing and generally becoming more restrictive. As at June 30, 2026, 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.

Material Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements in conformity with IFRS® Accounting Standards 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 Note 2(e) of the 2025 Financials, unless otherwise noted.

Summary of Material Accounting Policies

The material accounting policies applied by the Company are disclosed in Note 3 of the 2025 Financials, unless otherwise noted.

Off Balance Sheet Arrangements

As at June 30, 2026 and the date of this MD&A, the Company does not have any off-balance sheet arrangements.

Subsequent Events

Sale of Investment in Scout Discoveries

On July 8, 2026, the Company completed the sale of the Investment pursuant to the SPA for aggregate proceeds of USD$1.32 million, or USD$1.20 per common share.

Purchase of short-term investments

On July 23, 2026, the Company purchased additional GICs with one-year maturity for USD$1.5 million (approximately $1,788,500).

Anniversary payment and Amendment to Strategic Option Agreement

On July 28, 2026, the Company paid the first anniversary payment of $2 million under the Strategic Option Agreement in cash.

On August 1, 2026, the Company, Anglo-Bomarc and BGE entered into the Second Amendment to the Strategic Option Agreement to reduce the number of Olympus Claims subject to the Barrick Option. As a result, the estimated annual amounts payable to maintain the claims in good standing for the second, third and fourth payment years were reduced from USD$740,000, based on 3,700 claims, to USD$630,400, based on 3,152 claims. All other terms of the Strategic Option Agreement remain unchanged.

Option grants

On July 30, 2026, the Company granted 18,650,000 stock options to members of the incoming management team. The options are exercisable at a price of $0.59 per common share for a period of five years. The options vest in three equal tranches, with one-third vesting on September 1, 2026, and the remaining two-thirds vesting on the first and second anniversaries of September 1, 2026, respectively.

On August 7, 2026, the Company granted 2,350,000 stock options to certain officers and directors. The options are exercisable at a price of $0.88 per common share for a period of five years. The options vest in three equal tranches, with one-third vesting immediately, and the remaining two-thirds vesting on the first and second anniversaries of the grant date, respectively.

Management Investment

On August 5, 2026, the Company announced that the incoming management team had committed to invest an aggregate of approximately $4.5 million of personal capital in the Company through a non-brokered private placement. The investment is expected to be subscribed for by seven members of the incoming management team at $0.62 per common share. Closing is expected on or about September 1, 2026, subject to acceptance by the TSXV and satisfaction of customary closing conditions.

Disclosure of Outstanding Share Data as of August 19, 2026

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

Common shares outstanding	342,898,421
Options	26,040,000
RSUs	2,666,000

Risk Factors

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

Dependence on the Hercules Property

The Company's activities and prospects are substantially dependent on the exploration and potential development of the Hercules Property. The Company currently has no revenue-generating operations, and its principal business objective is to advance exploration of the Hercules Property. Any adverse development affecting the Hercules Property, including unsuccessful exploration results, delays or difficulties in obtaining or maintaining permits or exploration rights, title or access issues, changes in the Company's ability to finance exploration, or challenges in advancing the Hercules Property, could have a material adverse effect on the Company's business, financial condition and prospects.

Exploration-stage company and lack of revenue

The Company is an exploration-stage company and has no history of revenue from operations. The Company expects to continue incurring significant exploration and administrative expenditure without generating operating revenue for the foreseeable future. The Company's ability to generate future revenue will depend on the successful exploration and potential development of the Hercules Property, which is subject to the risks described herein. There can be no assurance that the Company will discover an economically viable mineral deposit or ultimately generate positive cash flows from operations.

Exploration and development risk

The Hercules Property is in the exploration stage and will require extensive expenditure during the exploration stage. Mineral exploration and development involve a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to mitigate. The vast majority of properties which are explored are not ultimately developed into producing mines. There is no assurance that the Company's mineral exploration and development activities will result in any discoveries of mineral resources or mineral reserves, or that minerals will be discovered in sufficient grade or quantities to justify commercial operations. The long-term profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors.

Mineralization and exploration results

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

Future financing and capital requirements

The Company is an exploration-stage company and does not generate revenue from operations. Although the Company completed a $31.5 million Offering in May 2026 and had cash and short-term investments of approximately $33.2 million as at June 30, 2026, additional capital may be required to continue exploration, resource delineation, technical and economic studies, permitting and any potential future development of the Hercules Property. The amount and timing of future capital requirements will depend on exploration results, the pace and scope of development and other corporate activities and may be substantially greater than currently anticipated. There can be no assurance that additional financing will be available when required or on terms acceptable to the Company. Any future equity financing could result in dilution to existing shareholders.

Mineral and commodity prices

The future economic viability of the Hercules Property, if a mineral resource or reserve is established, will be affected by prevailing and future prices for copper, gold, molybdenum and other metals that may be produced from the Hercules Property. Commodity prices can be volatile and are affected by factors beyond the Company's control. Sustained declines in commodity prices could adversely affect the Company's ability to finance exploration and the potential economic viability of future development.

Title and property rights

The Company's mineral claims, leases and other property interests may be subject to defects or disputes relating to title, boundaries, ownership, access, royalties or other third-party rights. Although the Company believes that its material property interests are in good standing, there can be no assurance that title to all of its properties will not be challenged or that unforeseen defects or third-party claims will not arise. Any loss or impairment of property rights could adversely affect the Company's ability to conduct exploration activities.

Regulatory, permitting and environmental risks

The Company's exploration activities are subject to laws, regulations and permitting requirements relating to mineral exploration, land use, environmental protection, water, wildlife, occupational health and safety and other matters. The Company may be required to obtain and maintain permits, approvals and other authorizations to conduct its exploration activities, and there can be no assurance that such permits will be obtained or renewed on a timely basis or on acceptable terms. Changes in applicable laws, regulations, regulatory requirements or their interpretation or enforcement could increase exploration costs, restrict or delay activities or otherwise adversely affect the Company's operations. Exploration activities may also result in environmental liabilities or reclamation obligations. Although the Company believes it is materially compliant with applicable environmental laws and regulations, environmental incidents, regulatory non-compliance or changes in environmental requirements could result in additional costs, penalties, delays or suspension of activities.

Indigenous and community relations

The Company's exploration activities may be affected by relationships with local communities, Indigenous peoples and other stakeholders. Consultation, access considerations, legal rights or opposition to exploration activities could result in delays, additional costs, restrictions on activities or the need to modify proposed exploration programs. There can be no assurance that the Company will maintain positive relationships with all stakeholders or that opposition or other community concerns will not adversely affect its activities.

Exploration, operational and other disruptions

Exploration activities, including drilling, road construction and field operations, involve inherent risks, including equipment failure, drilling incidents, road and access issues, adverse weather, ground instability, fires, natural disasters, transportation interruptions and other operational hazards. Such events could result in injury, loss of life, environmental damage, equipment loss, delays, regulatory action or increased exploration costs and could adversely affect the Company's operations.

Uninsured or uninsurable risks

The Company may be exposed to risks for which insurance coverage is unavailable, insufficient or uneconomic. If an uninsured or inadequately insured event occurs, the resulting liabilities or losses could have a material adverse effect on the Company's financial condition and operations.

Dependence on key personnel

The Company's ability to execute its exploration strategy depends on the contributions of its directors, officers, technical personnel and other employees and consultants. The Company may not be able to retain existing personnel or attract additional qualified personnel as required. The loss of key personnel or difficulties in recruiting qualified individuals could delay exploration activities, increase costs or adversely affect the Company's ability to execute its business strategy.

Volatility of the Company's securities

The market price and trading volume of the Company's common shares may fluctuate significantly and may not reflect the underlying value of the Company's assets or operating performance. Factors that may affect the trading price include exploration results, changes in commodity prices, changes in market conditions, financing activities, corporate developments and other factors affecting mineral exploration companies generally. There can be no assurance that an active or stable market for the Company's common shares will be maintained.

Conflicts of interest

Certain directors and officers of the Company may also serve as directors, officers or shareholders of other entities and may therefore have conflicts of interest from time to time. The Company relies on its directors and officers to comply with applicable legal requirements regarding the disclosure and management of such conflicts.

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 and may be identified by words such as "may", "could", "will", "anticipate", "believe", "plan", "expect", "intend", "estimate" and similar expressions. Forward-looking statements are based on management's current beliefs, expectations and assumptions and include statements regarding the Company's exploration activities and plans, the potential for further mineralization and discoveries at the Hercules Property, future financing requirements and availability, planned expenditures, the development potential of the Hercules Property, the anticipated closing of the proposed management investment, and other future events and activities. These statements are subject to significant risks, uncertainties and assumptions, many of which are beyond the Company's control.

Actual results, performance and achievements may differ materially from those expressed or implied by the forward-looking statements as a result of various factors, including the risks and uncertainties described in the "Risk Factors" section of this MD&A and other factors that may affect the Company's business, financial condition and results of operations. Material assumptions underlying the forward-looking statements include, among other things, the Company's ability to obtain and maintain the necessary permits and property rights, access sufficient capital to fund its planned activities, achieve its exploration objectives, and execute its exploration plans within anticipated timeframes and costs.

Readers should not place undue reliance on forward-looking statements, which are based on information available to management as of the date of this MD&A. The factors identified above are not intended to represent a complete list of the factors that could affect the Company or its forward-looking statements.

Management's Responsibility for Financial Information

Management is responsible for the information contained in this MD&A. The financial and operating information presented herein is consistent, in all material respects, with the Q2 2026 Financials. The Audit Committee has reviewed the Q2 2026 Financials and this MD&A, and the Board approved them on the recommendation of the Audit Committee.