**Hercules Metals Corp.**

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

**Unaudited Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months ended June 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 June 30, 2024 and December 31, 2023
(Expressed in Canadian dollars)

| | **As at June 30, 2024** | As at December 31, 2023 |
|---|---|---|
| | **$** | $ |
| **Assets** | | |
| Cash and cash equivalents (Note 4) | **8,179,209** | 12,723,946 |
| Short-term investments (Note 5) | **13,828,756** | 11,854,531 |
| Sales tax recoverable (Note 6) | **25,908** | 168,351 |
| Prepaid expenses (Note 7) | **328,934** | 340,813 |
| **Total Current Assets** | **22,362,807** | 25,087,641 |
| Investment (Note 8) | **752,785** | 727,430 |
| Property, plant and equipment (Note 9) | **986,966** | 34,476 |
| **Total Assets** | **24,102,558** | 25,849,547 |
| **Liabilities** | | |
| Accounts payable and accrued liabilities (Notes 10 and 16) | **2,815,995** | 504,930 |
| **Total Liabilities** | **2,815,995** | 504,930 |
| **Shareholders' Equity** | | |
| Share capital (Note 11) | **44,982,853** | 42,081,995 |
| Warrant reserve (Note 13) | **4,629,747** | 5,104,257 |
| Options reserve (Note 14) | **726,901** | 714,536 |
| RSU reserve (Note 15) | **723,491** | 190,448 |
| Accumulated other comprehensive loss | **(43,134)** | (170,144) |
| Accumulated deficit | **(29,733,295)** | (22,576,475) |
| **Total Shareholders' Equity** | **21,286,563** | 25,344,617 |
| **Total Liabilities and Shareholders' Equity** | **24,102,558** | 25,849,547 |

Nature of operations and going concern (Note 1)
Commitments (Note 18)
Contingencies (Note 23)
Subsequent events (Note 24)

**Approved on behalf of the Board of Directors:**

*"Christopher Paul"*
Christopher Paul, Director

*"Kelly Malcolm"*
Kelly Malcolm, Director

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 Loss and Comprehensive loss
For the Three and Six Months ended June 30, 2024 and 2023
(Expressed in Canadian dollars)

| | Three Months ended | | Six Months ended | |
|---|---|---|---|---|
| | **June 30, 2024** | June 30, 2023 | **June 30, 2024** | June 30, 2023 |
| | **$** | $ | **$** | $ |
| **Expenses** | | | | |
| Exploration and evaluation expenditures (Notes 16, 19 & 23) | **5,119,602** | 1,059,045 | **5,940,534** | 1,102,355 |
| General and administrative (Notes 16 and 17) | **497,182** | 212,241 | **782,825** | 393,166 |
| Share-based compensation (Notes 14, 15 and 16) | **580,996** | 185,370 | **754,132** | 291,358 |
| Professional fees (Note 16) | **251,519** | 132,576 | **475,285** | 167,214 |
| Depreciation expense (Note 9) | **29,254** | 1,969 | **57,555** | 1,969 |
| Foreign exchange (gains) loss | **(81,469)** | 58,543 | **(227,121)** | 88,393 |
| Dividend and interest income (Notes 4 and 5) | **(283,674)** | (36,343) | **(601,035)** | (36,364) |
| **Total Expenses** | **(6,113,410)** | (1,613,401) | **(7,182,175)** | (2,008,091) |
| **Other Income** | | | | |
| Unrealized gain on investment (Note 8) | **7,535** | - | **25,355** | - |
| **Total Other Income** | **7,535** | - | **25,355** | - |
| **Net Loss** | **(6,105,875)** | (1,613,401) | **(7,156,820)** | (2,008,091) |
| **Other Comprehensive Loss** | | | | |
| Exchange gain on translation of foreign operations | **112,679** | 2,019 | **127,010** | 2,019 |
| **Comprehensive Loss** | **(5,993,196)** | (1,611,382) | **(7,029,810)** | (2,006,072) |
| **Net Loss per Share** – Basic and Diluted (Note 12) | **(0.03)** | (0.01) | **(0.03)** | (0.01) |
| **Weighted Average Number of Outstanding Shares** - Basic and Diluted (Note 12) | **249,053,110** | 180,199,890 | **242,906,439** | 166,247,346 |

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 Six Months ended June 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) | 750,000 | 67,500 | - | - | (67,500) | - | - | - |
| Issuance of shares on exercises of warrants (Notes 11 and 13) | 5,117,260 | 1,143,095 | (133,143) | - | - | - | - | 1,009,952 |
| Issuance of shares on exercises of options (Notes 11 and 14) | 2,600,000 | 412,413 | - | (160,413) | - | - | - | 252,000 |
| Share-based compensation (Notes 14 and 15) | - | - | - | 175,365 | 115,993 | - | - | 291,358 |
| Expiry of warrants (Note 13) | - | - | (149,719) | - | - | - | 149,719 | - |
| Exchange differences on translating foreign operations | - | - | - | - | - | 2,019 | - | 2,019 |
| Net loss for the period | - | - | - | - | - | - | (2,008,091) | (2,008,091) |
| **Balance, June 30, 2023** | **186,650,989** | **18,075,094** | **2,257,665** | **560,174** | **175,134** | **2,019** | **(14,906,111)** | **6,163,974** |
| | | | | | | | | |
| **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) | 16,724,999 | 2,409,260 | (474,510) | - | - | - | - | 1,934,750 |
| Issuance of shares on exercises of options (Notes 11 and 14) | 2,175,000 | 446,598 | - | (163,723) | - | - | - | 282,875 |
| Share-based compensation (Notes 14 and 15) | - | - | - | 176,088 | 578,043 | - | - | 754,131 |
| Exchange differences on translating foreign operations | - | - | - | - | - | 127,010 | - | 127,010 |
| Net loss for the period | - | - | - | - | - | - | (7,156,820) | (7,156,820) |
| **Balance, June 30, 2024** | **250,528,715** | **44,982,853** | **4,629,747** | **726,901** | **723,491** | **(43,134)** | **(29,733,295)** | **21,286,563** |

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

| | Three Months ended | | Six Months ended | |
|---|---|---|---|---|
| | **June 30, 2024** | June 30, 2023 | **June 30, 2024** | June 30, 2023 |
| | **$** | $ | **$** | $ |
| **Operating Activities** | | | | |
| Net loss for the period | **(6,105,875)** | (1,613,401) | **(7,156,820)** | (2,008,091) |
| Items not affecting cash: | | | | |
| Interest earned on short-term investments (Note 5) | **(166,975)** | - | **(351,774)** | - |
| Unrealized gain on investment (Note 8) | **(7,535)** | - | **(25,355)** | - |
| Depreciation expense (Note 9) | **29,254** | 1,969 | **57,555** | 1,969 |
| Share-based compensation (Notes 14 and 15) | **580,996** | 185,370 | **754,132** | 291,358 |
| Foreign exchange gains | **(50,434)** | - | **(116,082)** | - |
| | **(5,720,569)** | (1,426,062) | **(6,838,344)** | (1,714,764) |
| Change in working capital items: | | | | |
| Sales tax recoverable | **2,073** | (26,191) | **142,443** | (46,998) |
| Prepaid expenses | **(100,489)** | (223,781) | **11,879** | (217,291) |
| Accounts payables and accrued liabilities | **1,924,121** | 844,701 | **2,311,065** | 489,676 |
| **Cash Flows (used in) Operating Activities** | **(3,894,864)** | (831,333) | **(4,372,957)** | (1,489,377) |
| **Financing Activities** | | | | |
| Proceeds from financings (Notes 11 and 13) | **-** | 5,750,000 | **-** | 5,750,000 |
| Share issuance costs (Note 11) | **-** | (591,627) | **-** | (591,627) |
| Proceeds from exercise of warrants (Notes 11 and 13) | **1,159,467** | 8,250 | **1,934,750** | 1,009,952 |
| Proceeds from exercise of stock options (Notes 11 and 14) | **141,250** | 82,500 | **282,875** | 252,000 |
| **Cash Flows provided by Financing Activities** | **1,300,717** | 5,249,123 | **2,217,625** | 6,420,325 |
| **Investing Activities** | | | | |
| Redemption of short-term investments | **6,178,989** | - | **6,178,989** | - |
| Purchases of short-term investments | **(7,685,359)** | - | **(7,685,359)** | - |
| Additions of property, plant and equipment (Note 9) | **(5,097)** | (35,438) | **(986,446)** | (35,438) |
| **Cash Flows (used in) Investing Activities** | **(1,511,467)** | (35,438) | **(2,492,816)** | (35,438) |
| **(Decrease) increase in cash and cash equivalents** | **(4,105,614)** | 4,382,352 | **(4,648,148)** | 4,895,510 |
| Effect of foreign exchange on cash and cash equivalents | **102,898** | 2,019 | **103,411** | 2,019 |
| Cash and cash equivalents, beginning of period | **12,181,925** | 2,315,442 | **12,723,946** | 1,802,284 |
| **Cash and cash equivalents, end of period** | **8,179,209** | 6,699,813 | **8,179,209** | 6,699,813 |

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 six months ended June 30, 2024, the Company incurred a net loss of $7,156,820 (2023 – $2,008,091), and as of that date, the Company's accumulated deficit was $29,733,295 (December 31, 2023 – accumulated deficit of $22,576,475). As at June 30, 2024, the Company had available working capital of $19,546,812 (December 31, 2023 – working capital of $24,582,711), including a cash and cash equivalents balance of $8,179,209 (December 31, 2023 – $12,723,946), which it can deploy to fulfill financial requirements for the 12-month period ending June 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 August 20, 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.

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

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

*Going concern*

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

*Fair value of financial assets and financial liabilities*

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

*Determination of fair value hierarchy*

The categorization of the fair value measurement into one of the three different levels shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. Judgment is required in assessing the significance of a particular input to the fair value measurement in its entirety, taking into account factors specific to the asset or liability.

## 2. Basis of Presentation (continued)

### (e) Significant Accounting Judgments and Estimates (continued)

*Determination of fair value hierarchy (continued)*

The use of a valuation model precludes the use of Level 1. However, the fair value hierarchy prioritizes the inputs to valuation techniques, not the valuation techniques that the respective models used to measure fair value. The level within the hierarchy is determined based on the valuation inputs, not on the methodology or complexity of the model. The use of a model does not automatically result in a Level 3 fair value measurement.

*Provisions*

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

*Exploration and evaluation expenditures*

Exploration and evaluation ("E&E") expenditures include the costs of acquiring licenses, costs associated with E&E activities, and the fair value (at acquisition date) of E&E assets. E&E expenditures are expensed as incurred except for expenditures associated with the acquisition of the E&E assets. Costs incurred before the Company has obtained the legal rights to explore an area are recognized in profit or loss.

*Valuation of share-based compensation and share purchase warrants*

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

*Expected credit losses on financial assets*

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

*Functional currency*

Foreign currency translation under IFRS requires each entity to determine its own functional currency, which becomes the currency that entity measures its results and financial position in. Judgment is necessary in assessing each entity's functional currency. In determining the functional currencies of the Company and its subsidiaries, management considers many factors, including the currency that mainly influences sales prices for goods and services, the currency of the country whose competitive forces and regulations mainly determine the sales prices, and the currency that mainly influences labor, material and other costs for each consolidated entity.

## 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:

(Expressed in Canadian dollars)

## 3. Summary of Material Accounting Policies (continued)

*(a) Adoption of New Accounting Policies (continued)*

*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 June 30, 2024, the Company had total cash and cash equivalents of $8,179,209 (December 31, 2023 – $12,723,946), including a balance of $1,096,571 (December 31, 2023 – $1,926,851) invested in high interest savings funds (the "High Interest Savings Funds"), which are available on demand, and a balance of $6,701,217 (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 six months ended June 30, 2024, dividend income of $32,805 and $61,858, respectively, (2023 – $36,364 and $36,364, respectively) was received and reinvested into the High Interest Savings Funds, and interest income of $83,895 and $180,500, respectively, (2023 – $nil and $nil) was received on the GICs, respectively.

## 5. Short-Term Investments

As at June 30, 2024, the Company had invested in various short-term GICs with maturity ranging between six months to one year valued at $13,828,756 (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.

Dring the three and six months ended June 30, 2024, interest income of $166,975 and $351,774, respectively, (2023 – $nil and $nil) was received on these short-term investments.

## 6. Sales Tax Recoverable

As at June 30, 2024 and December 31, 2023, the Company's sales tax recoverable balance comprises amounts in respect of Harmonized Sales Tax refunds. The Company did not record any ECL 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 June 30, 2024 and December 31, 2023, the Company's prepaid expenses are comprised of the following items:

| | **June 30, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Prepaid insurance | **52,596** | 25,683 |
| Advances made to suppliers | **139,737** | 63,836 |
| Advances made to suppliers related to E&E activities | **136,601** | 251,294 |
| | **328,934** | 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.

(Expressed in Canadian dollars)

## 8. Investment (continued)

As at June 30, 2024, the investment in Scout Discoveries was recorded at a fair value of $752,785 (December 31, 2023 – $727,430), with unrealized gains of $7,535 and $25,355 being recorded during the three and six months ended June 30, 2024, respectively.

## 9. Property, Plant and Equipment

| | Building | Leasehold improvements | Drilling Equipment | Trailer Equipment | Vehicle | **Total** |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | **$** |
| **Cost at:** | | | | | | |
| December 31, 2022 | - | - | - | - | - | **-** |
| Additions | - | - | 35,438 | - | - | **35,438** |
| **June 30, 2023** | **-** | **-** | **35,438** | **-** | **-** | **35,438** |
| **Accumulated depreciation at:** | | | | | | |
| December 31, 2022 | - | - | - | - | - | **-** |
| Depreciation expense | - | - | 1,969 | - | - | **1,969** |
| **June 30, 2023** | **-** | **-** | **33,469** | **-** | **-** | **33,469** |

| | 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 | 23,706 | 204 | - | - | 69 | **23,979** |
| **June 30, 2024** | **980,248** | **23,333** | **35,438** | **7,542** | **6,844** | **1,053,405** |
| **Accumulated depreciation at:** | | | | | | |
| December 31, 2023 | - | - | 7,875 | 629 | - | **8,504** |
| Depreciation expense | 48,651 | 1,678 | 5,906 | 754 | 566 | **57,555** |
| Effect of FX on translation | 362 | 13 | - | - | 5 | **380** |
| **June 30, 2024** | **49,013** | **1,691** | **13,781** | **1,383** | **571** | **66,439** |

| | Building | Leasehold improvements | Drilling Equipment | Trailer Equipment | Vehicle | **Total** |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | **$** |
| **Net book value:** | | | | | | |
| December 31, 2023 | - | - | 27,563 | 6,913 | - | 34,476 |
| **June 30, 2024** | **931,235** | **21,642** | **21,657** | **6,159** | **6,273** | **986,966** |

## 10. Accounts Payable and Accrued Liabilities

| | **June 30, 2024** | December 31, 2023 |
|---|---|---|
| | **$** | $ |
| Trade payables | **2,574,606** | 152,222 |
| Accrued liabilities | **241,389** | 352,718 |
| | **2,815,995** | 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.

(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 June 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 | 750,000 | 67,500 |
| Shares issued on exercise of warrants | 5,117,260 | 1,143,095 |
| Shares issued on exercise of options | 2,600,000 | 412,413 |
| **Balance, June 30, 2023** | **186,650,989** | **18,075,094** |
| | | |
| **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 | 16,724,999 | 2,409,260 |
| Shares issued on exercise of options | 2,175,000 | 446,598 |
| **Balance, June 30, 2024** | **250,528,715** | **44,982,853** |

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

On April 20, 2023, the Company completed a brokered private placement (the "Brokered Offering") of 28,750,000 units (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 six months ended June 30, 2023, the Company issued a total of 750,000 common shares as a result of the exercises of RSUs. The fair value of these RSUs was estimated to be $67,500.

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

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

*Share capital transactions for the six months ended June 30, 2024*

During the six months ended June 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 six months ended June 30, 2024, the Company issued 16,724,999 common shares as a result of the exercise of Warrants for total cash proceeds of $1,934,750.

During the six months ended June 30, 2024, the Company also issued 2,175,000 common shares as a result of the exercise of stock options for total cash proceeds of $282,875.

(Expressed in Canadian dollars)

## 12. Loss per Share

Basic and diluted loss per share for the three and six months ended June 30, 2024 is calculated by dividing the net loss of $6,105,875 and $7,156,820, respectively, (2023 – net loss of $1,613,401 and $2,008,091, respectively) by the weighted average number of common shares outstanding of 249,053,110 and 242,906,439, respectively, (2023 – 180,199,890 and 166,247,346, respectively).

For the three and six months ended June 30, 2024, the basic and diluted loss per share was $0.03 and $0.03, respectively, (2023 – basic and diluted loss of $0.01 and $0.01, respectively).

## 13. Warrants

The following summarizes the warrants activity for the six months ended June 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 | **-** | **-** | (4,967,260) | 0.20 |
| Exercised | **(16,224,999)** | **0.11** | (150,000) | 0.11 |
| Exercised | **(500,000)** | **0.30** | - | - |
| Expired | **-** | **-** | (5,762,018) | 0.20 |
| **Outstanding, end of period** | **16,641,978** | **0.71** | 46,351,916 | 0.17 |

*Warrant activities for the six months ended June 30, 2023*

On April 20, 2023, the Company issued 14,375,000 Warrants in connection with the Brokered Offering, as disclosed in Note 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 six months ended June 30, 2023, 5,117,260 Warrants were exercised for total cash proceeds of $1,009,952. An amount of $133,143, representing the grant date fair value of these Warrants was transferred to share capital upon the exercises.

*Warrant activities for the six months ended June 30, 2024*

During the six months ended June 30, 2024, 16,724,999 Warrants were exercised for total cash proceeds of $1,934,750. An amount of $474,510, representing the grant date fair value of these Warrants was transferred to share capital upon the exercises.

(Expressed in Canadian dollars)

### 13. Warrants (continued)

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

| Date of expiry | Number of warrants outstanding | Exercise price | Weighted average remaining life |
|---|---|---|---|
| | # | $ | Years |
| April 20, 2025 | 9,212,500 | 0.30 | 0.81 |
| April 20, 2025 | 624,560 | 0.20 | 0.81 |
| November 7, 2025 | 6,804,918 | 1.32 | 1.36 |
| | **16,641,978** | **0.71** | **1.03** |

### 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 six months ended June 30, 2024 and 2023:

| | **2024** | | 2023 | |
|---|---|---|---|---|
| | **Number of options** | **Weighted average exercise** | 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 |
| Exercised | **(1,775,000)** | **0.09** | (2,050,000) | 0.09 |
| Exercised | **-** | **-** | (300,000) | 0.10 |
| Exercised | **(125,000)** | **0.17** | (250,000) | 0.15 |
| Exercised | **(125,000)** | **0.215** | - | - |
| Exercised | **(150,000)** | **0.50** | - | - |
| Cancelled | **-** | **-** | (2,500,000) | 0.09 |
| **Outstanding, end of period** | **5,072,500** | **0.23** | 9,070,000 | 0.15 |

*Options activities for the six months ended June 30, 2023*

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

On March 1, 2023, the Company granted 750,000 options to a director. The options are exercisable at a price of $0.265 per common share for a period of five years. The options vest 25% at each six-month anniversary from grant up to March 1, 2025. The options were valued using Black-Scholes with the following assumptions: expected volatility of 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 $11,038 and $38,420 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and six months ended June 30, 2024 (2023 – $39,330 and $52,296, respectively).

(Expressed in Canadian dollars)

## 14. Stock Options (continued)

*Options activities for the six months ended June 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 $38,791 and $87,150 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and six months ended June 30, 2024 (2023 – $39,757 and $39,757, respectively).

During the six months ended June 30, 2023, 2,600,000 options were exercised for total cash proceeds of $252,000. An amount of $133,143, representing the grant date fair value of these options was transferred to share capital upon the exercises.

*Options activities for the six months ended June 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 $31,794 and $31,794 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and six months ended June 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 $1,654 and $1,654 was recorded as share-based compensation, respectively, in connection with the vesting of options during the three and six months ended June 30, 2024.

During the six months ended June 30, 2024, 2,175,000 options were exercised for total cash proceeds of $282,875. An amount of $163,723, representing the grant date fair value of these options was transferred to share capital upon the exercises.

In total, share-based compensation of $176,088 was recorded in connection with the vesting of options during the six months ended June 30, 2024 (2023 – $175,365).

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

| Date of expiry | Number of options outstanding | Number of options exercisable | Exercise price | Weighted average remaining contractual life |
|---|---|---|---|---|
| | # | # | $ | Years |
| July 18, 2024 | 150,000 | 150,000 | 0.50 | 0.05 |
| July 18, 2024 | 250,000 | 250,000 | 0.09 | 0.05 |
| January 24, 2027 | 300,000 | 300,000 | 0.10 | 2.57 |
| July 27, 2027 | 250,000 | 250,000 | 0.09 | 3.07 |
| August 10, 2027 | 7,500 | 7,500 | 0.09 | 3.11 |
| March 1, 2028 | 750,000 | 375,000 | 0.265 | 3.67 |
| May 22, 2028 | 2,500,000 | 1,250,000 | 0.17 | 3.90 |
| July 10, 2028 | 375,000 | 93,750 | 0.215 | 4.03 |
| August 2, 2024 | 90,000 | 90,000 | 0.0833 | 4.09 |
| April 4, 2029 | 200,000 | - | 0.83 | 4.76 |
| June 24, 2029 | 200,000 | - | 0.72 | 4.99 |
| | **5,072,500** | **2,766,250** | **0.23** | **3.53** |

(Expressed in Canadian dollars)

## 15. Restricted Share Units

*RSUs activities for the six months ended June 30, 2023*

On March 1, 2023, the Company granted 750,000 RSUs to a director. The RSUs vest 25% at each six-month anniversary from grant up to March 1, 2025. The RSUs were valued at $198,750 based on the Company's closing share price on the date of grant, of which $6,185 and $34,504 was recorded as share-based compensation, respectively, in connection with the vesting of RSUs during the three and six months ended June 30, 2024 (2023 – $51,334 and $68,258, respectively).

*RSUs activities for the six months ended June 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 $108,760 and $169,713 was recorded as share-based compensation, respectively, in connection with the vesting of RSUs during the three and six months ended June 30, 2024.

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 $371,612 and $371,612 was recorded as share-based compensation, respectively, in connection with the vesting of RSUs during the three and six months ended June 30, 2024.

In total, share-based compensation of $578,043 was recorded in connection with the vesting of RSUs during the six months ended June 30, 2024 (2023 – $115,993).

As at June 30, 2024, the Company had a total of 3,266,000 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.

*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, 2024 and 2023 were as follows:

| | Three Months ended | | Six Months ended | |
|---|---|---|---|---|
| | **June 30, 2024** | June 30, 2023 | **June 30, 2024** | June 30, 2023 |
| | **$** | $ | **$** | $ |
| Consulting fees, salaries and wages | **208,430** | 83,100 | **320,860** | 135,600 |
| Professional fees | **127,591** | 75,203 | **183,841** | 92,690 |
| Share-based compensation – options | **35,723** | 102,023 | **84,088** | 119,604 |
| Share-based compensation – RSUs | **377,798** | 137,185 | **406,117** | 154,108 |
| | **749,542** | 397,511 | **994,906** | 502,002 |

During the three and six months ended June 30, 2024, Clearwater Resources Inc. ("Clearwater"), an entity controlled by the Chief Executive Officer and also a director of Hercules Metals, charged fees of $11,250 and $22,500, respectively, (2023 – $11,250 and $22,500, 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 $33,750 and $67,500, respectively, (2023 – $33,750 and $67,500, respectively) which are included in E&E expenditures. As at June 30, 2024, $24,089 (December 31, 2023 – $16,002) owing to Clearwater was included in accounts payable and accrued liabilities. The amount outstanding is unsecured, non-interest bearing and due on demand.

(Expressed in Canadian dollars)

## 16. Related Party Transactions and Balances (continued)

*Remuneration to key management personnel and directors (continued)*

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 six months ended June 30, 2024, the VP-Exploration's salaries of $68,430 (USD $50,000) and $135,860 (USD $100,000), respectively, (2023 – $33,100 and $33,100, respectively) were included in E&E expenditures. As at June 30, 2024, $3,645 (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 six months ended June 30, 2024, Gowling WLG (Canada) LLP ("Gowling"), a law firm in which a director of the Company is also a partner, charged fees of $105,091 and $138,841, respectively, (2023 – $57,703 and $60,190, respectively) for legal services provided, which are included in professional fees. As at June 30, 2024, $25,974 (December 31, 2023 – $16,191) 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, 2024, Branson Corporate Services Ltd. ("Branson"), where the Company's Chief Financial Officer ("CFO") and Corporate Secretary, was formerly a director, charged fees of $22,500 and $45,000, respectively, (2023 – $17,500 and $32,500, respectively) for CFO services, as well as other accounting and administrative services which are included in professional fees. As at June 30, 2024, no balance was owed to Branson (December 31, 2023 – $nil).

During the three and six months ended June 30, 2024, the Company's non-executive directors and the Chairman of the Audit Committee received fees of $95,000 and $95,000, respectively, as consideration for the services provided to the Company, which are included in consulting fees, salaries and wages under G&A expenses (see Note 17). As at June 30, 2024, fees of $95,000 owing to these directors were 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, 2024, the Company recorded share-based compensation of $35,723 and $84,088, respectively, in connection with the vesting of options previously granted to its officers and directors (2023 – $102,023 and $119,604, respectively).

During the three and six months ended June 30, 2024, the Company also recorded share-based compensation of $377,798 and $406,117, respectively, in connection with the vesting of RSUs previously granted to its officers and directors (2023 – $137,185 and $154,108, 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 six months ended June 30, 2024 and 2023 were comprised of the following:

| | Three Months ended | | Six Months ended | |
|---|---|---|---|---|
| | **June 30, 2024** | June 30, 2023 | **June 30, 2024** | June 30, 2023 |
| | **$** | $ | **$** | $ |
| Office and general | **209,157** | 67,110 | **284,343** | 104,455 |
| Consulting fees, salaries and wages | **141,224** | 29,558 | **231,088** | 50,808 |
| Business development | **89,906** | 76,610 | **147,852** | 170,024 |
| Filing fees | **38,143** | 23,729 | **84,490** | 40,495 |
| Insurance | **18,752** | 15,234 | **35,052** | 27,384 |
| | **497,182** | 212,241 | **782,825** | 393,166 |

(Expressed in Canadian dollars)

## 18. Lease Option Agreement

On September 27, 2023, the Company entered into a lease option agreement (the “Lease Option Agreement”) between the Company, Anglo-Bomarc (the “Lessee”) and a local prospector (the “Lessor”), which grants Hercules 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:

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

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

As at June 30, 2024, the initial cash payment of USD $100,000 had been made.

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 six months ended June 30, 2024 and 2023 were comprised of the following:

| | Three Months ended | | Six Months ended | |
|---|---|---|---|---|
| | **June 30, 2024** | June 30, 2023 | **June 30, 2024** | June 30, 2023 |
| | **$** | $ | **$** | $ |
| Claims maintenance | **99,384** | 27,057 | **335,834** | 27,836 |
| Geological work and technical studies | **71,046** | 173,650 | **146,651** | 216,181 |
| Exploration drilling | **4,949,172** | 858,338 | **5,458,049** | 858,338 |
| | **5,119,602** | 1,059,045 | **5,940,534** | 1,102,355 |

(Expressed in Canadian dollars)

## 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 June 30, 2024, the Company’s capital consisted of a balance of $21,286,563 (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.

## 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 June 30, 2024, the Company had a cash and cash equivalents balance of $8,179,209 (December 31, 2023 – $12,723,946) and short-term investments of $13,828,756 (December 31, 2023 – $11,854,531), to settle current liabilities of $2,815,995 (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 June 30, 2024:

| | Carrying amount | Year 1 | Year 2 to 3 | Year 4 to 5 |
|---|---|---|---|---|
| | $ | $ | $ | $ |
| Accounts payable and accrued liabilities | 2,815,995 | 2,815,995 | - | - |

## 21. Financial Instruments (continued)

*Liquidity risk (continued)*

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

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

*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 June 30, 2024, the Company's financial instruments carried at a fair value of $752,785 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 June 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 six months ended June 30, 2024, the Company settled the dispute by making a payment of USD $150,000 to the Contractor.

## 24. Subsequent Events

Subsequent to June 30, 2024, the Company issued 275,000 common shares as a result of the exercise of options for total cash proceeds of $101,875. The Company also issued 2,000,000 common shares from exercises of Warrants for total proceeds of $600,000.

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.