



HERCULES

CONDENSED INTERIM FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)

THREE MONTHS ENDED DECEMBER 31, 2023

These unaudited condensed interim financial statements of Hercules Resources Corp. for the three months ended December 31, 2023 have been prepared by management and approved by the Board of Directors. These unaudited condensed interim financial statements have not been reviewed by the Company's external auditors.

HERCULES RESOURCES CORP.
STATEMENTS OF FINANCIAL POSITION
AS AT
(Unaudited)
(Expressed in Canadian Dollars)

| | December 31, 2023 | September 30, 2023 (Audited) |
|--|----------------------|------------------------------------|
| ASSETS | | |
| Current | | |
| Cash and cash equivalents (Note 2) | \$ 166,344 | \$ 419,219 |
| Receivables | 45,312 | 47,049 |
| Prepays | <u>10,000</u> | <u>-</u> |
| | 221,656 | 466,268 |
| Exploration and evaluation asset (Note 3) | <u>215,987</u> | <u>48,300</u> |
| | <u>\$ 437,643</u> | <u>\$ 514,568</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current | | |
| Accounts payable and accrued liabilities (Notes 4 & 6) | <u>\$ 68,135</u> | <u>\$ 51,555</u> |
| Shareholders' equity | | |
| Capital stock (Note 5) | 1,138,512 | 1,120,610 |
| Reserves (Note 5) | 68,295 | 68,295 |
| Accumulated Deficit | <u>(837,299)</u> | <u>(725,892)</u> |
| | <u>369,508</u> | <u>463,013</u> |
| | <u>\$ 437,643</u> | <u>\$ 514,568</u> |

Nature of operations (Note 1)

Subsequent events (Note 9)

Approved by the Board of Directors:

| | | | |
|---|----------|-----------------------------------|----------|
| <u>“Michael Smith”</u> Michael Smith | Director | <u>“Gordon Lam”</u> Gordon Lam | Director |
|---|----------|-----------------------------------|----------|

The accompanying notes are an integral part of these condensed interim financial statements.

HERCULES RESOURCES CORP.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
THREE MONTHS ENDED DECEMBER 31,
(Unaudited)
(Expressed in Canadian Dollars)

| | 2023 | 2022 |
|---|---------------------|--------------------|
| EXPENSES | | |
| Consulting fees | \$ 48,600 | \$ 3,000 |
| Management fees (Note 6) | 22,500 | 9,000 |
| Office and miscellaneous | 5,167 | 1,098 |
| Professional fees (Note 6) | 18,299 | 28,677 |
| Property investigation | 10,383 | - |
| Shareholder communications | 1,550 | - |
| Transfer agent and filing fees | <u>4,320</u> | <u>(1,537)</u> |
| | <u>(110,819)</u> | <u>(40,238)</u> |
| OTHER ITEMS | | |
| Interest income | 3,064 | 460 |
| Loss on settlement of debt (Note 5) | <u>(3,652)</u> | <u>-</u> |
| Comprehensive loss for the year | <u>\$ (111,407)</u> | <u>\$ (39,778)</u> |
| Basic and diluted loss per common share | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |
| Weighted average number of common shares outstanding – basic and diluted | <u>24,851,316</u> | <u>15,250,001</u> |

The accompanying notes are an integral part of these condensed interim financial statements.

HERCULES RESOURCES CORP
STATEMENTS OF CASH FLOWS
THREE MONTHS ENDED DECEMBER 31,
(Unaudited)
(Expressed in Canadian Dollars)

| | 2023 | 2022 |
|---|-------------------|-------------------|
| CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| Loss for the period | \$ (111,407) | \$ (39,778) |
| Items not affecting cash: | | |
| Loss on settlement of debt | 3,652 | - |
| Shares for debt | 12,000 | - |
| Change in non-cash working capital items: | | |
| Receivables | 1,737 | (1,632) |
| Prepays | (10,000) | - |
| Accounts payable and accrued liabilities | 16,580 | (33,992) |
| Cash used for operating activities | (87,438) | (75,402) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Issuance of common shares | 2,250 | - |
| Share issuance costs | - | (10,765) |
| Cash provided by (used for) financing activities | 2,250 | (10,765) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Expenditures on exploration and evaluation asset, net | (167,687) | - |
| Cash used for investing activities | (167,687) | - |
| Decrease in cash and equivalents during the period | (252,875) | (86,167) |
| Cash and cash equivalents, beginning of period | 419,219 | 212,331 |
| Cash and cash equivalents, end of period | \$ 166,344 | \$ 126,164 |
| Cash and cash equivalents consists of: | | |
| Cash | \$ 46,844 | \$ 1,164 |
| Guaranteed Investment Certificate | 119,500 | 125,000 |
| | \$ 166,344 | \$ 126,164 |

The accompanying notes are an integral part of these condensed interim financial statements.

HERCULES RESOURCES CORP.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited)
(Expressed in Canadian Dollars)

| | <u>Capital Stock</u> | | | | |
|--------------------------------------|----------------------|--------------|-----------|--------------|------------|
| | Number | Amount | Reserves | Deficit | Total |
| Balance at September 30, 2022 | 15,250,000 | \$ 461,325 | \$ - | \$ (157,562) | \$ 303,763 |
| Share issuance costs | - | (10,765) | - | - | (10,765) |
| Loss for the period | - | - | - | (39,778) | (39,778) |
| Balance at December 31, 2022 | 15,250,000 | \$ 450,560 | \$ - | \$ (197,340) | \$ 253,220 |
| Balance at September 30, 2023 | 24,751,505 | \$ 1,120,610 | \$ 68,295 | \$ (725,892) | \$ 463,013 |
| Shares issued for cash | 22,500 | 2,250 | - | - | 2,250 |
| Shares issued for debt | 104,348 | 15,652 | - | - | 15,652 |
| Loss for the period | - | - | - | (111,407) | (111,407) |
| Balance at December 31, 2023 | 24,878,353 | \$ 1,138,512 | \$ 68,295 | \$ (837,299) | \$ 369,508 |

The accompanying notes are an integral part of these condensed interim financial statements

HERCULES RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31, 2023

1. NATURE OF OPERATIONS

Hercules Resources Corp. (the “Company”) was incorporated on January 13, 2021 under the laws of the Province of British Columbia and is considered to be in the exploration stage with respect to its evaluation and exploration asset. Based on the information available to date, the Company has not yet determined whether its exploration and evaluation asset contains ore reserves. Recoverability of the carrying amount of the exploration and evaluation asset is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas of interest.

The Company’s head office and principal address is 800 – 1130 West Pender Street, Vancouver, British Columbia, Canada, V6E 4A4. The Company’s registered and records office is 2080 – 777 Hornby Street, Vancouver, British Columbia, V6K 2A4.

These condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern which assumes that the Company will be able to continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. During the three months ended December 31, 2023, the Company incurred a net loss of \$111,407. As at December 31, 2023, the Company had a working capital of \$153,521. As an exploration stage company, the Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities, its ability to attain profitable operations and generate funds and raise equity capital or borrowings sufficient to meet current and future obligations.

Since incorporation, the Company has raised equity financing from investors and expects these funds to provide for its early stage exploration and working capital needs for the next twelve months. Additional fundraising may involve further private placements, convertible debentures, third party earn-ins or joint ventures using debt or equity financing structures, to ensure the continuation of the Company’s operations.

There can be no assurances that the Company will be successful in raising additional cash to finance operations or that the continued support of shareholders will be available. These financial statements have been prepared using the going concern assumption, which assumes that the Company will continue in operation for the foreseeable future. The financial statements do not include any adjustments relating to the recoverability of assets and liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE

These unaudited condensed interim financial statements were authorized for issue on February 20, 2024 by the directors of the Company.

Statement of compliance

These unaudited condensed interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) using accounting policies consistent with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations of the IFRS Interpretations Committee.

These unaudited condensed interim financial statements do not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited annual financial statements of the Company for the year ended September 30, 2023.

HERCULES RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31, 2023

3. EXPLORATION AND EVALUATION ASSETS

P3 Property

On September 22, 2023, the Company entered into a binding Letter of Intent (“P3 LOI”) with Audax Advisory Group Corporation (“Audax”) to acquire a 51% interest (the “Controlling Interest”) in the P3 Los Tres Mineral Concession Code 10000775, located at Ponce Enriquez Mining District, Province of Azuay, La Independencia Parish, Republic of Ecuador (the “P3 Property”). Audax has entered into an irrevocable promise of transfer of rights (“IPTR”) to acquire a 100% interest in the P3 Property from the underlying property vendors.

As consideration for the Controlling Interest, the Company will pay US\$320,000, of which \$35,000 is due upon execution of the P3 LOI (paid and included in property investigation costs). In addition, a proportional share of payment owed to the underlying property vendor under the IPTR (“Additional Payments”). The Additional Payments are expected to come from the proceeds of alluvial gold production from the P3 Property. The Company will also be granted by Audax and its partners, a transferable option to acquire 19% additional interest in the P3 Property, this option will be exercisable for a period of 1 year from the date of a definitive agreement in respect of the proposed transaction (the “Definitive Agreement”), which has yet to be executed. Exclusivity under the P3 LOI has expired, but the parties continue to work towards the completion of the Definitive Agreement. At anytime, but only following the cash payments totalling US\$320,000, the Company is granted the option to withdraw from any further funding and initiate steps to divest of their interest in the concession.

Upon Registration of Title (“Registration”) and closing of a Definitive Agreement, the Company will issue \$50,000 worth of common shares of the Company as a success fee to Audax.

Cash Payment schedule for Controlling Interest

| | US\$ |
|---|-------------------|
| On execution of P3 LOI (paid) | \$ 35,000 |
| Title of P3 Los Tres is duly registered (paid) | 75,000 |
| To bring alluvial into production following 43-101 Report and registered title (paid USD\$40,000) | 210,000 |
| Total | \$ 320,000 |

As at December 31, 2023, the Company paid \$206,785 in acquisition costs relating to the LOI schedule above. Additionally, the Company has incurred legal fees of \$9,202 relating to the negotiating and drafting of the Definitive Agreements. Total costs incurred to December 31, 2023 are \$215,987

P3 Additional Payment schedule

| Date | US\$ |
|------------------------------|-------------------|
| 6 months after Registration | \$ 100,000 |
| 9 months after Registration | 100,000 |
| 12 months after Registration | 150,000 |
| 15 months after Registration | 175,000 |
| 20 months after Registration | 175,000 |
| 26 months after Registration | 200,000 |
| Total | \$ 900,000 |

HERCULES RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31, 2023

3. EXPLORATION AND EVALUATION ASSETS (cont'd)

Upon execution of a Definitive Agreement and acquisition of the Controlling Interest, Hercules would pay 51% of the above noted additional payment schedule for the P3 Property, which is expected to be come from its Alluvial Production revenue. Additionally, the Company would pay 51% of vein production costs expected to total US\$400,000, through its Alluvial Production revenue.

MP Copper Project

MP Copper Project (the “Property”) consisted of 6 mineral claims situated southeast of Prince George, British Columbia. On March 18, 2021, the Company entered into an option agreement (the “Option Agreement”) consisting of 4 mineral claims.

On March 19, 2021, the Company staked 2 additional mineral claims. These two additional mineral claims are contiguous to the original 4 claims optioned on March 18, 2021 and form a part of the Property pursuant to the Option Agreement.

During the year ended September 30, 2023, the Company decided not to proceed with the Option Agreement, therefore it wrote off all costs associated with the Property totaling \$225,041, during the year.

| | MP Copper Project | P3 Project | Total |
|--|------------------------------|-------------------|--------------|
| | \$ | \$ | \$ |
| Acquisition costs | | | |
| Balance, September 30, 2022 | 25,000 | - | 25,000 |
| Additions | 5,000 | 48,300 | 53,300 |
| Additions | (30,000) | - | 15,000 |
| Balance, September 30, 2023 | - | 48,300 | 48,300 |
| Additions | - | 167,687 | 167,687 |
| Balance, December 31, 2023 | - | 215,987 | 215,987 |
| Exploration costs | | | |
| Balance, September 30, 2022 | 106,835 | - | 106,835 |
| Geological | 126,008 | - | 126,008 |
| Mineral exploration tax credit | (37,802) | - | (37,802) |
| Write-off of exploration and evaluation assets | (195,041) | - | (195,041) |
| Balance, September 30, 2023 and December 31, 2023 | - | - | - |
| Total exploration and evaluation assets, September 30, 2023 | - | 48,300 | 48,300 |
| Total exploration and evaluation assets, December 31, 2023 | - | 215,987 | 215,987 |

HERCULES RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31, 2023

4. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | December 31, 2023 | September 30, 2023 |
|---------------------------------|----------------------|-----------------------|
| Trade payables | \$ 25,385 | \$ 21,555 |
| Due to related parties (Note 6) | 23,250 | 10,500 |
| Accrued liabilities | 19,500 | 19,500 |
| Total | \$ 68,135 | \$ 51,555 |

5. CAPITAL STOCK AND RESERVES

a) Authorized share capital

As at December 31, 2023, the authorized share capital of the Company is an unlimited number of common shares without par value.

Holder of these shares are entitled to dividends as declared from time to time and are entitled to one vote per share at the Company's Annual General Meeting.

b) Issued share capital:

2024

In October 2023, the Company settled \$12,000 of debt, by way of the issuance of 104,348 common shares with a deemed value of \$0.115 per share and a market value of \$0.15 per share, resulting in a loss on the settlement debt of \$3,652.

In December 2023, the Company issued 22,500 shares for the exercise of 22,500 agents warrants, for proceeds of \$2,250.

2023

On January 30, 2023, the Company completed its initial public offering of 2,541,000 common shares at a price of \$0.10 per share, for gross proceeds of \$254,100. The Company paid cash share issuance costs of \$97,256 (\$53,410 in finance fees and commissions, and \$30,393 in legal fees), issued 100,000 common shares valued at \$0.10 per share for a total of \$10,000, and issued 254,100 non-transferable warrants at a price of \$0.10 per share until January 27, 2025, valued at \$9,661 using the Black-Scholes Option Pricing model, with an expected life of 2 years, risk-free rate of 3.68%, volatility of 98% and dividend and forfeiture rate of 0%.

In February 2023, and pursuant to the MP Copper Project Option Agreement, the Company issued 50,000 common shares valued at \$0.10 per share, totalling \$5,000.

In August 2023, the Company completed the first tranche of a private placement, for gross proceeds of \$290,500 through the issuance of 4,150,000 units, valued at \$0.07 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at \$0.12 per share, for a 24 month period.

HERCULES RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31, 2023

5. CAPITAL STOCK AND RESERVES (cont'd)

b) Issued share capital (cont'd):

2023 (cont'd)

In September 2023, the Company completed the second tranche of a private placement, for gross proceeds of \$150,000 through the issuance of 2,142,858 units, valued at \$0.07 per unit. Each unit is comprised of one common share and one common share purchase warrant, exercisable at \$0.12 per share, for a 24 month period.

In September 2023, the Company settled \$44,000 of debt, by way of the issuance of 517,647 common shares with a deemed value of \$0.085 per share and a market value of \$0.11 per share, resulting in a loss on the settlement debt of \$12,941.

2022

On January 31, 2022, the Company issued 500,000 common shares at a price of \$0.05 per common share for proceeds of \$25,000.

On March 31, 2022, the Company issued 2,750,000 common shares at a price of \$0.10 per common share, for proceeds of \$275,000. Of the total 2,750,000 common shares issued, 1,250,000 of those common shares were flow through shares. The flow through shares are issued at the same price as the non-flow through shares, as such no share liability has been recorded. As at September 30, 2022, \$116,512 was unspent from the flow through shares fund (amounts spent and renounced during the year ended September 30, 2023).

c) Stock options:

The Company has an incentive stock option plan (the "Plan") in place under which it is authorized to grant options to directors and employees to acquire up to 10% of the Company's issued and outstanding common shares. Under the Plan, the exercise price of each option may not be less than the market price of the Company's stock as calculated on the date of grant less the applicable discount. The options can be granted for a maximum term of 10 years and vesting periods are determined by the Board of Directors.

Details of options outstanding as at December 31, 2023 are as follows:

| Number of Options | Exercise Price | Expiry Date |
|----------------------|-------------------|------------------|
| 700,000 | \$0.10 | August 21, 2028* |

*these options vested 100% on the date of grant.

Stock option transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|--|----------------------|---------------------------------------|
| Balance, September 30, 2022 | - | \$ - |
| Granted | 700,000 | 0.10 |
| Balance, exercisable, September 30, 2023 and December 13, 2023 | 700,000 | \$ 0.10 |

HERCULES RESOURCES CORP.
NOTES TO THE FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)
(Unaudited)
THREE MONTHS ENDED DECEMBER 31, 2023

5. CAPITAL STOCK AND RESERVES (cont'd)

d) Warrants:

Details of warrants outstanding as at December 31, 2023 are as follows:

| Number of Warrants | Exercise Price | Expiry Date |
|-----------------------|-------------------|--------------------|
| 231,600 | \$0.10 | January 27, 2025 |
| 4,150,000 | \$0.12 | August 17, 2025 |
| <u>2,142,858</u> | \$0.12 | September 22, 2025 |
| <u>6,524,458</u> | | |

Warrant transactions are summarized as follows:

| | Number of Options | Weighted Average Exercise Price |
|---|----------------------|---------------------------------------|
| Balance, September 30, 2022 | - | \$ - |
| Issued | 6,546,958 | 0.12 |
| Balance, September 30, 2023 | 6,546,958 | 0.12 |
| Exercised | <u>(22,500)</u> | 0.10 |
| Balance, exercisable, December 31, 2023 | <u>6,524,458</u> | \$ 0.12 |

6. RELATED PARTY TRANSACTIONS

The aggregate value of the transactions with key management personnel, consisting of the Chief Executive Officer (“CEO”), Chief Financial Officer (“CFO”) and members of the board of directors, for compensation are as follows:

| | 2023 | 2022 |
|-------------------|-----------|----------|
| Management fees | \$ 22,500 | \$ 9,000 |
| Professional fees | 14,000 | 2,720 |

As at December 31, 2023, accounts payable and accrued liabilities included \$23,250 (September 30, 2023 - \$10,500) owing to directors and officers of the Company.

7. FAIR VALUES

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 carrying value of cash and cash equivalents, receivables and accounts payable approximate their fair value because of the short-term nature of these instruments.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial risk factors

The Company's Board of Directors has the overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company thoroughly examines the various financial instrument risks to which it is exposed and assesses the impact and likelihood of those risks. These risks may include interest rate risk, credit risk, liquidity risk, and currency risk and price risk. The carrying value of the Company's financial instruments approximates their fair value due to their short-term nature. Fair value measurements of financial instruments are required to be classified using a fair value hierarchy that reflects the significance of inputs in making the measurements. The levels of the fair value hierarchy are defined as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs for the asset or liability that are not based on observable market data.

The fair values of the Company's financial instruments, which include cash and accounts payable, approximate their carrying values due to the relatively short-term maturity of these instruments.

Credit risk

Credit risk is the risk of financial loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, and receivables, the carrying value totalling \$211,656, represents the Company's maximum exposure to credit risk. Management believes that the credit risk concentration with respect to financial instruments is remote because cash and cash equivalents are held with reputable Canadian financial institutions. Receivables consist mainly of BC Mining Tax Credit, GST and interest. The Company does not consider any of its current receivables past due. The Company believes any credit risk associated with its receivables is low due to the historical success of collecting receivables.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when they come due. As at December 31, 2023, the Company had a cash and cash equivalents balance of \$166,344 to settle current liabilities of \$68,135. All of the Company's financial liabilities are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and equity prices. These fluctuations may be significant.

a) Interest rate risk

The Company has cash and cash equivalents balances. The Company's current policy is to invest excess cash in investment-grade short-term deposits certificates issued by its banking institutions. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its banks.

8. FINANCIAL AND CAPITAL RISK MANAGEMENT (cont'd)

Capital management

Hercules's objectives when managing capital is to pursue the exploration and evaluation of its mineral property, possibly acquire additional mineral property interests and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity.

Hercules manages the capital structure and adjusts it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to facilitate the management of its capital requirements, the Company monitors its expenditures against its available capital. The Company is currently not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management.

9. SUBSEQUENT EVENTS

Subsequent to December 31, 2023, the Company;

- a) Granted 1,775,000 stock options to directors, officers and consultants, with an exercise price of \$0.155 per share, expiring January 17, 2029;
- b) Issued 57,142 common shares of the Company pursuant to the settlement of debt of \$12,000, and;
- c) Signed a Letter of Intent for a \$5 million equity draw down facility.