FALCO RESOURCES LTD.

FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS
ENDED
JUNE 30, 2015 AND 2014

October 6, 2015

Independent Auditor's Report

To the Shareholders of
Falco Resources Ltd.

We have audited the accompanying financial statements of Falco Resources Ltd., which comprise the balance sheet as at June 30, 2015 and the statement of loss and comprehensive loss, cash flows and changes in equity for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Falco Resources Ltd. as at June 30, 2015 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.
1250 René-Lévesque Boulevard West, Suite 2500, Montréal, Quebec, Canada H3B 4Y1
T: +1 514 205 5000, F: +1 514 876 1502, www.pwc.com/ca

Other matter
The financial statements of Falco Resources Ltd. as at June 30, 2014 and for the year then ended were audited by another auditor who expressed an unmodified opinion on those statements on October 20, 2014.

PricewaterhouseCoopers LLP[1]

Partnership of chartered professional accountants

[1] CPA auditor, CA, public accountancy permit No. A122718

FALCO RESOURCES LTD.
BALANCE SHEETS
As at June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	June 30, 2015	June 30, 2014
ASSETS		
Current		
Cash and cash equivalents (Note 6)	$ 4,834,866	$ 3,833,365
Accounts receivable (Note 7)	737,248	862,846
Prepaid expenses	89,583	165,870
	5,661,697	4,862,081
Non-current		
Exploration deposits	118,000	75,000
Property and equipment (Note 8)	132,469	33,826
Option on property (Note 9)	1,000,000	-
Exploration and evaluation assets (Note 9)	14,431,059	10,330,484
Total assets	**$ 21,343,225**	**$ 15,301,391**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities (Note 10)	$ 1,623,063	$ 720,103
Deferred premium on flow-through shares (Note 11)	539,748	217,877
Total liabilities	**2,162,811**	**937,980**
Equity attributable to Falco Resources Ltd. shareholders		
Share capital (Note 12)	28,315,781	18,415,187
Warrants (Note 13)	244,873	122,920
Contributed surplus	1,931,746	1,131,283
Deficit	(11,311,986)	(5,305,979)
Total equity	**19,180,414**	**14,363,411**
Total liabilities and equity	**$ 21,343,225**	**$ 15,301,391**

Subsequent event (Note 23)

Approved on behalf of the Board of Directors:

"Luc Lessard" Director *"James G. Davidson"* Director

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

FALCO RESOURCES LTD.
STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the years ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
EXPENSES		
Office and miscellaneous	$ 421,692	$ 323,864
Depreciation (Note 8)	48,330	43,765
Filing fees	37,733	28,435
Professional fees	379,902	236,244
Consulting and compensation (Note 17)	3,350,903	1,060,667
Share-based compensation (Note 14)	1,019,157	799,569
Promotion and shareholder relations	178,255	339,767
Investor relations	213,456	67,840
Travel	283,456	292,362
Write-off of exploration and evaluation assets (Note 9)	700,362	-
Foreign exchange gain	(70)	(1,400)
Operating loss	**(6,633,176)**	**(3,191,113)**
Other income – premium on flow-through shares (Note 11)	627,169	268,656
Loss and comprehensive loss	**$ (6,006,007)**	**$ (2,922,457)**
Loss per common share – basic and diluted (Note 16)	**$ (0.07)**	**$ (0.05)**
Weighted average number of common shares outstanding – basic and diluted (Note 16)	**87,673,214**	**64,120,160**

The loss and the comprehensive loss are solely attributable to Falco Resources Ltd. shareholders.

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

FALCO RESOURCES LTD.
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the year	$ (6,006,007)	$ (2,922,457)
Adjustments for non-cash items:		
Depreciation	48,330	43,765
Write-off of exploration and evaluation assets	700,362	-
Loss on disposal of property and equipment	1,038	-
Share-based compensation	1,019,157	799,569
Other income – premium on flow-through shares	(627,169)	(268,656)
Changes in non-cash working capital items:		
Accounts receivable	125,598	(53,483)
Prepaid expenses	76,287	(124,715)
Accounts payable and accrued liabilities	66,856	(74,660)
Cash and cash equivalents used in operating activities	(4,595,548)	(2,600,637)
CASH FLOWS FROM INVESTING ACTIVITIES		
Property and equipment	(158,462)	(7,435)
Exploration deposits	(43,000)	(75,000)
Option on property	(1,000,000)	-
Investments in exploration and evaluation assets, net of governmental credits	(3,954,382)	(1,776,012)
Cash and cash equivalents used in investing activities	(5,155,844)	(1,858,447)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	11,511,942	5,595,297
Share issuance costs	(759,049)	(104,975)
Cash and cash equivalents provided by financing activities	10,752,893	5,490,322
Increase in cash and cash equivalents during the year	**1,001,501**	**1,031,238**
Cash and cash equivalents, beginning of year	**3,833,365**	**2,802,127**
Cash and cash equivalents, end of year	**$ 4,834,866**	**$ 3,833,365**

Supplemental disclosure (Note 19)

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

FALCO RESOURCES LTD.
STATEMENTS OF CHANGES IN EQUITY
For the years ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Share capital					
	Number of shares	Amount	Warrants	Contributed surplus	Deficit	Total
Balance June 30, 2014	**71,280,458**	**$ 18,415,187**	**$ 122,920**	**$ 1,131,283**	**$ (5,305,979)**	**$14,363,411**
Private placement, net of cash share issue costs and flow-through share premium	20,113,316	8,291,943				8,291,943
Share issue costs – agents's warrants	-	(167,498)	167,498	-	-	-
Share options exercised	1,125,000	565,194	-	(218,694)	-	346,500
Warrants exercised	2,586,883	1,210,955	(45,545)	-	-	1,165,410
Share-based compensation	-	-	-	1,019,157	-	1,019,157
Loss and comprehensive loss for the year	-	-	-	-	(6,006,007)	(6,006,007)
Balance June 30, 2015	**95,105,657**	**$ 28,315,781**	**$ 244,873**	**$ 1,931,746**	**$ (11,311,986)**	**$ 19,180,414**
Balance June 30, 2013	**53,281,051**	**$ 13,214,253**	**$ -**	**$ 335,437**	**$ (2,383,522)**	**$11,166,168**
Private placement, net of cash share issue costs and flow-through share premium	16,188,769	4,751,656	-	-	-	4,751,656
Shares issued for exploration and evaluation assets	175,000	78,375	-	-	-	78,375
Share issue costs – non cash	507,638	(124,389)	124,389	-	-	-
Share options exercised	50,000	8,723	-	(3,723)	-	5,000
Warrants exercised	1,078,000	486,569	(1,469)	-	-	485,100
Share-based compensation	-	-	-	799,569	-	799,569
Loss and comprehensive loss for the year	-	-	-	-	(2,922,457)	(2,922,457)
Balance June 30, 2014	**71,280,458**	**$ 18,415,187**	**$ 122,920**	**$ 1,131,283**	**$ (5,305,979)**	**$14,363,411**

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Falco Resources Ltd. ("Falco" or the "Company") was incorporated under the Business Corporations Act (British Columbia) on March 16, 2010. The Company's common shares trade under the symbol "FPC" on the TSX Venture Exchange (the "TSX-V"). On June 12, 2015, the Company was continued under the Canada Business Corporations Act.

The Company's registered business address is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada.

The Company, an exploration stage company, is in the business of acquiring and exploring mineral properties in Canada. Its focus is currently on the exploration and evaluation of its mineral properties in the Rouyn-Noranda district in the Province of Québec for base and precious metals and has not yet determined whether they contain mineral deposits that are economically recoverable.

Until it is determined that properties contain mineral reserves or resources that can be economically mined, they are classified as exploration and evaluation properties. The recoverability of deferred exploration and evaluation expenses is dependent on the discovery of economically recoverable reserves and resources; securing and maintaining title and beneficial interest in the properties; the ability to obtain necessary financing to continue the exploration, evaluation and development of its properties; and obtaining certain government approvals or proceeds from the disposal of properties. Changes in future conditions could require material impairment of the carrying value of the deferred exploration and evaluation expenses. Although the Company has taken steps to verify title to its mining properties on which it is currently conducting exploration and evaluation work, in accordance with industry standards for the current stage of exploration and evaluation of such property, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

Management of the Company believes that it has sufficient funds to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments for the ensuing 12 months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company's ability to continue future operations beyond June 30, 2015 and fund its exploration and evaluation expenditures is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments. Management will pursue such additional sources of financing when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

2. BASIS OF PRESENTATION

The accompanying financial statements have been prepared in accordance with the IFRS as issued by the International Accounting Standards Board. The accounting policies, methods of computation and presentation applied in these financial statements are consistent with those of the previous financial year. The Board of Directors has approved the financial statements on October 6, 2015.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are as follows.

(a) Basis of measurement

The financial statements are prepared under the historical cost convention using the accrual basis of accounting, except for cash flow information.

(b) Foreign currency translation

(i) Functional and presentation currency

The financial statements are presented in Canadian dollars, which is Falco's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the rate of exchange prevailing on the date of each transaction or valuation when items are re-measured. Monetary assets and liabilities denominated in currencies other than the operation's functional currencies are translated into the functional currency at exchange rates in effect at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of those transactions and from period-end translations are recognized in the statement of loss.

Non-monetary assets and liabilities are translated at historical rates, unless such assets and liabilities are carried at market value, in which case, they are translated at the exchange rate in effect at the date of the balance sheet.

(c) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

All financial instruments are required to be measured at fair value on initial recognition. The fair value is based on quoted market prices, unless the financial instruments are not traded in an active market. In this case, the fair value is determined by using valuation techniques like the Black-Scholes option pricing model or other valuation techniques.

Measurement in subsequent periods depends on the classification of the financial instrument. At initial recognition, the Company has classified its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

(i) Financial assets at fair value through profit or loss

A financial asset is classified in this category if acquired principally for the purpose of selling or repurchasing in the short-term. Derivatives are also included in this category unless they are designated as hedges.

Financial instruments in this category are recognized initially and subsequently at fair value. Transaction costs are expensed in the statement of loss and comprehensive loss. Gains and losses arising from changes in fair value are presented in the statement of loss and comprehensive loss in the period in which they arise. Financial assets at fair value through profit or loss are classified as current except for the portion expected to be realized or paid beyond twelve months of the balance sheet date, which is classified as non-current. The Company does not have any financial instruments that are classified as financial assets at fair value through profit or loss as at June 30, 2015 and 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(c) Financial instruments (continued)

(ii) Held-to-maturity financial assets

Held-to-maturity financial assets are stated at amortized cost, using the effective interest method. Gains and losses are recognized in the statement of loss and comprehensive loss when the financial assets are derecognized or impaired, as well as through the amortization process. The Company does not have any financial instruments that are classified as held-to-maturity financial assets as at June 30, 2015 and 2014.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity other than: i) those that the Company upon initial recognition designates as at fair value through profit or loss; ii) those that the Company designates as available-for-sale; and iii) those that meet the definition of loans and receivables. If the Company were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets. The Company does not have any financial instruments that are classified as held-to-maturity as at June 30, 2015 and 2014.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are recognized initially at the amount expected to be received, less, when material, a discount to reduce the loans and receivables to fair value. The fair value of the loans and receivables are based on market interest rates for similar loans taking into account the credit risk associated with the counterparty. Subsequently, loans and receivables are measured at amortized cost using the effective interest method less a provision for impairment. Loans and receivables are included in current assets, except for instruments with maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recognized initially at fair value plus transaction costs and are subsequently carried at fair value. Gains or losses arising from changes in fair value are recognized in other comprehensive income or loss. When an available-for-sale investment is sold or impaired, the accumulated gains or losses are moved from accumulated other comprehensive income or loss to the statement of loss and comprehensive loss. Available-for-sale financial assets are classified as non-current, unless the investment matures within twelve months, or management expects to dispose of them within twelve months. The Company does not have any financial instruments that are classified as available-for-sale assets as at June 30, 2015 and 2014.

(v) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise derivatives, or liabilities acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Financial liabilities in this category are recognized initially and subsequently at fair value. Changes in fair value are recognized in the statement of loss and comprehensive loss. The Company does not have any financial instruments that are classified as financial liabilities at fair value through profit or loss as at June 30, 2015 and 2014.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(c) *Financial instruments (continued)*

(vi) Financial liabilities at amortized cost

Financial liabilities at amortized cost include accounts payable and accrued liabilities. Accounts payable and accrued liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, accounts payable and accrued liabilities are measured at amortized cost using the effective interest method. Financial liabilities are classified as current liabilities if payment is due within twelve months. Otherwise, they are presented as non-current liabilities.

The Company has classified its financial instruments as follows:

Category	**Financial instrument**
Loans and receivables	Bank balances Guaranteed investment certificates
Financial liabilities at amortized cost	Accounts payable and accrued liabilities

(d) *Impairment of financial assets*

At each reporting date, the Company assesses whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition (a "loss event") and that loss event has an impact on the estimated cash flows of the financial assets that can be reliably estimated. If such evidence exists, the Company recognizes an impairment loss, as follows:

(i) Financial assets carried at amortized cost

The impairment loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Impairment losses as well as reversals are recognized in the statement of loss and comprehensive loss.

(ii) Available-for-sale financial assets

The impairment loss is the difference between the original cost of the asset and its fair value at the measurement date, less any impairment losses previously recognized in the statement of loss and comprehensive loss. This amount represents the cumulative loss in accumulated other comprehensive income that is reclassified to the statement of loss and comprehensive loss. Impairment losses on available-for-sale financial assets may not be reversed.

(e) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held with banks and other highly liquid short-term investments with original maturities of three months or less or that can be redeemed at any time without penalties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(f) *Refundable tax credits for mining exploration and evaluation expenditures*

The Company is entitled to a refundable tax credit on qualified mining exploration and evaluation expenditures incurred in the province of Québec. The credit is accounted for against the exploration and evaluation expenditures incurred.

(g) *Property and equipment*

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of an asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are charged to the statement of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property and equipment less their residual values over their estimated useful lives using the declining balance method at the following rates per annum:

Office and other equipment	20%
Leasehold improvements	50%
Computer equipment	55%

The Company allocates the amount initially recognized in respect of an item of property and equipment to its significant parts (major components) and depreciates separately each such part. Residual values, method of depreciation and useful lives of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of property and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the statement of loss and comprehensive loss.

(h) *Exploration and evaluation expenditures*

Exploration and evaluation assets are comprised of exploration and evaluation expenditures and mining properties acquisition costs. Expenditures incurred on activities that precede exploration and evaluation, being all expenditures incurred prior to securing the legal rights to explore an area, are expensed immediately. Exploration and evaluation assets includes rights in mining properties, paid or acquired through a business combination or an acquisition of assets, and costs related to the initial search for mineral deposits with economic potential or to obtain more information about existing mineral deposits. Mining rights are recorded at acquisition cost less accumulated impairment losses. Mining rights and options to acquire undivided interests in mining rights are depreciated only as these properties are put into commercial production.

Exploration and evaluation expenditures for each separate area of interest are capitalized and include costs associated with prospecting, sampling, trenching, drilling and other work involved in searching for ore like topographical, geological, geochemical and geophysical studies. They also reflect costs related to establishing the technical and commercial viability of extracting a mineral resource identified through exploration and evaluation or acquired through a business combination or asset acquisition.

Exploration and evaluation expenditures include the cost of:

(i) establishing the volume and grade of deposits through drilling of core samples, trenching and sampling activities in an ore body;
(ii) determining the optimal methods of extraction and metallurgical and treatment processes;
(iii) studies related to surveying, transportation and infrastructure requirements;
(iv) permitting activities; and
(v) economic evaluations to determine whether development of the mineralized material is commercially justified, including scoping, prefeasibility and final feasibility studies.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(h) Exploration and evaluation expenditures (continued)

Exploration and evaluation expenditures include overhead expenses directly attributable to the related activities.

Cash flows attributable to capitalized exploration and evaluation costs are classified as investing activities in the statement of cash flows under the heading exploration and evaluation assets.

Any option payments received by the Company from third parties or tax credits refunded to the Company are credited to the capitalized cost of the exploration and evaluation assets. If payments received exceed the capitalized cost of the exploration and evaluation assets, the excess is recognized as income in the period received. The amounts shown for exploration and evaluation assets do not necessarily represent present or future values. Their recoverability is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

(i) Impairment of non-financial assets

The carrying value of non-financial assets is reviewed regularly and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (“cash-generating units” or “CGUs”). The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset’s carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses at each reporting date for potential reversals when events or circumstances warrant such consideration.

(j) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of loss and comprehensive loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Mining taxes represent Canadian provincial tax levied on mining operations and are classified as income tax since such taxes are based on a percentage of mining profits.

Current income taxes

The current income tax charge is the expected tax payable on the taxable income for the year, using the tax laws enacted or substantively enacted at the balance sheet date in the jurisdictions where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

Deferred income taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates (and laws) that apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(j) Current and deferred income tax (continued)

Deferred income taxes (continued)

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are presented as non-current and are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(k) Share capital and warrants

Common shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of shares or warrants are recognized as a deduction from the proceeds in equity in the period where the transaction occurs. Proceeds from unit placements are allocated between shares and warrants issued. Warrants that are part of units are assigned a value based on the residual value of the unit after deducting the fair value of the common shares.

(l) Operating leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the date of inception. The arrangement is assessed to determine whether fulfilment is dependent on the use of a specific asset (or assets) and the arrangement conveys a right to use the asset (or assets), even if that right is not explicitly specified in an arrangement. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of loss and comprehensive loss on a straight-line basis over the period of the lease.

(m)Share-based compensation

The Company offers a share option plan for its directors, officers, employees and consultants. Each tranche in an award is considered a separate award with its own vesting period and grant date fair value. Fair value of each tranche is measured at the date of grant using the Black-Scholes option pricing model. Compensation expense is recognized over the tranche's vesting period by increasing contributed surplus based on the number of awards expected to vest. The number of awards expected to vest is reviewed at least annually, with any impact being recognized immediately.

In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

Any consideration paid on exercise of share options is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when the options are exercised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(n) Flow-through shares

The Company finances some exploration and evaluation expenditures through the issuance of flow-through shares ("FTS"). The resource expenditure deductions for income tax purposes are renounced to investors in accordance with the appropriate income tax legislation. The difference ("premium") between the amount recognized in common shares and the amount the investors pay for the shares is recognized as a deferred gain, under deferred premium on flow-through shares, which is reversed to the statement of loss and comprehensive loss, under other income – premium on flow-through shares, when eligible expenditures have been made. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred.

Proceeds received from the issuance of flow-through shares are restricted to be used only for Canadian resource property exploration expenditures.

(o) Earnings (loss) per share

The calculation of earnings (loss) per share ("EPS") is based on the weighted average number of common shares outstanding for each period. The basic EPS is calculated by dividing the profit or loss attributable to the equity owners of Falco by the weighted average number of common shares outstanding during the period.

The computation of diluted EPS assumes the conversion, exercise or contingent issuance of securities only when such conversion, exercise or issuance would have a dilutive effect on the income per share. It also includes shares issued and held in escrow. The treasury stock method is used to determine the dilutive effect of the warrants and share options. When the Company reports a loss, the diluted net loss per common share is equal to the basic net loss per common share due to the anti-dilutive effect of the outstanding warrants and share options.

(p) Segment reporting

The operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") who fulfills the role of the chief operating decision-maker. The CEO is responsible for allocating resources and assessing performance of the Company's operating segments. The Company manages its business under a single operating segment, consisting of acquiring and exploring mineral properties in Canada.

4. RECENTLY ISSUED REPORTING STANDARDS AND AMENDMENTS

New standards and amendments issued and in effect

IFRIC 21, Levies ("IFRIC 21")

In May 2013, the IASB issued International Financial Reporting Interpretations Committee (IFRIC) 21, *Levies*. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014 and is to be applied retrospectively. IFRIC 21 provides guidance on accounting for levies in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance with legislation and confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. The Company has adopted IFRIC 21 effective July 1, 2014. This change was made in accordance with the applicable transitional provision. The adoption of IFRIC 21 did not affect the Company.

4. RECENTLY ISSUED REPORTING STANDARDS AND AMENDMENTS (continued)

New standards and amendments issued and in effect (continued)

Offsetting Financial Assets and Financial Liabilities (Amendment to IAS 32)

The amendment to IAS 32, *Financial Instruments: Presentation* ("IAS 32"), requires that a financial asset and a financial liability should only be offset and the net amount reported when an entity has a legally enforceable and unconditional right to set off the amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company has adopted the amendment to IAS 32 effective July 1, 2014. This change was made in accordance with the applicable transitional provision. The adoption of this amendment did not affect the Company.

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

Under the amended IAS 36, *Impairment* ("IAS 36"), the recoverable amount of a cash-generating unit is required to be disclosed only when an impairment loss has been recognized or reversed. The Company has adopted the amendment to IAS 36 effective July 1, 2014. This change was made in accordance with the applicable transitional provision. The adoption of this amendment did not affect the Company.

Accounting standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than July 1, 2014. Many of these updates are not relevant to the Company and are therefore not discussed herein.

IFRS 9, Financial Instruments ("IFRS 9")

In November 2009 and October 2010, the IASB issued the first phase of IFRS 9, *Financial Instruments*. In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9. The final version of IFRS 9 was issued in July 2014 and includes a third measurement category for financial assets (fair value through other comprehensive income) and a single, forward-looking 'expected loss' impairment model.

This standard is part of a wider project to replace IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 replaces the current multiple classification and measurement models for financial assets and liabilities with a single model that has only three classification categories: amortized cost, fair value through other comprehensive income and fair value through profit and loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset or liability. It also introduces additional changes relating to financial liabilities and aligns hedge accounting more closely with risk management.

The new standard is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Management is currently reviewing the impact that this standard will have on its financial statements.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgement based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The preparation of financial statements in conformity with IFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company also makes estimates and assumptions concerning the future.

The more significant areas requiring the use of management estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, relate to the impairment of assets and income taxes.

(i) Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances (Note 1).

(ii) Impairment of non-financial assets

Asset groups are reviewed for an indication of impairment at each balance sheet date or when a triggering event is identified. Factors which could trigger an impairment review include, but are not limited to, an expiry of the right to explore in the specific area during the period or will expire in the near future, and is not expected to be renewed; substantive exploration and evaluation expenditures in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the Company has decided to discontinue such activities in the specific area; sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the assets is unlikely to be recovered in full from successful development or by sale; significant negative industry or economic trends; interruptions in exploration and evaluation activities; and a significant drop in current or forecast commodity prices.

Assessment of impairment of non-financial assets requires the use of judgements when assessing whether there are any indicators that could give rise to the requirement to conduct a formal impairment test on the Company's non-financial assets. Changes in the judgements used in determining the fair value of the non-financial assets could impact the impairment analysis.

(iii) Income taxes

The Company is subject to income taxes in some jurisdictions Canada. Significant judgement is required in determining the total provision for income taxes. The Company is also subject to usual tax audits. Where the final tax outcome of tax audits is different from the amounts that were initially recorded, such differences could impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(Expressed in Canadian Dollars)

6. CASH AND CASH EQUIVALENTS

	June 30, 2015	June 30, 2014
Cash	$ 4,804,406	$ 3,803,175
Cash equivalents	30,460	30,190
	$ 4,834,866	$ 3,833,365

Cash equivalents are comprised of two guaranteed investment certificates bearing interest rates of 0.05% and having maturity dates in July 2015.

As at June 30, 2015, the Company is committed under a flow-through share agreement to spend $4,009,558 by December 31, 2015 on eligible exploration and evaluation expenses.

7. ACCOUNTS RECEIVABLE

	June 30, 2015	June 30, 2014
Sales taxes	$ 737,248	$ 351,803
Refundable tax credits(i)	-	511,043
	$ 737,248	$ 862,846

(i) The refundable tax credits are related to a 35% tax credit available in the Province of Québec on eligible exploration and evaluation expenditures. During the year ended June 30, 2015, an amount of $514,705 (nil for the year ended June 30, 2014) was received by the Company for refundable tax credits claimed.

8. PROPERTY AND EQUIPMENT

Cost	Leasehold Improvements	Office and Other Equipment	Computer Equipment	Total
Balance as at June 30, 2013	$ 10,161	$ 25,144	$ 59,549	$ 94,854
Additions	-	2,659	4,776	7,435
Balance as at June 30, 2014	$ 10,161	$ 27,803	$ 64,325	$ 102,289
Additions	11,095	87,277	60,090	158,462
Disposals	-	-	(2,678)	(2,678)
Write-offs	(10,161)	(2,658)	(5,402)	(18,221)
Balance as at June 30, 2015	$ 11,095	$ 112,422	$ 116,335	$ 239,852

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT (continued)

Accumulated Depreciation	Leasehold Improvements	Office and Other Equipment	Computer Equipment	Total
Balance as at June 30, 2013	$ -	$ 2,515	$ 22,183	$ 24,698
Depreciation	10,161	5,057	28,547	43,765
Balance as at June 30, 2014	$ 10,161	$ 7,572	$ 50,730	$ 68,463
Depreciation	3,963	6,048	38,319	48,330
Depreciation capitalized	-	10,451	-	10,451
Disposals	-	-	(1,640)	(1,640)
Write-offs	(10,161)	(2,659)	(5,401)	(18,221)
Balance as at June 30, 2015	$ 3,963	$ 21,412	$ 82,008	$ 107,383

Carrying Amounts	Leasehold Improvements	Office and Other Equipment	Computer Equipment	Total
At June 30, 2014	$ -	$ 20,231	$ 13,595	$ 33,826
At June 30, 2015	$ 7,132	$ 91,010	$ 34,327	$ 132,469

9. EXPLORATION AND EVALUATION ASSETS

On September 8, 2014 the Company announced that it had signed an agreement with the City of Rouyn-Noranda to acquire surface rights to land above the Horne 5 deposit and immediately adjacent to the Horne smelter. The agreement provides the Company with a 5-year option to purchase additional hectares of land in the Horne Complex. The total purchase price is $2,900,000, of which a $1,000,000 non-refundable deposit was paid upon transfer of the property. If Falco decides to exercise its acquisition option, the remaining $1,900,000 is payable by August 1, 2019.

(Expressed in Canadian Dollars)

9. EXPLORATION AND EVALUATION ASSETS (continued)

The Company has included the following costs on its exploration and evaluation assets in the Rouyn-Noranda district in the Province of Québec, Canada:

	Year ended June 30, 2015	Year ended June 30, 2014
Balance – beginning of year	$ 10,330,484	$ 8,164,571
Acquisition costs	-	129,138
Consulting and salaries	752,753	758,415
Data compilation and other	228,393	88,348
Drilling	2,815,249	287,394
Geochemistry	237,473	18,238
Geology	449,123	645,418
Geophysics	321,608	371,479
Total expenditures for the year	4,804,599	2,298,430
Refundable tax credits for the year	(3,662)	(132,517)
Total for the year, net of tax credits	4,800,937	2,165,913
Write-off of exploration and evaluation assets(1)	(700,362)	-
Balance – end of year	$ 14,431,059	$ 10,330,484

(1) During the year ended June 30, 2015, the Company wrote-off 100% of the capitalized historical costs related to specific areas where claims are not expected to be renewed or where the Company has decided to discontinue exploration and evaluation activities.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2015	June 30, 2014
Trade payables	$ 1,450,456	$ 498,103
Accrued liabilities	172,607	222,000
	$ 1,623,063	$ 720,103

(Expressed in Canadian Dollars)

11. DEFERRED PREMIUM ON FLOW-THROUGH SHARES

		June 30, 2015		June 30, 2014
Balance – beginning of year	$	217,877	$	237,967
Deferred premium on flow-through shares issued		949,040		248,566
Recognition of deferred premium on flow-through shares		(627,169)		(268,656)
Balance – end of year	$	539,748	$	217,877

During the year ended June 30, 2015, the Company issued 13,557,716 flow-through shares for gross proceeds of $7,050,012 and recognized a deferred premium on flow-through shares of $949,040. As at June 30, 2015, the Company is committed to spend $4,009,558 by December 31, 2015 on eligible exploration and evaluation expenses related to this financing.

During the year ended June 30, 2014 the Company issued 4,142,770 flow-through shares for gross proceeds of $1,491,397 and recognized a deferred premium on flow-through shares of $248,566. The Company has completed its obligations related to this flow-through share financing in October 2014.

12. SHARE CAPITAL

Authorized:	Unlimited number of common shares without par value
Issued and fully paid:	95,105,657 common shares
Shares held in escrow:	2,859,000 common shares

Share issuances

On October 22, 2014, the Company closed a brokered private placement of flow-through shares and common shares. Falco issued 6,555,600 common shares at a price of $0.45 per common share and 13,557,716 flow-through shares at a price of $0.52 per flow-through share for aggregate gross proceeds of $10,000,032. Proceeds of $949,040 were allocated to the flow-through share premium (Note 11).

In conjunction with the closing of the offering, the Company agreed to pay the agents a cash commission of 6% of the gross proceeds raised from subscriptions in the offering from persons placed by the agents which is equal to $540,691. Other share issuance costs of $218,358 were incurred and are composed of legal fees, filing fees and other associated costs. In addition, the Company has issued to the agents common share warrants (“Agent’s Warrants”) equal to 6% of the common shares and flow-through shares subscribed by persons placed to the Company by the agents totaling 967,014 Agent’s Warrants at an exercise price of $0.5625 per common share exercisable until October 22, 2016.

The following assumptions were used for the Black-Scholes valuation of the Agent’s Warrants issued during the year to calculate a fair value of $167,498. The fair value per warrant was evaluated at $0.17; the risk-free interest rate used was 1.04%; the expected life of the warrants used was 2 years; and the expected annualized volatility used was 90%.

(Expressed in Canadian Dollars)

12. SHARE CAPITAL (continued)

Share issuances (continued)

On November 14, 2013, the Company closed a non-brokered private placement (the "Offering") of an aggregate of 12,045,999 Units of the Company at a price of $0.30 per Unit and 4,142,770 flow-through shares at a price of $0.36 for total gross proceeds of $5,105,197. Each Unit consists of one common share in the capital of the Company and one-half of one transferable common share purchase warrant. Each warrant is exercisable into one additional common share of the Company at an exercise price of $0.60 per common share until November 14, 2015. The Warrants are callable on the Company's discretion if the daily volume weighted average trading price of the common shares on the TSX-V exceed $1.00 for a period of 20 consecutive trading days during the period following 4 months from the closing date of the offering until the expiry date of the warrants. The Company may give notice in writing to the warrant holders that the warrants shall expire on that day which is 30 days following the notice date unless exercised by the holders prior to such date. Proceeds of $248,566 were allocated to the flow-through share premium (Note 11). In conjunction with the closing of the Offering, the Company agreed to pay a finders fee equal to a cash commission or Units at 5% of the gross proceeds raised from subscriptions in the Offering from persons introduced to the Company by the finders which is equal to $56,602 and 507,638 Units. The shares making up part of these Units have a value of $152,291, which was recorded as a share issuance cost. Additional share issuance costs amounted to $48,373. In addition the Company has issued to the finders common share warrants ("Finders Warrants") equal to 5% of the Units and flow-through shares subscribed by persons introduced to the Company by the finders totaling 677,688 Finders Warrants. Each Finders Warrant is exercisable to acquire one common share of the Company at an exercise price of $0.45 at any time until May 14, 2015. The following assumptions were used for the Black-Scholes valuation of the Finders Warrants issued during the year to calculate a fair value of $124,389. The weighted average fair value per warrant was $0.45; the risk-free interest rate was 1.10%; the expected life of the warrants was 1.5 year; and the annualized volatility was 100%.

On September 3, 2013 the Company issued 50,000 shares at a price of $0.33 for a property option agreement, and on May 21, 2014 the Company issued 125,000 shares at a price of $0.495 for the same property option agreement (Note 9).

13. WARRANTS

The following table details the changes in the Company's warrants during the last two years:

	Number of Warrants		Weighted Average Exercise Price
Balance, June 30, 2013	3,400,000	$	0.45
Issued	6,954,507		0.59
Exercised	(1,078,000)		0.45
Balance, June 30, 2014	9,276,507	$	0.55
Issued(i)	967,014	$	0.56
Exercised	(2,586,883)		0.45
Expired	(421,555)		0.45
Balance, June 30, 2015	7,235,083	$	0.59

(i) Broker's warrants

(Expressed in Canadian Dollars)

13. WARRANTS (continued)

Warrants outstanding at June 30, 2015 are as follows:

Exercise Price	Number of Warrants	Expiry Date	Weighted Average Remaining Contractual Life (years)
$ 0.60	6,268,069	November 14, 2015	0.38
$ 0.5625	967,014	October 22, 2016	1.32
	7,235,083		

14. SHARE-BASED COMPENSATION

Share options

The Company has an incentive share option plan (the "Option Plan"), which provides that the Board of Directors may from time to time, in its discretion, and in accordance with TSX-V Policies, grant to the directors, officers, employees and consultants, non-transferable options to purchase shares, provided that the number of shares reserved for issuance will not exceed 10% of the shares issued and outstanding, including any shares reserved under all other established share-based compensation arrangements. The maximum term of share options is 10 years and terms of vesting are at the discretion of the Board of Directors.

The following table summarizes information about the movement of the share options during the last two years:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2013	2,205,000	$ 0.32
Granted	2,415,000	0.45
Exercised	(50,000)	0.10
Forfeited	(85,000)	0.30
Balance, June 30, 2014	4,485,000	$ 0.40
Granted	4,768,890	$ 0.50
Exercised	(1,125,000)	0.31
Expired	(1,003,333)	0.54
Balance, June 30, 2015	7,125,557	$ 0.47
Options exercisable, June 30, 2015	4,282,408	$ 0.44

During the year ended June 30, 2015, the following share options were granted: 2,435,001 share options vesting 1/3 on each anniversary date and having a term of 5 years; 2,233,889 share options vesting 1/3 at the grant date and 1/3 on each anniversary date and having a term of 4 years; and 100,000 share options vesting 1/2 on each anniversary date and having a term of 3 years.

During the year ended June 30, 2014, the following share options were granted: 1,730,000 share options vesting on the grant date and having a term of 5 years; 505,000 share options vesting 1/3 after 4, 8 and 12 months from the grant date and having a term of 5 years; 150,000 share options vesting 1/4 after 3, 6, 9 and 12 months from the grant date and having a term of 5 years; and 30,000 share options vesting 3 months after the grant date and having a term of 5 years.

The exercise price of the share options granted was based on the closing price of the share on the grant date. The average share price during the year ended June 30, 2015 was $0.50 ($0.45 for the year ended June 30, 2014).

(Expressed in Canadian Dollars)

14. SHARE-BASED COMPENSATION (continued)

Share options (continued)

Share options outstanding at June 30, 2015 are as follows:

Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life (years)
$ 0.30	1,010,000	1,010,000	1.33
$ 0.40	800,000	800,000	1.38
$ 0.45	3,260,557	1,257,408	2.45
$ 0.50	65,000	65,000	0.81
$ 0.57	1,100,000	1,100,000	0.64
$ 0.64	840,000	-	4.68
$ 0.70	50,000	50,000	0.42
	7,125,557	4,282,408	

The share options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the vesting period and on the following weighted average assumptions:

	Year ended June 30, 2015	Year ended June 30, 2014
Risk-free interest rate	1.25	1.51%
Expected life of options	4 years	5 years
Annualized volatility	100%	100%
Dividend rate	-	-
Expected forfeiture rate	0%	5%
Weighted average fair value per option	$ 0.34	$ 0.30

The annualized volatility was based on historical data for the Company. The fair value of the share options is amortized over the vesting period. Share options issued during the years ended June 30, 2015 and 2014 are exercisable at the closing market price of the common shares of the Company on the day of their grant.

Restricted, deferred and performance share units

At the Annual General and Special Meeting of the shareholders held on December 23, 2014, the shareholders approved a new share unit plan (the “Long-Term Incentive Plan”) for the benefit of the Company’s employees and consultants. The Long-Term Incentive Plan provides for the issuance of common shares from treasury, in the form of Restricted Share Units (“RSUs”), Deferred Shares Units (“DSUs”) and Performance Share Units (“PSUs”). The RSUs, DSUs or PSUs can be settled in cash or whole common shares, at the discretion of the Company. The maximum number of shares reserved for issuance should not exceed 2,500,000 shares.

During the year ended June 30, 2015, 300,000 RSUs were granted under the Company’s Long-Term Incentive Plan, vesting and payable 1/3 after one year, 1/3 after 2 years and 1/3 after 3 years. 250,000 RSUs were subsequently cancelled by the Board of Directors prior to their vesting period. Share-based compensation expense for the year ended June 30, 2015 amounted to $5,985 (using an expected forfeiture rate of 0%). A total of 50,000 unvested RSUs are outstanding as at June 30, 2015.

(Expressed in Canadian Dollars)

15. INCOME TAXES

A reconciliation of income taxes at statutory rates with the reported taxes is as follows:

	Year ended June 30, 2015	Year ended June 30, 2014
Loss before income taxes	$ (6,006,007)	$ (2,922,457)
Statutory income tax rate	26.9%	26.0%
Expected income tax recovery	(1,616,000)	(760,000)
Change in statutory tax rates and other	(28,000)	1,000
Permanent difference	108,000	138,000
Impact of flow-through share	1,198,000	499,000
Share issue costs	-	(67,000)
Change in unrecognized deductible temporary differences	338,000	189,000
Total	$ -	$ -

The statutory tax rate increased from 26.0% to 26.9% following a change in the allocation between the provinces.

The significant components of the Company's deferred tax assets and liabilities are as follows:

	June 30, 2015	June 30, 2014
Deferred tax assets (liabilities)		
Exploration and evaluation assets	$ (1,693,000)	$ (551,000)
Non-capital losses	1,693,000	551,000
Deferred tax liability	$ -	$ -

Significant components of deductible and taxable temporary differences, unused tax losses and unused tax credits that have not been included on the balance sheets are as follows:

	June 30, 2015	Expiry date range	June 30, 2014	Expiry date range
Investment tax credit	$ 71,000	2020 to 2034	$ 71,000	2020 to 2034
Property and equipment	$ 126,000	No expiry	$ 68,000	No expiry
Share issue costs	$ 1,006,000	-	$ 390,000	-
Non-capital losses	$ 3,805,000	2030 to 2035	$ 2,391,000	2030 to 2034

16. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended June 30, 2015 was based on the loss attributable to shareholders of $6,004,866 (2014 – loss of $2,922,457) and the weighted average number of common shares outstanding for the year ended June 30, 2015 of 87,673,214 (2014 – 64,120,160). As a result of the loss for the years ended June 30, 2015 and 2014, all potentially dilutive common shares (Notes 13 and 14) are deemed to be antidilutive and thus diluted loss per share is equal to the basic loss per share for these periods.

(Expressed in Canadian Dollars)

17. KEY MANAGEMENT AND RELATED PARTY TRANSACTIONS

Key management includes directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management for employee services is presented below for the years ended June 30, 2015 and 2014:

	Year ended June 30, 2015	Year ended June 30, 2014
Salaries and short-term employees benefits[(1),(2)]	$ 2,582,695	$ 354,961
Share-based compensation	950,276	276,606
	$ 3,532,971	$ 631,567

(1) Including consulting fees.
(2) Including severance costs of $1,653,980 for the year ended June 30, 2015 (nil for the year ended June 30, 2014).

Key management is subject to employment agreements which provide for market standard payments on termination of employment without cause or following a change of control which call for payments of between once to twice base salary and bonus and certain vesting clauses on options.

During the year ended June 30, 2015, an amount of $60,800 was paid to a director for mining consulting services.

As at June 30, 2015, an amount of $83,909 ($100,834 as at June 30, 2014) is included in accounts payable and accrued liabilities for salaries and short-term benefits payable to key management.

During the year ended June 30, 2015, an amount of $269,241 (nil in 2014) was invoiced by a shareholder with significant influence over the Company and a company related to this shareholder for professional services and rental of offices, of which $217,444 (nil as at June 30, 2014) is included in accounts payable and accrued liabilities as at June 30, 2015.

During the year ended June 30, 2015, the total payments related to severance costs for key management, employees and consultants amounted to $1,908,980.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has no financial assets and no financial liabilities measured at fair value in the balance sheets as at June 30, 3015 and 2014.

Financial instruments that are not measured at fair value on the balance sheets are represented by cash and cash equivalents and accounts payable and accrued liabilities. The fair values of cash and cash equivalents and accounts payable and accrued liabilities approximate their carrying values due to their short-term nature.

19. SUPPLEMENTAL DISCLOSURE – STATEMENTS OF CASH FLOWS

	Year ended June 30, 2015	Year ended June 30, 2014
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities		
End of year	$ 1,284,535	$ 448,431
Beginning of year	448,431	77,151
Depreciation capitalized	10,451	-
Shares issued for acquisition of exploration and evaluation assets	-	78,375
Interests income received	4,127	1,777
Refundable tax credits received	514,705	-

20. FINANCIAL RISKS

The Company's activities expose it to a variety of financial risks: market risks (including interest rate risk, foreign currency risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's performance.

Risk management is carried out under policies approved by the Board of Directors. The Board of Directors provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment in excess liquidities.

(a) Market risks

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Company's interest rate risk is primarily related to cash and cash equivalents (guaranteed investment certificates), which partly bear interest at fixed rates. However, as these investments come to maturity within a short period of time, the impact would likely be not significant.

Other financial assets and financial liabilities are not exposed to interest rate risk because they are non-interest bearing.

The Company does not use derivatives to mitigate its exposure to interest rate risk.

(ii) Foreign exchange risk

The Company is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar.

The Company holds balances in cash and cash equivalents and accounts payable and accrued liabilities denominated in US dollars and is therefore exposed to gains or losses on foreign exchange. The Company does not use derivatives to mitigate its exposure to foreign currency risk.

As at June 30, 2015 and 2014, the balances in foreign currencies were not significant and the impact of a change in foreign currencies would likely be not significant.

(Expressed in Canadian Dollars)

20. FINANCIAL RISKS (continued)

(b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents. The Company reduces its credit risk by investing its cash and cash equivalents in guaranteed investment certificates issued by Canadian chartered banks.

The carrying amount representing the maximum credit exposure of the Company by class of financial assets are as follows:

	June 30, 2015	June 30, 2014
Loans and receivables		
Bank balances	$ 4,804,406	$ 3,803,175
Guaranteed investment certificates	30,460	30,190
	$ 4,834,866	$ 3,833,365

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations associated with its financial liabilities. The Company manages the liquidity risk by continuously monitoring actual and projected cash flows, taking into account the requirements related to its investment commitments and mining properties and matching the maturity profile of financial assets and liabilities. The Board of Directors reviews and approves any material transaction out of the ordinary course of business, including proposals on mergers, acquisitions or other major investment or divestitures. As at June 30, 2015, cash and cash equivalents are comprised of bank balances and guaranteed investment certificates. The Company estimates that with its liquidity position as at June 30, 2015, it has enough funds available to meet its financial liabilities for the next year.

The following table summarizes the Company's financial liabilities as at June 30, 2015:

	June 30, 2015		
	Less than one year	**Between one and three years**	**More than three years**
	$	**$**	**$**
Accounts payable and accrued liabilities	1,623,063	-	-
	1,623,063	-	-

(Expressed in Canadian Dollars)

20. FINANCIAL RISKS (continued)

(c) Liquidity risk (continued)

The following table summarizes the Company's financial liabilities as at June 30, 2014:

			June 30, 2014
	Less than one year	**Between one and three years**	**More than three years**
	$	**$**	**$**
Accounts payable and accrued liabilities	720,103	-	-
	720,103	-	-

21. SEGMENTED INFORMATION

The chief operating decision-maker organizes and manages the business under a single operating segment, consisting of acquiring and exploring mineral properties in Canada. All of the Company's assets and expenses are attributable to this single operating segment. The Company's operations and assets are all located in Canada.

22. COMMITMENTS

The Company is committed to minimum amounts under long-term lease agreements for office space and equipment which expire at the latest in 2021. As at June 30, 2015, minimum commitments remaining under these leases were approximately $246,250 over the following years:

Years ending June 30,		
2016	$	25,000
2017		45,000
2018		45,000
2019		45,000
2020		45,000
2021		41,250
	$	246,250

23. SUBSEQUENT EVENT

Private placement

On July 22, 2015, the Company closed a non-brokered private placement of units ("Units") to raise aggregate gross proceeds of $1,850,000 (the "Offering"). The Offering is comprised of Units at an issue price of $0.40 per Unit. Each Unit consists of one common share in the capital of the Company (a "Common Share") and one half of one common share purchase warrant (each whole common share purchase warrant, a "Warrant"). Each Warrant shall be exercisable into one additional Common Share of the Company for 24 months from the closing date of the Offering at an exercise price of $0.52 per Common Share.

The Company may accelerate the expiry of the Warrants should the volume weighted average trading price of the Common Shares of the Company on the TSX Venture Exchange exceed $0.65 over a period of 20 consecutive trading days, by giving notice in writing to the Warrant holders that the Warrants shall expire on that day which is 30 days following the notice date unless exercised by the holders prior to such date.

The net proceeds of the Offering will be used by the Company to advance and complete the Horne 5 Preliminary Economic Assessment to be delivered in 2016 and for general working capital.

Securities issued under the Offering are subject to a four-month hold period expiring on November 23, 2015.