



**FALCO RESOURCES LTD.**

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

**FOR THE THREE MONTHS**  
**ENDED**  
**SEPTEMBER 30, 2015**

**NOTICE OF NO AUDITOR REVIEW OF  
CONDENSED INTERIM FINANCIAL STATEMENTS**

**Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the condensed interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.**

**The accompanying unaudited condensed interim financial statements of Falco Resources Ltd. have been prepared by and are the responsibility of the Company's management.**

**The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.**

**FALCO RESOURCES LTD.****BALANCE SHEETS**

As at September 30, 2015 and June 30, 2015

(Unaudited)

(Expressed in Canadian Dollars)



	September 30, 2015	June 30, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,851,066	\$ 4,834,866
Sales tax receivable	660,955	737,248
Prepaid expenses	<u>93,773</u>	<u>89,583</u>
	4,605,794	5,661,697
<b>Non-current</b>		
Exploration deposits	188,488	118,000
Property and equipment (Note 3)	146,616	132,469
Option on property (Note 4)	1,000,000	1,000,000
Exploration and evaluation assets (Note 4)	<u>16,932,488</u>	<u>14,431,059</u>
<b>Total assets</b>	<u>\$ 22,873,386</u>	<u>\$ 21,343,225</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,790,294	\$ 1,623,063
Deferred premium on flow-through shares (Note 5)	<u>246,333</u>	<u>539,748</u>
<b>Total liabilities</b>	2,036,627	2,162,811
<b>Equity attributable to Falco Resources Ltd. shareholders</b>		
Share capital (Note 6)	29,818,113	28,315,781
Warrants (Note 7)	484,375	244,873
Contributed surplus	2,072,544	1,931,746
Deficit	<u>(11,538,273)</u>	<u>(11,311,986)</u>
<b>Total equity</b>	<u>20,836,759</u>	<u>19,180,414</u>
<b>Total liabilities and equity</b>	<u>\$ 22,873,386</u>	<u>\$ 21,343,225</u>

Approved on behalf of the Board of Directors on November 24, 2015:

"Luc Lessard"

Director

"James G. Davidson"

Director

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

**FALCO RESOURCES LTD.**  
**STATEMENTS OF LOSS AND COMPREHENSIVE LOSS**  
For the three months ended September 30, 2015 and 2014  
(Unaudited)  
(Expressed in Canadian Dollars)



	2015	2014
<b>EXPENSES</b>		
Consulting and compensation	\$ 266,938	\$ 295,584
Share-based compensation	136,241	197,080
Office and miscellaneous	57,393	77,408
Professional fees	25,384	76,869
Travel	19,068	91,738
Investor and shareholder relations	13,791	124,896
Depreciation	1,944	3,609
<b>Operating loss</b>	<b>(520,759)</b>	<b>(867,184)</b>
Interest income	1,039	3,798
Foreign exchange gain	18	82
Other income – premium on flow through shares (Note 5)	293,415	209,544
<b>Loss and comprehensive loss</b>	<b>\$ (226,287)</b>	<b>\$ (653,760)</b>
<b>Loss per common share – basic and diluted</b> (Note 9)	<b>\$ -</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b> (Note 9)	<b>98,624,679</b>	<b>72,749,879</b>

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

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

**FALCO RESOURCES LTD.**  
**STATEMENTS OF CASH FLOWS**  
For the three months ended September 30, 2015 and 2014  
(Unaudited)  
(Expressed in Canadian Dollars)



	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss for the period	\$ (226,287)	\$ (653,760)
Adjustments for non-cash items:		
Depreciation	1,944	3,609
Loss on disposal of equipment	-	-
Share-based compensation	136,241	197,080
Other income – premium on flow-through shares	(293,415)	(209,544)
Changes in non-cash working capital items:		
Sales tax receivable and refundable tax credits	76,293	419,692
Prepaid expenses	(4,190)	3,567
Accounts payable and accrued liabilities	<u>83,127</u>	<u>89,630</u>
Cash and cash equivalents used in operating activities	<u>(226,287)</u>	<u>(149,726)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Equipment	(28,320)	(34,569)
Exploration deposits	(70,488)	-
Option on property	-	(1,000,000)
Investments in exploration and evaluation assets	<u>(2,400,539)</u>	<u>(1,531,506)</u>
Cash and cash equivalents used in investing activities	<u>(2,499,347)</u>	<u>(2,566,075)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from private placement	1,850,000	1,082,750
Share issuance costs	<u>(108,166)</u>	<u>-</u>
Cash and cash equivalents provided by financing activities	<u>1,741,834</u>	<u>1,082,750</u>
<b>Decrease in cash and cash equivalents during the period</b>	<b>(983,800)</b>	<b>(1,633,051)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b><u>4,834,866</u></b>	<b><u>3,833,365</u></b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ <u>3,851,066</u></b>	<b>\$ <u>2,200,314</u></b>
<b>Cash and cash equivalents is composed of:</b>		
Cash	\$ 3,820,606	\$ 2,170,124
Cash equivalents	<u>30,460</u>	<u>30,190</u>
	<u>\$ 3,851,066</u>	<u>\$ 2,200,314</u>

Supplemental disclosure (Note 13)

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

**FALCO RESOURCES LTD.**  
**STATEMENTS OF CHANGES IN EQUITY**  
For the three months ended September 30, 2015 and 2014  
(Unaudited)  
(Expressed in Canadian Dollars)



	Capital Stock		Warrants	Contributed surplus	Deficit	Total
	Number of shares	Amount				
<b>Balance June 30, 2015</b>	<b>95,105,657</b>	<b>\$ 28,315,781</b>	<b>\$ 244,873</b>	<b>\$ 1,931,746</b>	<b>\$ (11,311,986)</b>	<b>\$ 19,180,414</b>
Private placement (Note 6)	4,625,000	1,595,625	254,375	-	-	1,850,000
Share issue costs (Note 6)	-	(93,293)	(14,873)	-	-	(108,166)
Share-based compensation	-	-	-	140,798	-	140,798
Loss and comprehensive loss for the period	-	-	-	-	(226,287)	(226,287)
<b>Balance September 30, 2015</b>	<b>99,730,657</b>	<b>\$ 29,818,113</b>	<b>\$ 484,375</b>	<b>\$ 2,072,544</b>	<b>\$ (11,538,273)</b>	<b>\$ 20,836,759</b>
<b>Balance June 30, 2014</b>	<b>71,280,458</b>	<b>\$ 18,415,187</b>	<b>\$ 122,920</b>	<b>\$ 1,131,283</b>	<b>\$ (5,305,979)</b>	<b>\$ 14,363,411</b>
Share options exercised	110,000	24,283	-	(10,283)	-	14,000
Warrants exercised	2,372,083	1,074,868	(6,118)	-	-	1,068,750
Share-based compensation	-	-	-	197,080	-	197,080
Loss and comprehensive loss for the period	-	-	-	-	(653,760)	(653,760)
<b>Balance September 30, 2014</b>	<b>73,762,541</b>	<b>\$ 19,514,338</b>	<b>\$ 116,802</b>	<b>\$ 1,318,080</b>	<b>\$ (5,959,739)</b>	<b>\$ 14,989,481</b>

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

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

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 September 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**

These unaudited condensed interim financial statements have been prepared in accordance with *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IASB”) applicable to the preparation of interim financial statements, including *International Accounting Standard* (“IAS”) 34, *Interim Financial Reporting*. The condensed interim financial statements should be read in conjunction with the annual financial statements of the Company for the year ended June 30, 2015, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies, methods of computation and presentation applied in these condensed interim financial statements are consistent with those of the previous financial year. The Board of Directors approved the condensed interim financial statements on November 24, 2015.

### 3. PROPERTY AND EQUIPMENT

Cost	Leasehold Improvements	Office and Other Equipment	Computer Equipment	Total
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
Additions	23,265	5,055	-	28,320
Balance as at September 30, 2015	\$ 34,360	\$ 117,477	\$ 116,335	\$ 268,172

Accumulated Depreciation	Leasehold Improvements	Office and Other Equipment	Computer Equipment	Total
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
Depreciation	1,944	-	-	1,944
Depreciation capitalized	-	4,719	7,510	12,229
Balance as at September 30, 2015	\$ 5,907	\$ 26,131	\$ 89,518	\$ 121,556

Carrying Amounts	Leasehold Improvements	Office and Other Equipment	Computer Equipment	Total
At June 30, 2015	\$ 7,132	\$ 91,010	\$ 34,327	\$ 132,469
At September 30, 2015	\$ 28,453	\$ 91,346	\$ 26,817	\$ 146,616



#### 4. EXPLORATION AND EVALUATION ASSETS

On September 8, 2014 the Company announced that it had signed an option 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. The remaining \$1,900,000 is payable by August 1, 2019 if the Company decides to exercise its option.

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

	Three months ended September 30, 2015	Year ended June 30, 2015
Balance – beginning of period	\$ 14,431,059	\$ 10,330,484
Consulting and salaries	103,663	752,753
Drilling	1,826,039	2,815,249
Geochemistry	-	237,473
Geology	59,665	449,123
Geophysics	43,958	321,608
Data compilation	-	228,393
Metallurgy	138,022	-
Environment and securing of the sites	120,691	-
Mining engineering	107,551	-
Other	101,840	-
Total expenditures for the period	2,501,429	4,804,599
Refundable tax credits for the period	-	(3,662)
Total for the period, net of tax credits	2,501,429	4,800,937
Write-off of exploration and evaluation assets <sup>(1)</sup>	-	(700,362)
Balance – end of period	\$ 16,932,488	\$ 14,431,059

(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.

#### 5. DEFERRED PREMIUM ON FLOW-THROUGH SHARES

	Three months ended September 30, 2015	Year ended June 30, 2015
Balance at beginning of the period	\$ 539,748	\$ 217,877
Deferred premium on flow-through shares issued	-	949,040
Recognition of deferred premium on flow-through shares	(293,415)	(627,169)
Balance at the end of the period	\$ 246,333	\$ 539,748

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 September 30, 2015, the Company is committed to spend \$1,830,000 by December 31, 2015 on eligible exploration and evaluation expenses related to this financing.

## 6. SHARE CAPITAL

Authorized: Unlimited number of common shares without par value

Shares held in escrow: The remaining 2,859,000 common shares held in escrow were released on September 30, 2015

### 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. Proceeds from the private placement were allocated between common shares and warrants, based on the fair value of the common shares with the residual value of the Units allocated to the warrants. Share issue costs amounted to \$108,166 and were allocated to the common shares and warrants based on their value.

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.

## 7. WARRANTS

The following table details the changes in the Company's warrants:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2014	9,276,507	\$ 0.55
Issued <sup>(i)</sup>	967,014	0.56
Exercised	(2,586,883)	0.45
Expired	(421,555)	0.45
Balance, June 30, 2015	7,235,083	\$ 0.59
Issued <sup>(ii)</sup>	2,312,500	\$ 0.52
Balance, September 30, 2015	9,547,583	\$ 0.58

(i) Broker's warrants

(ii) Warrants issued under a private placement on July 22, 2015 (Note 6)

**7. WARRANTS (continued)**

Warrants outstanding at September 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	0.12
\$ 0.52	2,312,500	July 22, 2017	1.81
\$ 0.5625	967,014 <sup>(1)</sup>	October 22, 2016	1.06
	<u>9,547,583</u>		

<sup>(1)</sup> Broker's Warrants

**8. SHARE-BASED COMPENSATION**

**Share options**

The following table summarizes information about the movement of the share options:

	Number of Options	Weighted Average Exercise Price
Balance, June 30, 2014	4,485,000	\$ 0.40
Granted	4,768,890	0.50
Exercised	(1,125,000)	0.31
Expired	<u>(1,003,333)</u>	<u>0.54</u>
Balance, June 30, 2015	7,125,557	\$ 0.47
Expired	<u>(581,667)</u>	<u>0.36</u>
Balance, September 30, 2015	6,543,890	\$ 0.48
Options exercisable, September 30, 2015	3,888,519	\$ 0.45

During the three months ended September 30, 2015, no share options were granted. Share-based compensation for the three months ended September 30, 2015 amounted to \$140,798 (\$197,080 for the three months ended September 30, 2014) of which \$4,557 (nil for the three months ended September 30, 2014) were capitalized to exploration and evaluation assets.

**8. SHARE-BASED COMPENSATION (continued)**

**Share options (continued)**

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

Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life (years)
\$ 0.30	740,000	740,000	1.49
\$ 0.40	575,000	575,000	1.61
\$ 0.45	3,173,890	1,358,519	2.27
\$ 0.50	65,000	65,000	0.56
\$ 0.57	1,100,000	1,100,000	0.38
\$ 0.64	840,000	-	4.43
\$ 0.70	50,000	50,000	0.17
	6,543,890	3,888,519	

**9. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the three months ended September 30, 2015 was based on the loss attributable to shareholders of \$226,287 (\$653,760 for the three months ended September 30, 2014) and the weighted average number of common shares outstanding for the three months ended September 30, 2015 of 98,624,679 (72,749,879 common shares for the three months ended September 30, 2014). As a result of the loss for the three months ended September 30, 2015 and 2014, all potentially dilutive common shares (Notes 7 and 8) are deemed to be antidilutive and thus diluted loss per share is equal to the basic loss per share for these periods.

## 10. 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 three months ended September 30, 2015 and 2014:

	2015	2014
Salaries and short-term employee benefits <sup>(1)</sup>	\$ 202,034	\$ 213,789
Share-based compensation	117,671	149,993
	<u>\$ 319,705</u>	<u>\$ 363,782</u>

<sup>(1)</sup> Includes consulting and directors' fees.

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.

As at September 30, 2014, an amount of \$68,385 is included in accounts payable and accrued liabilities for salaries and short-term employee benefits.

During the three months ended September 30, 2015, an amount of \$246,152 (nil for the three months ended September 30, 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. This amount is included in accounts payable and accrued liabilities as at September 30, 2015.

## 11. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has no financial assets and no financial liabilities at fair value in the balance sheets as at September 30, 2015 and June 30, 2015.

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

## 12. SEGMENTED INFORMATION

The chief operating decision-maker organizes and manages the business under a single operating segment, consisting of exploration and evaluation of resource properties. 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.

---

**13. SUPPLEMENTAL DISCLOSURE – STATEMENTS OF CASH FLOWS**

---

	2015	2014
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities		
End of period	\$ 1,368,639	\$ 459,318
Beginning of period	1,284,535	47,151
Share-based compensation capitalized to exploration and evaluation assets	4,557	-
Depreciation capitalized to exploration and evaluation assets	12,229	-
Interests income received	1,039	3,798
Refundable tax credits received	-	511,043

**14. COMMITMENTS**

As at September 30, 2015, the Company is committed under a flow-through share agreement to spend \$ 1,830,000 by December 31, 2015 on eligible exploration and evaluation expenses.

**15. SUBSEQUENT EVENTS**

On November 14, 2015, 6,268,069 warrants expired unexercised.