



**FALCO RESOURCES LTD.**

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

**FOR THE THREE AND SIX MONTHS**  
**ENDED**  
**DECEMBER 31, 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 Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.**

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

As at December 31, 2015 and June 30, 2015

(Unaudited)

(Expressed in Canadian Dollars)



	December 31, 2015	June 30, 2015
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 3,924,470	\$ 4,834,866
Sales tax receivable	609,355	737,248
Prepaid expenses	<u>104,553</u>	<u>89,583</u>
	4,638,378	5,661,697
<b>Non-current</b>		
Exploration deposits	188,488	118,000
Property and equipment (Note 3)	133,027	132,469
Option on property (Note 4)	1,000,000	1,000,000
Exploration and evaluation assets (Note 4)	<u>19,779,367</u>	<u>14,431,059</u>
<b>Total assets</b>	<u>\$ 25,739,260</u>	<u>\$ 21,343,225</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	\$ 1,893,302	\$ 1,623,063
Deferred premium on flow-through shares (Note 5)	<u>601,712</u>	<u>539,748</u>
<b>Total liabilities</b>	2,495,014	2,162,811
<b>Equity attributable to Falco Resources Ltd. shareholders</b>		
Share capital (Note 6)	32,425,532	28,315,781
Warrants (Note 7)	407,000	244,873
Contributed surplus	2,293,907	1,931,746
Deficit	<u>(11,882,193)</u>	<u>(11,311,986)</u>
<b>Total equity</b>	<u>23,244,246</u>	<u>19,180,414</u>
<b>Total liabilities and equity</b>	<u>\$ 25,739,260</u>	<u>\$ 21,343,225</u>

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 and six months ended December 31, 2015 and 2014

(Unaudited)

(Expressed in Canadian Dollars)



	Three months ended December 31,		Six months ended December 31,	
	2015	2014	2015	2014
<b>EXPENSES</b>				
Consulting and compensation	279,321	577,816	546,259	\$ 873,400
Share-based compensation	138,821	330,761	275,062	527,841
Office and miscellaneous	84,999	99,113	142,392	176,521
Professional fees	23,057	38,452	48,441	115,321
Travel	32,410	111,105	51,477	202,843
Investor and shareholder relations	30,975	132,779	44,765	257,675
Depreciation	2,564	6,081	4,508	9,690
<b>Operating loss</b>	<b>(592,147)</b>	<b>(1,296,107)</b>	<b>(1,112,904)</b>	<b>(2,163,291)</b>
Interest income	2,430	315	3,469	4,113
Foreign exchange gain (loss)	(536)	27	(520)	109
Other income – premium on flow through shares (Note 5)	246,333	51,591	539,748	261,135
<b>Loss and comprehensive loss</b>	<b>(343,920)</b>	<b>(1,244,174)</b>	<b>(570,207)</b>	<b>(1,897,934)</b>
<b>Loss per common share – basic and diluted</b> (Note 9)	<b>\$ (0.003)</b>	<b>\$ (0.015)</b>	<b>\$ (0.006)</b>	<b>\$ (0.025)</b>
<b>Weighted average number of common shares outstanding – basic and diluted</b> (Note 9)	<b>99,953,554</b>	<b>89,066,151</b>	<b>99,289,116</b>	<b>80,908,015</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 and six months ended December 31, 2015 and 2014  
(Unaudited)  
(Expressed in Canadian Dollars)



	Three months ended December 31,		Six months ended December 31,	
	2015	2014	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Loss for the period	\$ (343,920)	\$ (1,244,174)	(570,207)	\$ (1,897,934)
Adjustments for non-cash items:				
Depreciation	2,564	6,081	4,508	9,690
Loss on disposal of equipment	-	1,038	-	1,038
Share-based compensation	138,821	330,761	275,062	527,841
Other income – premium on flow-through shares	(246,333)	(51,591)	(539,748)	(261,135)
Changes in non-cash working capital items:				
Sales tax receivable and refundable tax credits	51,600	(150,197)	127,893	269,495
Prepaid expenses	(10,780)	54,558	(14,970)	58,125
Accounts payable and accrued liabilities	<u>57,187</u>	<u>(23,646)</u>	<u>140,314</u>	<u>65,984</u>
Cash and cash equivalents used in operating activities	<u>(350,861)</u>	<u>(1,077,170)</u>	<u>(577,148)</u>	<u>(1,226,896)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Equipment	(1,287)	(48,186)	(29,607)	(82,755)
Exploration deposits	-	15,000	(70,488)	15,000
Option on property	-	-	-	(1,000,000)
Investments in exploration and evaluation assets, net of refundable tax credits received (Note 13)	<u>(2,783,579)</u>	<u>(1,027,210)</u>	<u>(5,184,118)</u>	<u>(2,558,716)</u>
Cash and cash equivalents used in investing activities	<u>(2,784,866)</u>	<u>(1,060,396)</u>	<u>(5,284,213)</u>	<u>(3,626,471)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from private placement	3,281,040	10,000,032	5,131,040	11,082,782
Share issuance costs	<u>(71,909)</u>	<u>(755,189)</u>	<u>(180,075)</u>	<u>(755,189)</u>
Cash and cash equivalents provided by financing activities	<u>3,209,131</u>	<u>9,244,843</u>	<u>4,950,965</u>	<u>10,327,593</u>
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>73,404</b>	<b>7,107,277</b>	<b>(910,396)</b>	<b>5,474,226</b>
Cash and cash equivalents, beginning of period	<u>3,851,066</u>	<u>2,200,314</u>	<u>4,834,866</u>	<u>3,833,365</u>
<b>Cash and cash equivalents, end of period</b>	<b>3,924,470</b>	<b>9,307,591</b>	<b>3,924,470</b>	<b>9,307,591</b>
<b>Cash and cash equivalents is composed of:</b>				
Cash	\$ 3,924,470	\$ 9,277,145	\$ 3,924,470	\$ 9,277,145
Cash equivalents	<u>-</u>	<u>30,446</u>	<u>-</u>	<u>30,446</u>
	<u>\$ 3,924,470</u>	<u>\$ 9,307,591</u>	<u>\$ 3,924,470</u>	<u>\$ 9,307,591</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 six months ended December 31, 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 on private placement (Note 6)	-	(93,293)	(14,873)	-	-	(108,166)
Issuance of flow-through shares (Note 6)	10,253,250	3,281,040	-	-	-	3,281,040
Share issue costs on issuance of flow-through shares (Note 6)	-	(71,909)	-	-	-	(71,909)
Deferred premium on flow-through shares, net of issue costs of \$13,843 (Note 5)	-	(601,712)	-	-	-	(601,712)
Warrants expired	-	-	(77,375)	77,375	-	-
Share-based compensation	-	-	-	284,786	-	284,786
Loss and comprehensive loss for the period	-	-	-	-	(570,207)	(570,207)
<b>Balance December 31, 2015</b>	<b>109,983,907</b>	<b>\$ 32,425,532</b>	<b>\$ 407,000</b>	<b>\$ 2,293,907</b>	<b>\$ (11,882,193)</b>	<b>\$ 23,244,246</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>
Private placement	20,113,316	10,000,032	-	-	-	10,000,032
Share issue costs on private placement	-	(755,189)	-	-	-	(755,189)
Deferred premium on flow-through shares	-	(949,040)	-	-	-	(949,040)
Share issue costs – broker’s warrants	-	(167,498)	167,498	-	-	-
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	-	-	-	527,841	-	527,841
Loss and comprehensive loss for the period	-	-	-	-	(1,897,934)	(1,897,934)
<b>Balance December 31, 2014</b>	<b>93,875,857</b>	<b>\$ 27,642,643</b>	<b>\$ 284,300</b>	<b>\$ 1,648,841</b>	<b>\$ (7,203,913)</b>	<b>\$ 22,371,871</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.

Falco, 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 December 31, 2016 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 February 26, 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	24,552	5,055	-	29,607
Balance as at December 31, 2015	\$ 35,647	\$ 117,477	\$ 116,335	\$ 269,459

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	4,508	-	-	4,508
Depreciation capitalized	-	9,522	15,019	24,541
Balance as at December 31, 2015	\$ 8,471	\$ 30,934	\$ 97,027	\$ 136,432

Carrying Amounts	Leasehold Improvements	Office and Other Equipment	Computer Equipment	Total
At June 30, 2015	\$ 7,132	\$ 91,010	\$ 34,327	\$ 132,469
At December 31, 2015	\$ 27,176	\$ 86,543	\$ 19,308	\$ 133,027



#### 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:

	For the three-month period ended December 31, 2015	For the six-month period ended December 31, 2015	For the year ended June 30, 2015
Balance – beginning of period	\$ 16,932,488	\$ 14,431,059	\$ 10,330,484
Consulting and salaries	100,466	204,128	752,753
Drilling	1,862,854	3,688,893	2,815,249
Geochemistry	-	-	237,473
Geology	17,151	76,816	449,123
Geophysics	87,706	131,664	321,608
Data compilation	-	-	228,393
Metallurgy	370,955	508,977	-
Environment and securing of the sites	52,075	172,767	-
Mining engineering	43,085	150,636	-
Technical studies	159,520	207,519	-
Hydrology	137,100	137,594	-
Other	91,601	144,948	-
Total expenditures for the period	2,922,513	5,423,942	4,804,599
Refundable tax credits for the period	(75,634)	(75,634)	(3,662)
Total for the period, net of tax credits	2,846,879	5,348,308	4,800,937
Write-off of exploration and evaluation assets <sup>(1)</sup>	-	-	(700,362)
Balance – end of period	\$ 19,779,367	\$ 19,779,367	\$ 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

	Six months ended December 31, 2015		Year ended June 30, 2015	
Balance at beginning of the period	\$	539,748	\$	217,877
Deferred premium on flow-through shares issued		601,712		949,040
Recognition of deferred premium on flow-through shares		(539,748)		(627,169)
Balance at the end of the period	\$	601,712	\$	539,748

On December 30, 2015, the Company issued 10,253,250 flow-through shares for gross proceeds at \$3,281,040 (Note 6) and recognized a deferred premium on flow-through shares of \$601,712 (net of issue costs of \$13,843). The Company is committed to spending the proceeds on exploration and development activities by December 31, 2016.

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. The commitment related to this financing was met by December 31, 2015.

## 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-V 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.

### Private placement of flow-through shares

On December 30, 2015, the Company closed a non-brokered private placement of flow-through shares ("FT Shares") at an issue price of \$0.32 per FT Share for gross proceeds of \$3,281,040. Share issue costs amounted to \$71,909 and were allocated to the common shares (\$58,066) and the deferred premium on flow-through shares (\$13,843). The net proceeds will be used by Falco to finance qualified Canadian exploration expenditures on its Canadian resource properties based on their value.

## 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
Expired	(6,268,069)	0.60
Balance, December 31, 2015	3,279,514	\$ 0.53

(i) Broker's warrants

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

Warrants outstanding at December 31, 2015 are as follows:

Exercise Price	Number of Warrants	Expiry Date	Weighted Average Remaining Contractual Life (years)
\$ 0.52	2,312,500	July 22, 2017	1.56
\$ 0.5625	<u>967,014</u> <sup>(1)</sup>	October 22, 2016	0.81
	<u>3,279,514</u>		

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

## 8. 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	(1,003,333)	0.54
Balance, June 30, 2015	7,125,557	\$ 0.47
Granted	2,582,026	0.25
Expired	(661,667)	0.39
Balance, December 31, 2015	9,045,916	\$ 0.41
Options exercisable, December 31, 2015	4,311,667	\$ 0.45

During the six months ended December 31, 2015, the following share options were granted: 1,625,027 share options granted to directors, half of which vesting on each anniversary date of the grant and having a term of 3 years, and 956,999 share options granted to officers, a third of which vesting on each anniversary date of the grant 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 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:

	Six months ended December 31, 2015
Risk-free interest rate	0.60%
Expected life of options	3.7 years
Annualized volatility	100%
Dividend rate	-
Expected forfeiture rate	0%
Weighted average fair value per option	\$ 0.17

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-based compensation for the six months ended December 31, 2015 amounted to \$284,786 (\$527,841 for the six months ended December 31, 2014) of which \$9,724 (nil for the three months ended September 30, 2014) were capitalized to exploration and evaluation assets.

**8. SHARE OPTIONS (continued)**

Share options outstanding at December 31, 2015 are as follows:

Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Weighted Average Remaining Contractual Life (years)
\$ 0.25	2,582,026	-	3.73
\$ 0.30	740,000	740,000	1.23
\$ 0.40	575,000	575,000	1.36
\$ 0.45	3,143,890	1,831,667	2.05
\$ 0.50	65,000	65,000	0.31
\$ 0.57	1,100,000	1,100,000	0.13
\$ 0.64	840,000	-	4.18
	9,045,916	4,311,667	

**9. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the three and six months ended December 31, 2015 was based on the loss attributable to shareholders of \$343,920 and \$570,207, respectively (\$1,244,174 and \$1,897,934 for the three and six months ended December 31, 2014, respectively) and the weighted average number of common shares outstanding for the three and six months ended December 31, 2015 of 99,953,554 and 99,289,116, respectively (89,066,151 and 80,908,015 common shares for the three and six months ended December 31, 2014, respectively). As a result of the losses for three and six months ended December 31, 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 six months ended December 31, 2015 and 2014:

	Six months ended December 31,	
	2015	2014
Salaries and short-term employee benefits <sup>(1)</sup>	\$ 412,459	\$ 448,918
Share-based compensation	236,511	459,068
	\$ 648,970	\$ 907,986

<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.

## 10. RELATED PARTY TRANSACTIONS (continued)

During the six months ended December 31, 2015, an amount of \$570,927 (nil for the six months ended December 31, 2014) was invoiced by Osisko Gold Royalties Ltd (“Osisko”), a shareholder with significant influence over the Company, for professional services and rental of offices. An amount of \$324,774 is included in accounts payable and accrued liabilities as at December 31, 2015.

On December 30, 2015, the Company closed a non-brokered private placement and issued 10,253,250 flow-through shares at a price of \$0.32 per share for gross proceeds of \$3,281,040. Directors and officers of Falco as well as Osisko and certain officers of Osisko have subscribed to the flow-through shares under the same terms and conditions set forth for all subscribers for a total of 6,367,500 shares for gross proceeds of \$2,037,600.

As at December 31, 2014, \$71,984 is included in accounts payable and accrued liabilities for salaries and short-term employee benefits.

## 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 December 31, 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

	Three months ended		Six months ended	
	December 31,		December 31,	
	2015	2014	2015	2014
Exploration and evaluation asset expenditures included in accounts payable and accrued liabilities				
End of period	\$ 1,414,460	\$ 120,250	\$ 1,414,460	\$ 120,250
Beginning of period	1,368,639	459,318	1,284,535	47,151
Share-based compensation capitalized to exploration and evaluation assets	5,167	-	9,724	-
Depreciation capitalized to exploration and evaluation assets	12,312	-	24,541	-
Interests income received	2,430	315	3,469	4,113
Refundable tax credits received	75,634	-	75,634	-

#### **14. COMMITMENTS**

As at December 31, 2015, the Company is committed under a flow-through share agreement to spend \$ 3,281,040 by December 31, 2016 on eligible exploration and evaluation expenses.

#### **15. SUBSEQUENT EVENT**

Subsequently to December 31, 2015, 1,518,889 share options expired unexercised.