



FALCO RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED
JUNE 30, 2025 AND 2024



Independent auditor's report

To the Shareholders of Falco Resources Ltd.

Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Falco Resources Ltd. and its subsidiary (together, the Company) as at June 30, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at June 30, 2025 and 2024;
- the consolidated statements of loss and comprehensive loss for the years then ended;
- the consolidated statements of cash flows for the years then ended;
- the consolidated statements of changes in equity for the years then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1 to the consolidated financial statements, which describes events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

PricewaterhouseCoopers LLP

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended June 30, 2025. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

How our audit addressed the key audit matter

Assessment of impairment indicators of property, plant and equipment

Refer to note 3 – Summary of material accounting policies and note 5 – Critical accounting estimates and judgments to the consolidated financial statements.

The Company's carrying value of property, plant and equipment (PP&E) as at June 30, 2025 related to the Horne 5 Project amounted to \$158.9 million. The carrying value of property, plant and equipment is reviewed at each reporting date by management and whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. This determination requires significant judgment from management. Factors that could trigger an impairment review include, but are not limited to, evidence that the asset's value has declined during the period; significant changes with adverse effects on the Company, including changes in the regulatory environment, in metal prices and in foreign exchange rates; evidence of obsolescence or physical damage of an asset; and an excess of the carrying amount of the Company's net assets over its market capitalization.

Management determined that there were no factors that could trigger an impairment review as at June 30, 2025 and as such did not test its PP&E for impairment.

Our approach to addressing the matter included the following procedures, among others:

- Evaluated the reasonableness of management's assessment of impairment indicators of PP&E, which included the following:
 - Assessed the completeness of factors that could trigger an impairment review of PP&E, including consideration of evidence obtained in other areas of the audit.
 - Evaluated whether there were significant changes with adverse effects on the Company that occurred during the period, including changes in the regulatory environment, metal prices and in foreign exchange rates, by considering communication with regulators and external market and industry data.
 - Assessed whether there were decreases in the market capitalization below the carrying amount of the Company's net assets by considering any declines in the Company's share price.
 - Assessed whether there was evidence that the asset's value had declined during the period by considering evidence obtained in other areas of the audit.



Key audit matter

How our audit addressed the key audit matter

We considered this a key audit matter due to (i) the significance of the PP&E and the significant judgment that was required by management in its assessment of impairment indicators related to PP&E and (ii) a high degree of subjectivity in performing procedures related to the significant judgment made by management.

Other information

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.



Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Pascale Lavoie.

/s/PricewaterhouseCoopers LLP¹

Québec, Quebec
October 20, 2025

¹ CPA auditor, public accountancy permit No. A124423

Falco Resources Ltd.
Consolidated Balance Sheets
(Expressed in Canadian Dollars)

	June 30, 2025	June 30, 2024
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 6)	1,520,822	3,683,817
Accounts receivable	440,922	451,991
Prepaid expenses and other assets	369,997	290,593
	<u>2,331,741</u>	<u>4,426,401</u>
Non-current assets		
Property, plant and equipment (Note 7)	158,937,519	145,577,761
Other non-current assets (Note 9)	1,728,528	1,728,528
	<u>160,666,047</u>	<u>147,306,289</u>
Total assets	162,997,788	151,732,690
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,312,835	1,845,266
Convertible Loan (Note 10)	24,519,609	22,905,141
Convertible Debenture (Note 11)	13,884,948	13,282,225
Deferred premium on flow-through shares (Note 13)	157,871	182,694
Derivative warrant liabilities (Note 12)	540,685	501,555
	<u>40,415,948</u>	<u>38,716,881</u>
Non-current liabilities		
Contract Liability (Note 9)	66,256,801	60,675,657
Deferred income taxes (Note 17)	2,336,331	1,713,923
	<u>68,593,132</u>	<u>62,389,580</u>
Total liabilities	109,009,080	101,106,461
Equity		
Share capital (Note 14)	139,965,597	134,741,596
Warrants (Note 15)	853,102	701,102
Contributed surplus	16,976,648	16,595,100
Deficit	(103,806,639)	(101,411,569)
Total equity	53,988,708	50,626,229
Total liabilities and equity	162,997,788	151,732,690

Going concern (Note 1), Commitments (Note 25) and Subsequent events (Note 26)

Equity is solely attributable to Falco Resources Ltd. shareholders

Approved on behalf of the Board of Directors:

"Luc Lessard" Director _____
"Paola Farnesi" Director

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

Falco Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

	2025	2024
	\$	\$
Expenses		
Consulting and compensation	2,656,985	1,965,125
Professional fees	432,480	685,912
Share-based compensation (Note 16)	356,197	241,969
Office and administrative	344,222	322,980
Investor and shareholder relations	315,658	202,968
Exploration and evaluation (Note 8)	315,185	512,529
Travel	55,513	41,333
Depreciation (Note 7)	29,486	30,546
Refundable tax credits	(198,471)	(233,226)
Cost recoveries (Note 20)	(258,498)	(252,996)
Operating loss	(4,048,757)	(3,517,140)
Interest income	109,760	263,575
Interest expense	(1,134)	(20,887)
Change in fair value of derivative warrant liabilities (Note 12)	2,145,690	(66,790)
Foreign exchange gain	(3,044)	203
Other income – premium on flow-through shares (Note 13)	24,823	-
Loss before income taxes	(1,772,662)	(3,341,039)
Deferred income tax expense (Note 17)	(622,408)	(69,372)
Net loss and comprehensive loss	(2,395,070)	(3,410,411)
Net loss per common share		
Basic and diluted (Note 18)	(0.01)	(0.01)
Weighted average number of common shares outstanding		
Basic and diluted (Note 18)	292,859,745	271,675,901

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

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

Falco Resources Ltd.

Consolidated Statements of Cash Flows

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

	2025	2024
	\$	\$
Operating activities		
Net loss	(2,395,070)	(3,410,411)
Adjustments for:		
Share-based compensation (Note 16)	356,197	241,969
Depreciation (Note 7)	29,486	30,546
Other income – premium on flow-through shares (Note 13)	(24,823)	-
Change in fair value of derivative warrant liabilities (Note 12)	(2,145,690)	66,790
Deferred income tax expense (Note 17)	622,408	69,372
Changes in non-cash working capital items:		
Accounts receivable	11,069	231,987
Prepaid expenses and other assets	(79,404)	(65,626)
Accounts payable and accrued liabilities	(275,436)	262,683
Net cash flows used in operating activities	(3,901,263)	(2,572,690)
Investing activities		
Investments in property, plant and equipment	(3,508,733)	(2,547,565)
Decrease in restricted cash	-	905,000
Net cash flows used in investing activities	(3,508,733)	(1,642,565)
Financing activities		
Proceeds from private placement (Note 14)	6,000,000	2,183,402
Payment of transaction costs	(752,999)	(216,650)
Proceeds from the exercise of stock options (Note 16)	-	11,400
Net cash flows provided by financing activities	5,247,001	1,978,152
Decrease in cash and cash equivalents	(2,162,995)	(2,237,103)
Cash and cash equivalents, beginning of year	3,683,817	5,920,920
Cash and cash equivalents, end of year	1,520,822	3,683,817
Supplemental disclosure (Note 22)		

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

Falco Resources Ltd.

Consolidated Statements of Changes in Equity

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

	Number of shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Total
		\$	\$	\$	\$	\$
Balance – July 1, 2024	280,138,434	134,741,596	701,102	16,595,100	(101,411,569)	50,626,229
Units issued pursuant to a private placement (Note 14)	24,000,000	6,000,000	-	-	-	6,000,000
Share issue costs (Note 14)	-	(775,999)	152,000	-	-	(623,999)
Net loss and comprehensive loss	-	-	-	-	(2,395,070)	(2,395,070)
Share-based compensation (Note 16)	-	-	-	381,548	-	381,548
Balance – June 30, 2025	304,138,434	139,965,597	853,102	16,976,648	(103,806,639)	53,988,708
Balance – July 1, 2023	271,577,879	133,121,212	650,397	16,355,908	(98,001,158)	52,126,359
Units issued pursuant to a private placement (Note 14)	8,522,555	2,183,402	-	-	-	2,183,402
Share issue costs (Note 14)	-	(396,355)	50,705	-	-	(345,650)
Deferred Premium on flow through Shares (Note 13)	-	(182,694)	-	-	-	(182,694)
Net loss and comprehensive loss	-	-	-	-	(3,410,411)	(3,410,411)
Exercised stock options (Note 16)	38,000	16,031	-	(4,631)	-	11,400
Share-based compensation (Note 16)	-	-	-	243,823	-	243,823
Balance – June 30, 2024	280,138,434	134,741,596	701,102	16,595,100	(101,411,569)	50,626,229

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

Falco Resources Ltd.

Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

1. Nature of activities and going concern

Falco Resources Ltd. ("Falco" or the "Company") was incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2010 and was continued under the *Canada Business Corporations Act* on June 12, 2015. The Company's common shares (each a "Common Share") trade under the symbol "FPC" on the TSX Venture Exchange. The Company's registered office is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada.

The Company is in the business of exploring, evaluating and developing its mineral properties in the Rouyn-Noranda district of the Province of Québec (Canada) for base and precious metals.

On April 29, 2021, the Company filed on SEDAR an updated technical report, "Feasibility Study Update, Horne 5 Gold Project", dated effective March 18, 2021 (the "Updated Feasibility Study") pursuant to National Instrument 43-101, *Standards of Disclosure for Mineral Projects* and relating to Falco's Horne 5 Deposit in Rouyn-Noranda (the "Falco Horne 5 Project" or "Falco Horne 5 Deposit").

These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come 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 twelve months from the end of the reporting period. As at June 30, 2025, the Company had a negative working capital of \$38,084,207 (including a cash and cash equivalent balance of \$1,520,822), an accumulated deficit of \$103,806,639 and had incurred a loss of \$2,395,070 for the year ended June 30, 2025. As the Company is in the development stage for the Falco Horne 5 Project, it has not recorded any revenues from operations and has no source of operating cash flow, with the exception of the silver stream agreement (the "Silver Stream Agreement") signed with OR Royalties Inc., formerly Osisko Gold Royalties Ltd ("OR Royalties") on February 27, 2019 (Note 9). OR Royalties, through the Silver Stream Agreement and the Convertible Loan (see Note 10) and Osisko Development Corp. ("Osisko Development"), which owns 16.0% interest in Falco, are considered companies with significant influence over the Company and therefore are related parties pursuant to IAS 24 *Related Party Disclosure*.

The working capital as at June 30, 2025 will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2026. In addition, expected budgeted expenditures may be impacted by a rise in inflation. Management is aware, in making its assessment, of material uncertainties related to events and conditions that may cast a significant doubt upon the Company's ability to continue as a going concern as described in the preceding paragraph, and accordingly, the appropriateness of the use of accounting principles applicable to a going concern. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company's ability to continue future operations and fund its planned development activities at the Falco Horne 5 Deposit is dependent on Management's ability to secure third parties' approvals and additional financing in the future, in addition to renewing debt facilities (see Notes 10 and 11). Any funding shortfall may be met in the future in a number of ways, including, but not limited to, achieving the next milestones of the Silver Stream Agreement and the issuance of debt or equity instruments. While Management has been successful in securing financing in the past (see Notes 9, 10, 11, 14 and 26), there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Company or that they will be available on terms which are acceptable to the Company. If Management is unable to obtain new funding, the Company may be unable to continue its operations, and amounts realized for assets might be less than the amounts reflected in these consolidated financial statements.

2. Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The accounting policies, methods of computation and presentation applied in these consolidated financial statements are consistent with those of the previous financial year.

The Board of Directors (the "Board") has approved the audited consolidated financial statements on October 20, 2025.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

3. Summary of material accounting policies

The material accounting policies used in the preparation of these consolidated financial statements are as follows:

(a) Basis of measurement

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

(b) Basis of consolidation

The financial statements of the Company's wholly-owned subsidiary, Golden Queen Mining Consolidated Ltd. ("Golden Queen"), are included in the consolidated financial statements. The accounting policies of Golden Queen are aligned with the policies adopted by the Company.

Inter-company balances and transactions, and any unrealized income and expenses arising from inter-company transactions, are eliminated in preparing the consolidated financial statements.

(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. A financial liability is derecognized when extinguished, discharged, terminated, cancelled or expired.

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is an unconditional and 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 after initial recognition depends on the classification of the financial instrument. The Company has classified its financial instruments in the following categories depending on the purpose for which the instruments were acquired and their characteristics:

(i) Financial assets

Debt instruments

For the subsequent measurement, there are two measurement categories into which the Company classifies its debt instruments:

- i. Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the consolidated statement of loss and comprehensive loss.
- ii. Fair value through profit or loss ("FVPL"): Assets that do not meet the criteria for amortized cost (or fair value through other comprehensive income ("FVOCI"), which is not currently used by the Company) are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in the consolidated statement of loss and comprehensive loss and presented net within other gains/(losses) in the period in which it arises.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

3. Summary of material accounting policies (*continued*)

(c) *Financial instruments (continued)*

(ii) *Financial liabilities*

Financial liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce to fair value. These liabilities are measured at amortized cost using the effective interest method.

(iii) *Derivative financial instruments*

Derivative financial instruments are financial assets or financial liabilities classified as FVPL unless designated in a qualifying hedging relationship. Derivative financial instruments are carried in the consolidated statement of financial position at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss.

The Company's financial instruments consist of the following:

<u>Category</u>	<u>Financial instrument</u>
Financial assets at amortized cost	Cash and cash equivalents Accounts receivable
Financial liabilities at amortized cost	Accounts payable and accrued liabilities Convertible Debenture Convertible Loan
Financial liabilities through profit or loss	Derivative warrant liabilities

(d) *Impairment of financial assets carried at amortized cost*

At each reporting date, the Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The Company assumes that there is no significant increase in credit risk for instruments that have a low credit risk.

(e) *Cash and cash equivalents*

Cash and cash equivalents include cash on hand and short-term highly liquid investments with an initial maturity of three months or less that are readily convertible to known amounts of cash and which are exposed to an insignificant risk of changes in value.

(f) *Exploration and evaluation assets and expenditures*

Exploration and evaluation assets are comprised of the acquisition and other costs required to initially secure the legal rights to explore an area. Exploration and evaluation expenditures are costs incurred during the initial search for mineral resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

All expenditures relating to exploration and evaluation are expensed as incurred until the property reaches the development stage. Costs related to exploration and evaluation include claim renewal fees, topographical, geological, geochemical and geophysical studies, exploration drilling, trenching, sampling and research costs specific to a mining project and other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource. The various costs are expensed on a property-by-property basis pending determination of the technical feasibility and commercial viability of extracting a mineral resource.

Upon determination of technical feasibility and commercial viability of extracting a mineral resource, the related exploration and evaluation assets are tested for impairment and transferred to Construction in progress in property, plant and equipment. These amounts, plus all subsequent mine development costs are capitalized. Costs are not amortized until the project is ready for use as intended by Management.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

3. Summary of material accounting policies (*continued*)

(g) *Property, plant and equipment*

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition, the development and construction of the assets and that have been incurred up until the time that the assets are in the condition necessary to be used or operated in the manner intended by Management. 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 consolidated statement of loss and comprehensive loss during the period in which they are incurred.

Depreciation is calculated to amortize the cost of the property, plant 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	20-55%
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The Company allocates the amount initially recognized in respect of an item of property, plant 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, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset and are included in the consolidated statement of loss and comprehensive loss.

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalized as part of the cost of the asset. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use. Capitalization of borrowing costs ceases when the asset is completed and ready for its intended use. All other borrowing costs are recognized as financial expenses in the consolidated statement of loss and comprehensive loss as incurred.

(h) *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. When impairment indicators related to non-financial assets exist, the recoverable amount of the non-financial assets is determined. 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 ("FVLCD") 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.

(i) *Current and deferred income tax*

The tax expense for the period comprises current and deferred tax. Tax is recognized in the consolidated 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.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

3. Summary of material accounting policies (*continued*)

(i) Current and deferred income tax (*continued*)

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.

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.

(j) *Share capital and warrants*

Common Shares 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.

When warrants are issued for which a fixed number of Common Shares can be purchased, they are classified as equity. 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.

When warrants are issued for which a variable number of Common Shares can be purchased (Note 12), these instruments are classified as derivative liabilities and measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss at each period-end.

(k) *Flow-through shares*

The Company finances some exploration and evaluation expenditures through the issuance of flow-through shares. 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.

Pursuant to the related subscription agreements, the Company has committed to use the proceeds received from the issuance of flow-through shares for Canadian resource property exploration expenditures.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

3. Summary of material accounting policies (*continued*)

(l) *Share-based payments*

The Company offers a share option plan (the "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. For cash-settled share-based compensation plans, fair values are determined at each reporting date and periodic changes are recognized as compensation costs, with a corresponding change to liabilities.

(m) *Revenue from Contracts with Customers*

Deferred revenue arises on upfront payments received by the Company in consideration for future commitments as specified in its streaming agreement (the "Contract Liability").

The accounting for a streaming arrangement is dependent on the facts and terms of each agreement. The Company identified significant financing components related to its streaming agreement resulting from the difference in the timing of the upfront consideration received and the promised goods delivered. Interest expense on the Contract Liability (Note 9) is recognized in finance costs. The interest rate is determined based on the rate implicit in the streaming agreement at the date of inception. The initial consideration received from the streaming arrangements is considered variable, subject to changes in the total silver ounces to be delivered in the future. Changes to variable consideration will be reflected in the consolidated statement of loss and comprehensive loss.

At each financial reporting date, the Company will accrue interest on the financing component of the Contract Liability. The interest accrued will increase the balance of the Contract Liability with an offset charged to borrowing costs as part of the property, plant and equipment (Note 7). This interest accrual is not a contractual obligation but is intended to allocate the cost of the Silver Stream Agreement over the period it is outstanding. This accrual is a non-cash item and as such is not reported on the consolidated statement of cash flows. Upon commencement of production, the Contract Liability including the accrued interest will be brought into revenue over the life of mine.

Incremental costs directly attributable to obtaining a contract with a customer are capitalized as other non-current assets. Upon commencement of production, the other non-current assets will be expensed over the life of mine. Such costs are subject to impairment when the remaining amount of consideration to be received exceeds the costs that relate directly to providing the goods that have not been recognized as expenses.

(n) *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.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

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(Expressed in Canadian Dollars)

4. New accounting standard and amendments

At the date of authorization of these financial statements, 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 June 30, 2025. Other than IFRS 18 detailed below, these updates are not expected to have a significant impact on the Company's financial statements and are therefore not discussed herein.

IFRS 18, Presentation and disclosure in financial statements

On April 9, 2024, the IASB issued IFRS 18 to improve reporting of financial performance. The new standard replaces IAS 1 Presentation of Financial Statements. It carries forward many requirements from IAS 1 unchanged. IFRS 18 applies for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The new Accounting Standard introduces significant changes to the structure of income statements, including the presentation of two new defined subtotals in the statement of profit or loss: (1) Operating profit; and (2) Profit before financing and income taxes, required disclosures in the notes to the financial statements of management-defined performance measures and introduces new principles for aggregation and disaggregation of information. The impact of adoption of this standard has not yet been determined by the Company.

5. Critical accounting estimates and judgements

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 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.

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 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 going concern assumption, the impairment of non-financial assets, the income taxes and the accounting for streaming arrangements.

(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) Accounting for streaming arrangements

The Company entered into the Silver Stream Agreement and received \$25,000,000 on February 27, 2019, which was used for the development of the Falco Horne 5 Project (see also Note 10). The treatment of the deposit as a contract liability is a key judgment and is based on the expected delivery of the Company's future production.

Management exercised judgment in applying IFRS 15, *Revenue from Contracts with Customers* to this contract. To determine the transaction price for the Silver Stream Agreement, the Company made estimates with respect to the timing and value of future deliveries in order to determine the initial 13% interest rate implicit in the agreement.

On January 31, 2020, November 27, 2020, January 31, 2022 and February 23, 2024, the Company and OR Royalties agreed to amend the Silver Stream Agreement, whereby OR Royalties agreed to postpone by one year each of the deadlines granted to Falco to achieve milestones set as condition precedent to OR Royalties funding the remaining staged payments and certain other deadlines. On January 31, 2025, Falco and OR Royalties entered into an amendment to the Silver Stream Agreement. This amendment postpones certain deadlines granted to Falco to achieve milestones set as conditions precedent to OR Royalties funding the remaining instalments of the stream deposit and certain other deadlines.

Further to these contract modifications and the timing of expected future cashflows, the Company revised the implied interest rate of the Silver Stream Agreement. As at June 30, 2025 the implied interest rate of the Silver Stream Agreement was 8.6% (9.0% at June 30, 2024).

These estimates are subject to variability and may have an impact on the timing and amount of revenue recognized.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

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5. Critical accounting estimates and judgements (continued)

(iii) 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.

For property, plant and equipment, factors which could trigger an impairment review include, but are not limited to, evidence that the asset's value has declined during the period, significant changes with adverse effect on the Company, including changes in the regulatory environment, in metal prices and in foreign exchange rates, have occurred during the period, evidence is available of obsolescence or physical damage of an asset and the carrying amount of the Company's net assets exceed its market capitalization. In assessing impairment in regards to property, plant and equipment, Management estimates the recoverable amount of each CGU based on discounted future cash flows.

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.

The Falco Horne 5 Project is the Company's only non-financial asset and it was determined to be the Company's CGU at June 30, 2025 and June 30, 2024. As at June 30, 2025 and June 30, 2024, Management determined that there were no indications that the non-financial assets may not be recoverable. Property, plant and equipment are costs capitalized for the Falco Horne 5 Project.

6. Cash and cash equivalents

	June 30, 2025	June 30, 2024
	\$	\$
Cash	770,822	2,633,817
Cash equivalents	750,000	1,050,000
	1,520,822	3,683,817

Cash equivalents as at June 30, 2025, are comprised of redeemable term deposits bearing a weighted-average interest rate of 3.2%, and having various maturity dates until July 2025.

7. Property, plant and equipment

	Mining equipment	Land and buildings	Construction in progress	Office and other equipment	Total
	\$	\$	\$	\$	\$
Cost					
Balance – June 30, 2023	18,317,509	22,966,649	92,085,846	533,174	133,903,178
Additions	-	80,903	2,959,872	6,818	3,047,593
Capitalized borrowing costs	-	-	9,091,669	-	9,091,669
Balance – June 30, 2024	18,317,509	23,047,552	104,137,387	539,992	146,042,440
Additions	-	-	3,301,208	-	3,301,208
Capitalized borrowing costs	-	-	10,088,036	-	10,088,036
Balance – June 30, 2025	18,317,509	23,047,552	117,526,631	539,992	159,431,684
Accumulated Depreciation					
Balance – June 30, 2023	-	-	-	434,133	434,133
Depreciation	-	-	-	30,546	30,546
Balance – June 30, 2024	-	-	-	464,679	464,679
Depreciation	-	-	-	29,486	29,486
Balance – June 30, 2025	-	-	-	494,165	494,165
Carrying Amounts					
At June 30, 2024	18,317,509	23,047,552	104,137,387	75,313	145,577,761
At June 30, 2025	18,317,509	23,047,552	117,526,381	45,827	158,937,519

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For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

8. Exploration and evaluation expenditures

The Company has extensive land holdings in the Abitibi Greenstone Belt. Falco owns mining claims and contractual rights in or in relation to mining concessions in the Rouyn-Noranda mining camp located in Quebec, Canada. During the year ended June 30, 2025 and 2024, the Company incurred exploration and evaluation expenses totaling \$315,185 and \$512,529, respectively.

9. Contract Liability

On February 27, 2019, the Company and OR Royalties (the "Parties") completed the Silver Stream Agreement, which was amended on January 31, 2020, November 27, 2020, January 31, 2022, February 23, 2023 and January 31, 2025, whereby OR Royalties agreed to provide the Company with staged payments totaling up to \$180,000,000, toward the funding of the development of the Falco Horne 5 Project.

As of June 30, 2025, the Company has received installment payments totalling \$35,000,000. The remaining installments are payable as follows:

- \$45,000,000 upon the Company receiving all necessary material third-parties' approvals, licenses, rights of way, and surface rights, in addition to reception of all material permits required for the construction of a mine at the Project, a positive construction decision for this project, and raising a minimum of \$100,000,000 (adjusted for inflation from February 27, 2019) in equity, joint venture or any other non-debt financing for the construction of the mine ("Second Installment");
- \$60,000,000 upon the total projected capital expenditure for the Falco Horne 5 Project having been demonstrated to be financed ("Third Installment"); and
- \$40,000,000 at the sole election of OR Royalties to increase the stream percentage, payable concurrently with the Third Installment ("Fourth Installment").

Under the terms of the Silver Stream Agreement, OR Royalties will purchase 90% of the payable silver from the Falco Horne 5 Project, increasing to 100% of the payable silver from this project in the event the Fourth Instalment is paid. In exchange for the silver delivered under this agreement, OR Royalties will pay the Company ongoing payments equal to 20% of the spot price of silver on the day of delivery, subject to a maximum payment of USD\$6.00 per silver ounce. The silver produced from the Project and properties within a 5 km area of interest will be subject to the Silver Stream Agreement. Pursuant to the Silver Stream Agreement, the Company agreed to pay a \$2,000,000 capital commitment fee, which is payable upon OR Royalties funding the Second Installment under the Silver Stream Agreement. Falco's obligations towards OR Royalties with respect to the Silver Stream Agreement are secured by a deed of hypothec for a maximum of \$600,000,000; such first ranking deed was subordinated in favour of the security granted to Glencore Canada Corporation ("Glencore Canada") as part of the Convertible Debenture transaction (see Note 11).

The amendment on January 31, 2025, postpones certain deadlines granted to Falco to achieve milestones set as conditions precedent to OR Royalties funding the remaining instalments and certain other deadlines. This amendment comprises additional changes to reflect the execution of the operating license and indemnity agreement ("OLIA") with Glencore Canada in January 2024, including that the funding of the second instalment of the stream deposit will be subject to Falco demonstrating that financial assurances in favour of Glencore under the OLIA can be satisfied. This amendment also included a revised provision on the calculation of interest payable to OR Royalties once production has commenced or should commencement of production be postponed.

The breakdown of the Contract Liability is as follows:

	\$
Balance at June 30, 2023	54,714,134
Interest on the Contract Liability's financing component	5,961,523
Balance at June 30, 2024	60,675,657
Interest on the Contract Liability's financing component	5,581,144
Balance at June 30, 2025	66,256,801

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Notes to Consolidated Financial Statements

For the years ended June 30, 2025 and 2024

(Expressed in Canadian Dollars)

9. Contract Liability (continued)

As of June 30, 2025 and June 30, 2024, the Company incurred on a cumulative basis \$1,728,528 of transaction costs relating to the Contract Liability, which is accounted for as other non-current assets on the consolidated balance sheet.

Under IFRS 15, the Silver Stream Agreement is considered to have a significant financing component. As such, interest is accrued and added to the Contract Liability. The Contract Liability will begin to be gradually recognized as part of revenues over the life of the mine once deliveries under the Silver Stream Agreement begin. The Company therefore records notional non-cash interest, which is subject to capitalization to property, plant and equipment as borrowing costs, at each financial reporting date based on the implied interest rate that was determined at the time that the Silver Stream Agreement was consummated and/or modified. This interest accrual is not a contractual obligation but is intended to allocate the cost of the Silver Stream Agreement over the period it is outstanding. This accrual is a non-cash item and as such is not reported on the consolidated statement of cash flows.

10. Convertible Loan

On February 22, 2019, Falco closed a secured senior loan agreement with OR Royalties (the "Convertible Loan") for \$10,000,000. On November 22, 2019, November 20, 2020, and January 24, 2023 the Convertible Loan was amended.

As part of the amendment on January 24, 2023, Falco agreed with OR Royalties to extend the maturity date of the Convertible Loan from December 31, 2022 to December 31, 2024. In consideration for the extension of this maturity date, this loan was also amended (collectively with the extension of the maturity date of the Convertible Loan, the "Convertible Loan Amendments") (i) in order for the accrued interest on the existing Convertible Loan to be capitalized such that the principal amount of the amended Convertible Loan totaled \$20,484,195, (ii) to increase the interest rate of the Convertible Loan from 7% per annum to 8% per annum, and (iii) to reduce the conversion price of the Convertible Loan from \$0.55 to \$0.50 per Common Share. In addition, the 10,664,324 Warrants previously held by OR Royalties, were replaced with 10,664,324 Warrants (the "Replacement Warrants") exercisable at an exercise price of \$0.65 and expiring on December 31, 2024, maturing concurrently with the Convertible Loan, as amended.

On December 11, 2024, the Company agreed with OR Royalties in order to extend the maturity date of the Convertible Loan from December 31, 2024 to December 31, 2025. In consideration for the extension of the maturity date of the Convertible Loan, the Convertible Loan was also amended effective December 31, 2024 in order for (i) the accrued interest on the existing Convertible Loan to be capitalized such that the principal amount of the amended Convertible Loan is \$23,881,821, (ii) the conversion price was lowered from \$0.50 to \$0.45 per Common Share, and (iii) the interest rate increased from 8% to 9% (collectively, the "Osisko Loan Amendments"). The 10,664,324 Warrants previously held by OR Royalties (the "Existing Osisko Warrants"), each exercisable for one Common Share at an exercise price of \$0.65 per Common Share, expired on December 31, 2024. In consideration for the extension of the maturity date of the Convertible Loan, the Company issued on December 31, 2024, 17,690,237 Warrants (the "New Osisko Warrants"), each exercisable at any time from and after January 1, 2025, for one Common Share at an exercise price of \$0.58 per Common Share and expiring on December 31, 2025.

Falco's obligations towards OR Royalties with respect to the Convertible Loan is secured by a deed of hypothec for a maximum of \$25,000,000 over all of the assets of Falco other than the Falco Horne 5 Project and ranks after the security granted to Glencore Canada as part of the Convertible Debenture transaction (see Note 11).

Transactions affecting the Convertible Loan were as follows:

	\$
Balance June 30, 2023	21,074,432
Interest	1,830,709
Balance June 30, 2024	22,905,141
Interest	2,434,057
Transaction costs	(69,921)
Fair Value of New Osisko Warrants	(749,668)
Balance June 30, 2025	24,519,609

The Convertible Loan's principal amount is directly attributable to the acquisition or construction of a qualifying asset, as such these borrowing costs are capitalized to property, plant and equipment.

Falco Resources Ltd.

Notes to Consolidated Financial Statements

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11. Convertible Debenture

On October 27, 2020, the Company entered into an agreement with Glencore Canada for a \$10,000,000 senior secured convertible debenture (the "Convertible Debenture"). On October 13, 2021, April 27, 2022, and January 24, 2023 the Convertible Debenture was amended.

As part of the amendment on January 24, 2023, Falco agreed with Glencore Canada to extend the maturity date of the Convertible Debenture from April 27, 2023 to December 31, 2024. In consideration for the extension of the maturity date of the Convertible Debenture, this loan was amended (i) in order for the accrued interest on the existing Convertible Debenture to be capitalized such that the principal amount of the amended Convertible Debenture totaled \$11,770,710, (ii) to increase the interest rate of the Convertible Debenture from 8% per annum to 9% per annum and (iii) to reduce the conversion price of the Convertible Debenture from \$0.40 to \$0.36 per Common Share. In addition, the 15,061,158 Warrants held by Glencore Canada, each exercisable for one Common Share at an exercise price of \$0.41 and expiring on April 27, 2023 were amended to be exercisable at an exercise price of \$0.38 and expiring on December 31, 2024 (the "Warrant Extension"), maturing concurrently with the Convertible Debenture, as amended.

On October 7, 2024, the Company agreed with Glencore in order to extend the maturity date of the Convertible Debenture from December 31, 2024 to December 31, 2025. In consideration for the extension of the maturity date of the Convertible Debenture, the Convertible Debenture was also amended effective December 31, 2024 (the "Amended Convertible Debenture") in order for (i) the accrued interest on the existing Convertible Debenture up to December 31, 2024 to be capitalized such that the principal amount of the amended Glencore Debenture was \$13,985,960, (ii) the conversion price was increased to \$0.37 per Common Share (from \$0.36), and (iii) the interest rate was increased from 9% to 10% (collectively, the "Convertible Debenture Amendments"). The 15,061,158 Warrants held by Glencore remained outstanding until their expiry on December 31, 2024. In consideration for the extension of the maturity date of the Convertible Debenture, the Company issued to Glencore, on December 31, 2024, 19,424,944 Warrants (the "New Glencore Warrants"), each exercisable at any time from and after January 1, 2025, at an exercise price of (i) \$0.38 per Common Share for 15,061,158 of the New Glencore Warrants and (ii) \$0.42 per Common Share for the remaining 4,363,786 New Glencore Warrants, and expiring on December 31, 2025.

The Convertible Debenture is secured by first ranking security on all assets owned by Falco. Glencore Canada will release the security upon the settlement of the Convertible Debenture and the repayment of interest. So long as Glencore Canada owns (or is deemed to own) a minimum equity interest of 5% in the Company, it will have the right to maintain its pro-rata interest in Falco by participating in equity financings and other dilutive instruments.

Transactions affecting the Convertible Debenture were as follows:

	\$
Balance June 30, 2023	11,982,788
Interest	1,299,437
Balance June 30, 2024	13,282,225
Interest	2,072,836
Transaction costs	(34,961)
Fair value of New Glencore Warrants	(1,435,152)
Balance June 30, 2025	13,884,948

The Convertible Debenture's principal amount is directly attributable to the acquisition or construction of a qualifying asset, as such these borrowing costs are capitalized to property, plant and equipment.

12. Derivative warrant liabilities

In accordance with IFRS, a contract to issue a variable number of shares fails to meet the definition of equity and must instead be classified as derivative liabilities and measured at fair value with changes in fair value recognized in the consolidated statement of loss and comprehensive loss at each period-end. The derivative warrant liabilities will ultimately be converted into Common Shares when the Warrants are exercised, or will be extinguished on the expiry of the outstanding Warrants, and will not result in the outlay of any cash by the Company. Immediately prior to exercise, the Warrants are remeasured at their estimated fair value. Upon exercise, the intrinsic value is transferred to share capital (the intrinsic value is the share price at the date the Warrant is exercised less the exercise price of the Warrant). Any remaining fair value is recorded through the consolidated statement of loss and comprehensive loss as part of the change in estimated fair value of derivative warrant liabilities.

Falco Resources Ltd.

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12. Derivative warrant liabilities (continued)

The following table details the changes in the Company's derivative warrant liabilities:

	Conv. Debt Warrants		Conv. Loan Warrants		Total	
	Number	\$	Number	\$	Number	\$
Balance at June 30, 2023	15,061,158	338,188	10,664,324	96,577	25,725,482	434,765
Revaluation of derivative warrant liabilities	-	78,050	-	(11,260)	-	66,790
Balance at June 30, 2024	15,061,158	416,238	10,664,324	85,317	25,725,482	501,555
Revaluation of derivative warrant liabilities	-	(1,424,533)	-	(721,157)	-	(2,145,690)
Expiration of Warrants (Notes 10 and 11)	(15,061,158)	-	(10,664,324)	-	(25,725,482)	-
New Warrants (Notes 10 and 11)	19,424,944	1,435,152	17,690,237	749,668	37,115,181	2,184,820
Balance at June 30, 2025	19,424,944	426,857	17,690,237	113,828	37,115,181	540,685

The revaluation of derivative warrant liabilities is recorded in the statement of loss and comprehensive loss.

The derivative warrant liabilities were accounted for at their fair value determined by the Black-Scholes option pricing model on the following weighted average assumptions at each reporting date and at their issuance date:

	June 30, 2025	December 31, 2024	June 30, 2024
Risk-free interest rate	2.66%	3.00%	4.06%
Expected life of Warrants	0.5 years	1.0 years	0.5 years
Annualized volatility	80%	85%	100%
Dividend rate	-	-	-
Fair value per Warrant	\$0.015	\$0.059	\$0.019

These derivative warrant liabilities are Level 3 recurring fair value measurements. The key Level 3 input used by Management to estimate the fair value is the expected volatility.

13. Deferred premium on flow-through shares

	June 30, 2025	June 30, 2024
	\$	\$
Balance – beginning of year	182,694	-
Deferred premium on flow-through shares issued, net of share issue costs	-	182,694
Recognition of deferred premium on flow-through shares	(24,823)	-
Balance – end of year	157,871	182,694

14. Share capital

Authorized: Unlimited number of Common Shares without par value
Issued and fully paid: 304,138,434 Common Shares

Transactions during the year ended June 30, 2025

On December 20, 2024, the Company closed a brokered private placement (the "December Offering"). Pursuant to the December Offering, Falco issued 24,000,000 units of the Company (the "Units") at a price of \$0.25 per Unit, for gross proceeds of \$6,000,000. Each Unit consisted of one Common Share and one Common Share purchase warrant (each, a "Warrant"). Each Warrant is exercisable to acquire one Common Share at a price of \$0.35 at any time on or before that date which is 60 months after the closing date of the December Offering.

In connection with the closing of the December Offering, the Company incurred share issue costs of \$775,999, including \$623,999 in cash and the issuance of 1,152,000 Warrants (each, a "Finder Warrant"). Each Finder Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.25 per Finder Warrant at any time for a term of 24 months after the closing date of the December Offering. A related party subscribed for 1,790,000 Units under the December Offering.

Falco Resources Ltd.

Notes to Consolidated Financial Statements For the years ended June 30, 2025 and 2024 (Expressed in Canadian Dollars)

14. Share capital (continued)

The fair value of the Finder Warrants were determined by the Black-Scholes option pricing model based on the following weighted assumptions:

Finder Warrant exercise price	\$0.25
Share price at date of grant	\$0.27
Risk-free interest rate	4.06%
Expected life of Finder Warrants	2 years
Annualized expected volatility	85%
Dividend rate	-
Fair value per Finder Warrant	\$0.13

Transactions during the year ended June 30, 2024

On June 27, 2024, the Company closed a private placement (the "Offering"), issuing 4,058,269 Units (the "Units") at a price of \$0.23 per Unit and 4,464,286 flow-through shares of the Company (each, a "FT Share", and collectively with the Units, the "Offered Securities") at a price of \$0.28 per FT Share, for aggregate gross proceeds of \$2,183,402.

Each Unit consisted of one Common Share and one-half of one Warrant. Each Warrant is exercisable to acquire one Common Share at a price of \$0.35 at any time on or before June 26, 2026. Each FT Share consists of one Common Share issued as a "flow-through share" within the meaning of the *Income Tax Act* (Canada).

Share issue costs totaled \$396,355, including \$345,650 in cash and the issuance of 446,859 Warrants (each, a "Broker Warrant"). An amount of \$182,694 (net of share issue costs of \$40,520) was allocated to the deferred premium on flow through shares. Each Broker Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.23 per Broker Warrant at any time for a term of 24 months following the date of issuance.

The fair value of the Broker Warrants were determined by the Black-Scholes option pricing model based on the following weighted assumptions:

Broker Warrant exercise price	\$0.23
Share price at date of grant	\$0.225
Risk-free interest rate	4.06%
Expected life of Broker Warrants	2 years
Annualized expected volatility	93%
Dividend rate	-
Fair value per Broker Warrant	\$0.11

All Common Shares, Warrants and Broker Warrants issued pursuant to the Offering are subject to a hold period of four months plus one day from the date of issuance of the Offered Securities under applicable securities laws in Canada.

15. Warrants

The following table details the changes in the Warrants, including Broker warrants for the years ended June 30, 2025 and 2024:

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance – June 30, 2023	47,325,482	0.52
Issued	2,475,993	0.33
Balance – June 30, 2024	49,801,475	0.51
Expired	(25,725,482)	0.49
Issued	62,267,181	0.43
Balance – June 30, 2025	86,343,174	0.45
Warrants subject to cashless exercise	37,115,181	0.48

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15. Warrants (continued)

The Warrants outstanding at June 30, 2025, are as follows:

Exercise price (\$)	Number of Warrants	Expiry date	Weighted average remaining contractual life (years)
0.55	21,600,000	July 31, 2025	0.09
0.38	15,061,158	December 31, 2025	0.50
0.42	4,363,786	December 31, 2025	0.50
0.58	17,690,237	December 31, 2025	0.50
0.35	2,029,134	June 28, 2026	1.00
0.23	446,859	June 28, 2026	1.00
0.25	1,152,000	December 19, 2026	1.47
0.35	24,000,000	December 19, 2029	4.47
	86,343,174		

16. Share-based compensation

Restricted, deferred and performance share units

The Company has a long-term incentive plan (the "LTI Plan") for the benefit of the Company's employees and consultants. The LTI 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 maximum number of shares reserved for issuance should not exceed 2,500,000 Common Shares. There were no outstanding RSUs, DSUs or PSUs as at June 30, 2025 and 2024.

Share options

The Option Plan provides that the Board may from time to time, at its discretion, grant to the directors, officers, employees and consultants, non-transferable options to purchase Common Shares ("Options"), provided that the number of Common Shares reserved for issuance will not exceed 10% of the shares issued and outstanding, including any Common shares reserved under all other established share-based compensation arrangements. The maximum term of Options is 10 years and terms of vesting are at the discretion of the Board. The following table summarizes information about the movement of the Options during the last two years:

	Number of Options	Weighted Average Exercise Price
		\$
Balance – June 30, 2023	13,998,333	0.37
Granted	3,440,000	0.36
Exercised	(38,000)	0.30
Forfeited	(147,556)	0.37
Expired	(7,003,777)	0.33
Balance – June 30, 2024	10,249,000	0.40
Forfeited	(450,000)	0.37
Expired	(200,000)	0.39
Balance – June 30, 2025	9,599,000	0.40
Options exercisable – June 30, 2025	7,522,333	0.41

During the year ended June 30, 2024, Options were granted to directors, officers, key employees and consultants. The Options have a five-year term and vest over a three-year period. The exercise price of the Options granted were based on the closing price of the share on the day prior to the grant date.

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16. Share-based compensation (continued)

The Options granted were accounted for at their fair value determined by the Black-Scholes option pricing model on the following weighted average assumptions:

	For the year-ended June 30 2024
Risk-free interest rate	3.58%
Expected life of Options	5 years
Annualized volatility	76%
Dividend rate	-
Weighted average fair value per Option	\$0.23

The annualized volatility was based on historical data for the Company. The fair value of the Options is amortized over the vesting period, taking into account expected forfeitures. Options issued are exercisable at the closing market price of the Common Shares on the day prior to their grant.

Options outstanding at June 30, 2025 are as follows:

Exercise price (\$)	Number of Options outstanding	Number of Options exercisable	Weighted average remaining life (Years)
0.33	150,000	100,000	2.00
0.36	3,040,000	1,013,333	3.75
0.40	2,400,000	2,400,000	1.66
0.42	630,000	630,000	0.67
0.43	442,000	442,000	0.67
0.45	2,937,000	2,937,000	0.39
	9,599,000	7,522,333	

For the year ended June 30, 2025, the share-based compensation costs amounted to \$381,548 (\$243,823 for the year ended June 30, 2024) of which \$355,381 was charged to the consolidated statement of loss and comprehensive loss (\$241,969 for the year ended June 30, 2024) and \$26,167 was capitalized to construction in progress (\$1,854 for the year-ended June 30, 2024). The offsetting credit is recorded as contributed surplus.

17. Income taxes

A reconciliation of income taxes at statutory rates (26.5%) with the reported taxes for the year ended June 30, 2025 (26.5% for the year ended June 30, 2024), is as follows:

	2025	2024
	\$	\$
Loss before income taxes	(1,772,662)	(3,341,039)
Expected income tax recovery	(469,755)	(885,375)
Non-deductible expenses, net	95,671	38,000
Change in fair value of derivative warrant liabilities	(568,608)	(18,000)
Provincial mining duties	622,409	69,371
Change in unrecognized deductible temporary differences	1,102,330	883,376
Other, net	(159,639)	(18,000)
Total income tax expense	622,408	69,372

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Notes to Consolidated Financial Statements

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17. Income taxes (continued)

The significant components of the Company's deferred tax assets and liabilities as at June 30, 2025 and 2024 are as follows:

	2025	2024
	\$	\$
Deferred tax liabilities		
Provincial mining duties	(2,336,331)	(1,714,000)
Exploration and evaluation assets	8,172,000	14,402,000
Property, plant and equipment	(7,986,000)	(15,805,000)
Share and debt issue costs	(186,000)	(329,000)
Non-capital losses	-	1,732,077
Deferred tax liability	(2,336,331)	(1,713,923)

As a result of the Falco Horne 5 Project's positive preliminary economic assessment filed in June 2016 and the completion of its feasibility study, the Company's intention is to proceed with the development of this project. The Company intends to realize the carrying value of its assets and settle the carrying value of its liabilities through the use of its development properties and as such, has recorded a deferred tax liability with respect to provincial mining duties.

The significant components of deductible temporary differences, carry-forward of unused tax losses and carry-forward of unused tax credits that have not been included on the balance sheets as at June 30, 2025 are as follows:

	\$	Expiry date range
Investment tax credits	196,000	2034
Non-capital losses	75,296,000	2034 to 2045
Income tax benefit from provincial mining duties	2,894,000	No expiry

18. Net loss per share

As a result of the net loss for the years ended June 30, 2025 and 2024, all potentially dilutive Common Shares (Notes 15 and 16) are deemed to be antidilutive and thus diluted net loss per Common Share is equal to the basic net loss per Common Share for these periods.

19. Capital management

The capital structure of the Company as at June 30, 2025, consists of equity attributable to common shareholders comprising issued capital and equity reserves.

The Company manages and adjusts its capital structure based on available funds in order to support the acquisition, exploration and evaluation of mineral properties. The Board does not establish quantitative return on capital criteria for management, but rather relies on the expertise of Management to sustain future development of the business. The Company is not subject to any externally imposed capital requirements.

The properties in which the Company currently has interests are in the development or in the exploration and evaluation stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out planned development, exploration and evaluation activities, and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as required. The Company will continue to assess new properties and seek to acquire an interest in additional properties if it feels they have sufficient geological and economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the capital management objectives, policies and proceedings during the years ended June 30, 2025 and 2024. Changes in capital are described in the consolidated statement of changes in equity.

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Notes to Consolidated Financial Statements For the years ended June 30, 2025 and 2024 (Expressed in Canadian Dollars)

20. Key management and related party transactions

Key management personnel

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, 2025 and 2024:

	2025	2024
	\$	\$
Salaries and short-term employees benefits	1,476,270	1,386,520
Share-based compensation	352,146	233,046
	1,828,416	1,619,566

Related party transactions and balances, not otherwise disclosed, are summarized below:

During the year ended June 30, 2025, an amount of \$125,000 was invoiced by OR Royalties for professional services and access to office space (\$143,000 during the year ended June 30, 2024), of which \$30,000 is included in accounts payable and accrued liabilities as at June 30, 2025 (\$64,000 as at June 30, 2024). These services were rendered to the Company in the normal course of operations and were measured at the exchange amount, which is the amount established and agreed to by the related parties.

As at June 30, 2025, interest payable on the Convertible Loan amounted to \$1,071,720 (\$2,515,277 as at June 30, 2024). Interest incurred on the Convertible Loan for the year ended June 30, 2025 totaled \$2,434,057 (\$1,790,043 for the year ended June 30, 2024) and was capitalized to property, plant and equipment in the consolidated balance sheet.

The Company has commitments under certain management contracts and minimum commitments under those contracts are \$1,800,000.

21. Fair value of financial instruments

The Company's derivative warrant liabilities are measured at fair value in the consolidated balance sheet as at June 30, 2025 (see Note 12).

As at June 30, 2025 and June 30, 2024, the financial instruments that are not measured at fair value in the consolidated balance sheets are represented by cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, the debt host of the Convertible Loan and the Convertible Debenture. The fair values of the cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short-term nature. The fair value of the Convertible Loan and the Convertible Debenture are \$24,275,000 and \$14,350,000, respectively (Level 3 measurement).

22. Supplemental disclosure – Consolidated statements of cash flows

	Year ended June 30, 2025	Year ended June 30, 2024
	\$	\$
Property, plant and equipment acquisitions included in accounts payable and accrued liabilities		
Beginning of year	851,658	353,484
End of year	618,782	851,658
Share issue costs included in accounts payable and accrued liabilities		
Beginning of year	129,000	-
End of year	-	129,000
Interest income received	108,688	263,575

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For the years ended June 30, 2025 and 2024

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23. Financial risks

The Company's activities expose it to a variety of financial risks: market risks (including 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. The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange 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 foreign exchange rates and commodity prices.

(i) 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 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, 2025 and 2024, the net balances in foreign currencies were not significant and as such the impact of a change in foreign currencies would not be significant.

(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, short-term investments, restricted cash and other accounts receivable. The Company reduces its credit risk by holding its cash and restricted cash with Canadian chartered banks. In case of other accounts receivable, the Company performs credit analysis. The carrying amount of bank balances and other accounts receivable represents the maximum credit exposure of the Company.

(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 reviews and approves any material transaction out of the ordinary course of business, including proposals on mergers, acquisitions or other major investments or divestitures. As at June 30, 2025, cash and cash equivalents are comprised of bank balances and short-term highly liquid investments (Note 6). As described in Note 1, the Company's liquidity position as at June 30, 2025, will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2026.

The following table summarizes the Company's contractual commitments as at June 30, 2025:

	Less than one year	Between one and three years	More than three years
	\$	\$	\$
Accounts payable and accrued liabilities	1,328,584	-	-
Convertible Loan, including interest to maturity	23,900,000	-	-
Convertible Debenture, including interest to maturity	14,000,000	-	-

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24. Segmented information

The chief operating decision-maker organizes and manages the business under a single operating segment, consisting of acquiring, exploring and developing 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.

25. Commitments

Commitments, not otherwise disclosed, are summarized below:

Purchase agreement

As per the purchase agreement dated March 28, 2011, assigned to the Company in September 2012 and considering, amongst others, further transactions among Glencore Canada and BaseCore Metals LP ("Basecore"), BaseCore owned a 2% net smelter return ("NSR") royalty on the Falco Horne 5 Project (the "NSR Royalty"). On July 12, 2022, BaseCore assigned to Sandstorm, all of its rights, title and interest in the Horne 5 NSR Royalty. Effective October 10, 2024, Sandstorm assigned to its wholly owned subsidiary, SA Targeted Investing Corp., all of its rights, title and interest in the Horne 5 NSR Royalty.

Certain of the rights of Glencore Canada under this purchase agreement, are secured by a deed of hypothec in favour of Glencore Canada for a maximum amount of \$100 million. Falco's obligations towards Sandstorm with respect to the royalty interest are secured by a deed of hypothec for a maximum of \$45 million.

Furthermore, the Falco Horne 5 Project is located adjacent to Glencore Canada's operations and the Company is contractually bound to seek authorizations from time to time from Glencore Canada to perform certain activities, which may affect or impact their operations.

Hoisting systems

On March 24, 2017, the Company entered into an initial agreement for the engineering, procurement, supply, performance services and installation of the hoisting systems for the Falco Horne 5 Project (the "Contract"). The hoisting systems will include a production hoist, an auxiliary hoist and a service hoist. The Contract is estimated at \$28,900,000, of which \$8,225,000 was incurred and paid as at June 30, 2025 and can be terminated at any time, subject to the payment of the approved and executed work performed by the supplier at the termination date. These amounts are recorded in mining equipment.

First Quantum

In June 2021, Falco entered into an option agreement (the "Agreement") with First Quantum Minerals Ltd. ("First Quantum") pursuant to which First Quantum granted the Company the sole and exclusive right to acquire an undivided 100% ownership interest (the "Option") in the Norbec sites located in the vicinity of the City (the "Properties"). The Company paid \$1,000,000 (the "Option Price") to First Quantum on August 20, 2021, in the form of (i) a cash payment of \$500,000 (the "Cash Payment"), and (ii) the issuance of 1,265,182 of Common Shares having an aggregate value of \$500,000 (the "Consideration Shares") based on the volume weighted average trading price of the Common Shares for the five trading-day period ending as of two business days before the date of the Cash Payment.

Upon the Company's decision to exercise the Option, (i) First Quantum will transfer the Properties to Falco; (ii) the Company will assume historical and contingent environmental liabilities related to the Properties' former mining site; and (iii) First Quantum will make cash payments (the "Cash Payments") to Falco representing the reimbursement of the Option Price, together with additional payments totaling \$3,500,000 (\$500,000 on the date of transfer of the Properties and \$1,000,000 at each of the three consecutive anniversaries thereof). The Option was exercisable until December 31, 2022.

On December 16, 2022, Falco and First Quantum extended the Option's exercise period to June 30, 2024. In addition, the Option was amended removing First Quantum's requirement to make the Cash Payments. On June 7, 2024, Falco and First Quantum extended the Option's exercise period to December 31, 2025 in consideration of the sum of \$1,500,000 ("Consideration"), which will be payable at the option of Falco, in Common Shares and/or cash, following exercise of the Option, subject to approval by the TSXV.

Should the Option be exercised by the Company, First Quantum will retain a 2% NSR royalty on any production from the area represented by the mining concessions 177 and 517, which form a part of the Properties.

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25. Commitments (*continued*)

Offtake Agreements

On October 27, 2020, Falco entered into agreements with Glencore Canada and its affiliated companies ("Glencore") related to the Falco Horne 5 Project. The agreements include life of mine copper and zinc concentrate offtake agreements (the "Offtake Agreements"). Under the terms of the Offtake Agreements, Glencore will purchase from Falco the copper and zinc concentrates produced during the life of mine of this project.

Flow-through shares

The Company is partially financed through the issuance of flow-through shares, and accordingly, the Company is engaged to complete mining exploration activities. These tax rules also set deadlines for carrying out the exploration work no later than the first of the following dates:

- a. Two years following the flow-through placements;
- b. One year after the Company has renounced the tax deductions relating to the exploration work.

In June 2024, the Company received \$1,250,000 following the issuance of flow-through shares for which the Company renounced tax deductions as at December 31, 2024. As at June 30, 2025, \$1,080,000 remains to be completed.

26. Subsequent events

On October 17, 2025, the Company closed a deal private placement (the "Placement"), pursuant to which Falco issued an aggregate of 41,005,000 units (the "Placement Units") at a price of \$0.32 per Placement Unit, for aggregate gross proceeds of \$13,121,600. Each Placement Unit consists of one Common Share and one-half of one Warrant. Each Warrant is exercisable to acquire one Common Share at a price of \$0.46 at any time on or before April 17, 2027. In connection with the closing of the Placement cash fees of \$787,296 were paid.

All Common Shares and Warrants issued pursuant to the Placement are subject to a hold period of four months plus one day from the date of issuance of such securities under applicable securities laws in Canada.