

FALCO RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED
JUNE 30, 2026 AND 2025

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, 2026 and 2025, 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, 2026 and 2025;
- 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.

PricewaterhouseCoopers LLP
Place de la Cité, Tour PwC, 2640 Laurier Boulevard, Suite 1700
Québec, Quebec, Canada G1V 5C2
T.: +1 418 522 7001, F.: +1 418 522 5663
Fax to mail: ca_quebec_main_fax@pwc.com

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

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.

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, 2026. 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, 2026 related to the Horne 5 Project amounted to $177.3 million. The carrying value of PP&E is reviewed as 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.	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.

Key audit matter	How our audit addressed the key audit matter
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, 2026 and, as such, did not test its PP&E for impairment. 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.	• Evaluated whether there were significant changes with adverse effects on the Company that have occurred during the period, including changes in the regulatory environment, metal prices and in foreign exchange rates, by considering communication with regulators, 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 has declined during the period by considering evidence obtained in other areas of the audit.

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 LLP[1]

Québec, Quebec
September 30, 2026

[1] CPA auditor, public accountancy permit No. A124423

Falco Resources Ltd.

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

	June 30, 2026	June 30, 2025
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 6)	9,151,633	1,520,822
Accounts receivable	385,538	440,922
Prepaid expenses and other assets	375,798	369,997
	9,912,969	2,331,741
Non-current assets		
Property, plant and equipment (Note 7)	177,322,356	158,937,519
Other non-current assets (Note 9)	1,728,528	1,728,528
	179,050,884	160,666,047
Total assets	**188,963,853**	**162,997,788**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,124,552	1,312,835
Convertible Loan (Note 10)	26,420,295	24,519,609
Convertible Debenture (Note 11)	14,563,537	13,884,948
Derivative warrant liabilities (Note 12)	4,375,275	540,685
Deferred premium on flow-through shares	-	157,871
	46,483,659	40,415,948
Non-current liabilities		
Contract Liability (Note 9)	74,849,487	66,256,801
Deferred income taxes (Note 16)	2,477,323	2,336,331
	77,326,810	68,593,132
Total liabilities	**123,810,469**	**109,009,080**
Equity		
Share capital (Note 13)	155,510,119	139,965,597
Warrants (Note 14)	202,705	853,102
Contributed surplus	18,512,262	16,976,648
Deficit	(109,071,702)	(103,806,639)
Total equity	**65,153,384**	**53,988,708**
Total liabilities and equity	**188,963,853**	**162,997,788**

Going concern (Note 1) and Commitments (Note 24)

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, 2026 and 2025
(Expressed in Canadian Dollars)

	2026	2025
	$	$
Expenses		
Consulting and compensation	1,977,373	2,656,985
Exploration and evaluation (Note 8)	1,506,935	315,185
Share-based compensation (Note 15)	960,749	356,197
Investor and shareholder relations	499,464	315,658
Professional fees	411,535	432,480
Office and administrative	316,118	344,222
Travel	61,451	55,513
Depreciation (Note 7)	23,802	29,486
Refundable tax credits	(176,864)	(198,471)
Cost recoveries	(172,500)	(258,498)
Operating loss	**(5,408,063)**	**(4,048,757)**
Interest income	180,045	109,760
Interest expense	(3,938)	(1,134)
Change in fair value of derivative warrant liabilities (Note 12)	(48,732)	2,145,690
Foreign exchange loss	(1,254)	(3,044)
Other income – premium on flow-through shares	157,871	24,823
Loss before income taxes	**(5,124,071)**	**(1,772,662)**
Deferred income tax expense (Note 16)	(140,992)	(622,408)
Net loss and comprehensive loss	**(5,265,063)**	**(2,395,070)**
Net loss per common share		
Basic and diluted (Note 17)	**(0.02)**	**(0.01)**
Weighted average number of common shares outstanding		
Basic and diluted (Note 17)	**335,024,218**	**292,859,745**

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, 2026 and 2025
(Expressed in Canadian Dollars)

	2026	2025
	$	$
Operating activities		
Net loss	**(5,265,063)**	(2,395,070)
Adjustments for:		
Share-based compensation (Note 15)	**960,749**	356,197
Depreciation (Note 7)	**23,802**	29,486
Other income – premium on flow-through shares	**(157,871)**	(24,823)
Change in fair value of derivative warrant liabilities (Note 12)	**48,732**	(2,145,690)
Deferred income tax expense (Note 16)	**140,992**	622,408
Changes in non-cash working capital items:		
Accounts receivable	**55,384**	11,069
Prepaid expenses and other assets	**(5,801)**	(79,404)
Accounts payable and accrued liabilities	**(240,327)**	(275,436)
Net cash flows used in operating activities	**(4,439,403)**	**(3,901,263)**
Investing activities		
Investments in property, plant and equipment	**(2,673,736)**	(3,508,733)
Net cash flows used in investing activities	**(2,673,736)**	**(3,508,733)**
Financing activities		
Proceeds from private placement (Note 13)	**13,121,600**	6,000,000
Proceeds from the exercise of Warrants (Note 14)	**2,407,977**	-
Proceeds from the exercise of Options (Note 15)	**303,150**	-
Payment of transaction costs	**(1,088,777)**	(752,999)
Net cash flows provided by financing activities	**14,743,950**	**5,247,001**
Increase (decrease) in cash and cash equivalents	**7,630,811**	**(2,162,995)**
Cash and cash equivalents, beginning of year	**1,520,822**	**3,683,817**
Cash and cash equivalents, end of year	**9,151,633**	**1,520,822**

Supplemental disclosure (Note 21)

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, 2026 and 2025
(Expressed in Canadian Dollars)

	Number of shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Total
		$	$	$	$	$
Balance – July 1, 2025	**304,138,434**	**139,965,597**	**853,102**	**16,976,648**	**(103,806,639)**	**53,988,708**
Units issued pursuant to a private placement (Note 13)	41,005,000	13,121,600	-	-	-	13,121,600
Exercised Warrants (Note 14)	6,396,912	2,407,977	-	-	-	2,407,977
Warrants exercised on a cashless basis (Note 12)	1,566,209	662,664	-	-	-	662,664
Expired Warrants (Note 14)	-	-	(650,397)	650,397	-	-
Exercised Options (Note 15)	805,000	441,058		(137,908)		303,150
Share issue costs (Notes 13 and 14)	-	(1,088,777)	-	-	-	(1,088,777)
Net loss and comprehensive loss	-	-	-	-	(5,265,063)	(5,265,063)
Share-based compensation (Note 15)	-	-	-	1,023,125	-	1,023,125
Balance – June 30, 2026	**353,911,555**	**155,510,119**	**202,705**	**18,512,262**	**(109,071,702)**	**65,153,384**
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 13)	24,000,000	6,000,000	-	-	-	6,000,000
Share issue costs (Note 13)	-	(775,999)	152,000	-	-	(623,999)
Net loss and comprehensive loss	-	-	-	-	(2,395,070)	(2,395,070)
Share-based compensation (Note 15)	-	-	-	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**

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

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 Shares") trade under the symbol "FPC" on the TSX Venture Exchange ("TSXV"). The Company's registered office is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada.

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

On July 27, 2026, the Company filed on SEDAR an updated technical report, "2026 Feasibility Study Update, Horne 5 Gold Project", dated effective June 11, 2026, pursuant to National Instrument 43-101, *Standards of Disclosure for Mineral Projects* and relating to Falco's Horne 5 Deposit in Rouyn-Noranda (the "Horne 5 Project" or "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, 2026, the Company had a negative working capital of $36,570,690 (including a cash and cash equivalent balance of $9,151,633), an accumulated deficit of $109,071,702 and had incurred a loss of $5,265,063 for the year ended June 30, 2026. As the Company is in the development stage for the 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. ("OR Royalties") on February 27, 2019 (Note 9). OR Royalties, through the Silver Stream Agreement and the Convertible Loan (see Note 10) and Osisko Gold Group Inc. ("OGG" and formerly, Osisko Development Corp.), 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, 2026, will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2027. 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 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 and 13), 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 September 30, 2026.

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.

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.

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:

Category	Financial instrument
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.

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%

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.

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 Common Share purchase warrants (each, a "Warrant")

Common Shares are classified as equity. Incremental costs directly attributable to the issuance of Common 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 Common 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.

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 Common Share purchase options ("Options") is credited to share capital. The contributed surplus resulting from share-based compensation is transferred to share capital when 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. 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 accrues interest on the financing component of the Contract Liability. The interest accrued increases 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 ("LOM").

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 LOM. 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 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 Options.

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, 2026. 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.

The Company will adopt IFRS 18 for its year ending June 30, 2028.

Amendments – IFRS 9, Financial Instruments and IFRS 7, Financial Instruments: Disclosures
On May 30, 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7, which respond to recent questions arising in practice. The amendments were issued to notably:

- clarify the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system; and
- update disclosures for equity instruments designated at fair value through other comprehensive income.

The Company will adopt these amendments on July 1, 2026 without adjustments to prior periods. These amendments are not expected to have a significant impact on the financial statements.

5. Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards 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 judgment 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 judgment. 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).

5. Critical accounting estimates and judgments (*continued*)

(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 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, and January 30, 2026, Falco and OR Royalties entered into amendments to the Silver Stream Agreement. These amendments postpone 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, 2026, the implied interest rate of the Silver Stream Agreement was 17.4% (8.6% at June 30, 2025).

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

(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 regard 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 judgments 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 judgments used in determining the fair value of the non-financial assets could impact the impairment analysis.

The Horne 5 Project is the Company's only non-financial asset and it was determined to be the Company's CGU at June 30, 2026, and June 30, 2025. As at June 30, 2026, and June 30, 2025, 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 Horne 5 Project.

6. Cash and cash equivalents

	June 30, 2026	**June 30, 2025**
	$	**$**
Cash	**7,551,633**	770,822
Cash equivalents	**1,600,000**	750,000
	9,151,633	1,520,822

Cash equivalents as at June 30, 2026, are comprised of redeemable term deposits bearing a weighted-average interest rate of 2.6% and having various maturity dates until July 2026.

7. Property, plant and equipment

	Mining equipment	Land and buildings	Construction in progress	Office and other equipment	Total
	$	$	$	$	$
Cost					
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
Additions	**-**	**-**	**2,683,572**	**-**	**2,683,572**
Capitalized borrowing costs	**-**	**-**	**15,725,067**	**-**	**15,725,067**
Balance – June 30, 2026	**18,317,509**	**23,047,552**	**135,935,270**	**539,992**	**177,840,323**
Accumulated Depreciation					
Balance – June 30, 2024	-	-	-	464,679	464,679
Depreciation	-	-	-	29,486	29,486
Balance – June 30, 2025	-	-	-	494,165	494,165
Depreciation	**-**	**-**	**-**	**23,802**	**23,802**
Balance – June 30, 2026	**-**	**-**	**-**	**517,967**	**517,967**
Carrying Amounts					
At June 30, 2025	18,317,509	23,047,552	117,526,631	45,827	158,937,519
At June 30, 2026	**18,317,509**	**23,047,552**	**135,935,270**	**22,025**	**177,322,356**

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, 2026 and 2025, Falco incurred exploration and evaluation expenses totaling $1,506,935 and $315,185, respectively.

9. Contract Liability

On February 27, 2019, the Company and OR Royalties (the "Parties") completed the Silver Stream Agreement, which was most recently amended on January 31, 2025 and January 30, 2026, 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 Horne 5 Project.

As of June 30, 2026, 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 the 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 ("Third Installment");
- $60,000,000 upon the total projected capital expenditure for the Horne 5 Project having been demonstrated to be financed ("Fourth Installment"); and
- $40,000,000 at the sole election of OR Royalties to increase the stream percentage, payable concurrently with the Fourth Installment ("Fifth Installment").

Under the terms of the Silver Stream Agreement, OR Royalties will purchase 90% of the payable silver from the Horne 5 Project, increasing to 100% of the payable silver from this project in the event the Fifth 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 Third 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") as part of the Convertible Debenture transaction (see Note 11).

9. Contract Liability (*continued*)

The Silver Stream Agreement was last amended on January 30, 2026, to postpone certain deadlines granted to Falco to achieve milestones set as conditions precedent to OR Royalties funding the remaining instalments and certain other deadlines. On January 31, 2025, the Silver Stream Agreement had been amended to reflect the execution of the operating license and indemnity agreement ("OLIA") with Glencore, including that the funding of the Third Instalment will be subject to Falco demonstrating that financial assurances in favour of Glencore under the OLIA can be satisfied. The breakdown of the Contract Liability is as follows:

	$
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**
Interest on the Contract Liability's financing component	**8,592,686**
Balance at June 30, 2026	**74,849,487**

As of June 30, 2026 and June 30, 2025, 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.

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 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 "OR Loan Amendments"). The 10,664,324 Replacement Warrants 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 "OR 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 expired on December 31, 2025.

On December 16, 2025, the Company and OR Royalties amended and extended the maturity of the Convertible Loan from December 31, 2025 to December 31, 2026, with effect as of December 31, 2025 (the "Effective Date"), in order for (i) the accrued interest on the existing Convertible Loan up to the Effective Date to be capitalized such that the principal amount of the amended Convertible Loan will be $26,098,521, (ii) the conversion price to be maintained at $0.45 per Common Share, and (iii) the interest rate to be maintained at 9%. The OR Warrants remained outstanding in accordance with their terms until their expiry on December 31, 2025. In consideration for the extension of the maturity date of the Convertible Loan, Falco issued to OR Royalties, on the Effective Date, 19,332,237 Warrants (the "New OR Warrants"), each exercisable at any time from and after January 1, 2026, for one Common Share at an exercise price of $0.58 per Common Share and expiring on December 31, 2026.

10. Convertible Loan (continued)

Transactions affecting the Convertible Loan were as follows:

	$
Balance June 30, 2024	22,905,141
Interest	2,434,057
Transaction costs	(69,921)
Fair value of OR Warrants	(749,668)
Balance June 30, 2025	**24,519,609**
Interest	**3,503,312**
Transaction costs	**(69,921)**
Fair value of the New OR Warrants	**(1,532,705)**
Balance June 30, 2026	**26,420,295**

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'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 Falco's assets other than the Horne 5 Project and ranks after the security granted to Glencore as part of the Convertible Debenture transaction (see Note 11).

11. Convertible Debenture

On October 27, 2020, the Company entered into an agreement with Glencore 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 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, 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, maturing concurrently with the Convertible Debenture, as amended.

On October 7, 2024, the Company agreed with Glencore 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 "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 Glencore Warrants and (ii) $0.42 per Common Share for the remaining 4,363,786 Glencore Warrants, and expired on December 31, 2025.

On December 16, 2025, the Company and Glencore amended and extended the maturity of the existing Convertible Debenture from December 31, 2025 to December 31, 2026, effective December 31, 2025 (the "New Convertible Debenture"). In connection with the extension of the maturity date of this Convertible Debenture, the Convertible Debenture was amended in order for (i) the accrued interest on the existing Convertible Debenture up to the Effective Date to be capitalized such that the principal amount of the New Convertible Debenture will be $15,433,754, (ii) the conversion price to be maintained at $0.37 per Common Share, and (iii) the interest rate to be maintained at 10%. The Glencore Warrants remained outstanding in accordance with their terms until their expiry on December 31, 2025. In consideration for the extension of the maturity date of the Convertible Debenture, the Company issued to Glencore, on the Effective Date, 21,381,422 Warrants (the "New Glencore Warrants"), each exercisable at any time from and after January 1, 2026, 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 6,320,264 New Glencore Warrants, with the New Glencore Warrants expiring on December 31, 2026.

11. Convertible Debenture (*continued*)

Transactions affecting the Convertible Debenture were as follows:

	$
Balance June 30, 2024	13,282,225
Interest	2,072,836
Transaction costs	(34,961)
Fair value of Glencore Warrants	(1,435,152)
Balance June 30, 2025	**13,884,948**
Interest	**3,629,267**
Transaction costs	**(34,861)**
Fair value of the New Glencore Warrants	**(2,915,817)**
Balance June 30, 2026	**14,563,537**

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.

The Convertible Debenture is secured by first ranking security on all assets owned by Falco. Glencore will release the security upon the settlement of the Convertible Debenture and the repayment of interest. So long as Glencore 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.

12. Derivative warrant liabilities

In accordance with IFRS Accounting Standards, 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 an 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. 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, 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**
Revaluation of derivative warrant liabilities	**-**	**406,540**	**-**	**(357,808)**	**-**	**48,732**
Exercise of Warrants	**(19,424,944)**	**(662,664)**	**-**	**-**	**(19,424,944)**	**(662,664)**
Expiration of Warrants (Note 10 and 11)	**-**	**-**	**(17,690,237)**	**-**	**(17,690,237)**	**-**
New Warrants (Notes 10 and 11)	**21,381,422**	**2,915,817**	**19,332,237**	**1,532,705**	**40,713,659**	**4,448,522**
Balance at June 30, 2026	**21,381,422**	**3,086,550**	**19,332,237**	**1,288,725**	**40,713,659**	**4,375,275**

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

On December 17, 2025, the New Glencore Warrants were exercised using the cashless feature, based on the volume weighted average price ("VWAP") of the Common Shares for the five trading days preceding the date of exercise. Based on the VWAP of $0.423, the 19,424,944 New Glencore Warrants had a fair value of $662,664 as of the date of exercise. Upon exercise of the New Glencore Warrants the Company issued to Glencore 1,566,209 Common Shares and transferred $662,664 to share capital.

12. Derivative warrant liabilities (*continued*)

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:

	June 30, 2026	December 31, 2025	June 30, 2025
Risk-free interest rate	**2.70%**	2.55%	2.66%
Expected life of Warrants	**0.5 years**	1.0 years	0.5 years
Annualized volatility	**71%**	72%	80%
Dividend rate	**-**	-	-
Fair value per Warrant	**$0.107**	$0.109	$0.015

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. Share capital

Authorized:	Unlimited number of Common Shares without par value
Issued and fully paid:	353,911,555 Common Shares (304,138,434 at June 30, 2025)

Transactions during the year ended June 30, 2026

On October 17, 2025, the Company closed a 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 Falco incurred share issue costs of $1,088,777.

Related parties of Falco, including OGG and certain directors and officers of Falco, subscribed for an aggregate of 7,455,000 Units.

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 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.

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%
Fair value per Finder Warrant	$0.13

Related parties of Falco, including OGG and certain directors and officers of Falco, subscribed for an aggregate of 1,790,000 Units.

14. Warrants

The following table details the changes in the Warrants, including Warrants subject to cashless exercise:

	Number of Warrants	Weighted Average Exercise Price
		$
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**
Expired	**(39,334,318)**	**0.56**
Issued	**61,216,159**	**0.47**
Exercised	**(6,396,912)**	**0.38**
Exercised on cashless basis (Note 12)	**(19,424,944)**	**0.39**
Balance – June 30, 2026	**82,403,159**	**0.44**
Warrants subject to cashless exercise (Note 12)	**40,713,659**	**0.48**

Related parties of Falco, including OGG and certain directors and officers of Falco, exercised an aggregate of 2,002,956 Warrants.

The Warrants outstanding at June 30, 2026, are as follows:

Exercise price ($)	Number of Warrants	Expiry date	Weighted average remaining contractual life (years)
0.38	15,061,158	December 31, 2026	0.50
0.42	6,320,264	December 31, 2026	0.50
0.58	19,332,237	December 31, 2026	0.50
0.46	18,502,500	April 17, 2027	0.83
0.25	1,152,000	December 19, 2026	0.47
0.35	22,035,000	December 19, 2029	3.47
	82,403,159		

15. 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, 2026 and 2025.

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, 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.

15. Share-based compensation (*continued*)

The following table details the changes in the Options:

	Number of Options	Weighted Average Exercise Price
		$
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**
Forfeited	**(293,333)**	**0.36**
Exercised	**(805,000)**	**0.38**
Granted	**10,350,000**	**0.34**
Expired	**(3,750,667)**	**0.44**
Balance – June 30, 2026	**15,100,000**	**0.35**
Options exercisable – June 30, 2026	**4,049,999**	**0.38**

On November 4, 2025, the Board granted Options to key employees, officers, advisors and directors to purchase up to an aggregate of 9,950,000 Common Shares. The Options are subject to a three-year vesting period, five-year term and are exercisable at an exercise price of $0.33 per Common Share.

On January 20, 2026, the Board approved a grant of Options to a consultant to purchase up to an aggregate of 400,000 Common Shares. The Options are subject to a twelve-month vesting period and have a five-year term and are exercisable at an exercise price of $0.495 per Common Share.

Options, when granted, are accounted for at their fair value determined by the Black-Scholes option pricing model based on the following weighted average assumptions:

Share price at date of grant	$0.34
Exercise price at date of grant	$0.34
Risk-free interest rate	2.70%
Expected life of Options	4.9 years
Annualized expected volatility	77%
Weighted average fair value per Option	$0.21

The expected volatility was determined by calculating the “historical” volatility of the Company’s Common Share price back from the date of the grant and for a period corresponding to the expected life of the Options.

Options outstanding at June 30, 2026 are as follows:

Exercise price ($)	Number of Options outstanding	Number of Options exercisable	Weighted average remaining life (Years)
0.29	200,000	200,000	0.66
0.33	9,950,000	-	4.35
0.36	2,600,000	1,733,334	2.76
0.40	1,950,000	1,950,000	0.66
0.495	400,000	166,665	4.56
	15,100,000	**4,049,999**	

For the year ended June 30, 2026, the share-based compensation costs amounted to $1,023,125 ($381,548 for the year ended June 30, 2025) of which $960,749 was charged to the consolidated statement of loss and comprehensive loss ($356,197 for the year ended June 30, 2025) and $62,376 was capitalized to construction in progress ($25,351 for the year-ended June 30, 2025). The offsetting credit is recorded as contributed surplus.

16. Income taxes

A reconciliation of income taxes at statutory rates (26.5%) with the reported taxes for the year ended June 30, 2026 (26.5% for the year ended June 30, 2025), is as follows:

	2026	2025
	$	$
Loss before income taxes	**(5,124,071)**	(1,772,662)
Expected income tax recovery	**(1,357,879)**	(469,755)
Non-deductible expenses, net	**539,016**	95,671
Change in fair value of derivative warrant liabilities	**12,914**	(568,608)
Provincial mining duties	**140,992**	622,409
Change in unrecognized deductible temporary differences	**867,176**	1,102,330
Other, net	**(61,227)**	(159,639)
Total income tax expense	**140,992**	622,408

The significant components of the Company's deferred tax assets and liabilities as at June 30, 2026 and 2025 are as follows:

	2026	2025
	$	$
Deferred tax liabilities		
Provincial mining duties	**(2,477,323)**	(2,336,331)
Exploration and evaluation assets	**9,734,000**	8,172,000
Property, plant and equipment	**(9,725,000)**	(7,986,000)
Share and debt issue costs	**(52,000)**	(186,000)
Non-capital losses	**43,000**	-
Deferred tax liability	**(2,477,323)**	(2,336,331)

As a result of the 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, 2026 are as follows:

	$	Expiry date range
Investment tax credits	158,000	2034
Non-capital losses	82,681,000	2034 to 2045
Income tax benefit from provincial mining duties	2,477,000	No expiry

17. Net loss per share

As a result of the net loss for the years ended June 30, 2026 and 2025, all potentially dilutive instruments (Notes 14 and 15) 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.

18. Capital management

The capital structure of the Company as at June 30, 2026, 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, 2026 and 2025. Changes in capital are described in the consolidated statement of changes in equity.

19. Key management and related party transactions

Key management includes directors (executive and non-executive) and officers of the Company. The compensation paid or payable to key management for employee services is presented below for the years ended June 30, 2026 and 2025:

	2026	2025
	$	$
Salaries and short-term employees benefits	**1,297,508**	1,476,270
Share-based compensation	**791,997**	352,146
	2,089,505	1,828,416

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

During the year ended June 30, 2026, an amount of $80,000 was invoiced by OR Royalties for professional services and access to office space ($125,000 during the year ended June 30, 2025), of which $9,000 is included in accounts payable and accrued liabilities as at June 30, 2026 ($30,000 as at June 30, 2025). 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, 2026, interest payable on the Convertible Loan amounted to $1,171,197 ($1,071,720 as at June 30, 2025). Interest incurred on the Convertible Loan for the year ended June 30, 2026 totaled $2,316,177 ($2,434,057 for the year ended June 30, 2025) 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 $2,900,000.

20. 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, 2026 (see Note 12).

As at June 30, 2026 and June 30, 2025, the financial instruments that are not measured at fair value in the consolidated balance sheets are represented by cash and cash equivalents, 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, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short-term nature. At June 30, 2026, the fair value (Level 3 measurement) of the Convertible Loan and the Convertible Debenture are $26,500,000 and $15,850,000, respectively (June 30, 2025, $24,275,000 and $14,350,000, respectively).

21. Supplemental disclosure – Consolidated statements of cash flows

	Year ended June 30, 2026	Year ended June 30, 2025
	$	$
Property, plant and equipment acquisitions included in accounts payable and accrued liabilities		
Beginning of year	**618,782**	851,658
End of year	**566,242**	618,782
Share issue costs included in accounts payable and accrued liabilities		
Beginning of year	**-**	129,000
End of year	**-**	-
Interest income received	**180,045**	108,688

22. 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. Falco'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, 2026 and 2025, 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, 2026, 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, 2026, will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2027.

22. Financial risks (*continued*)

The following table summarizes the Company's contractual commitments as at June 30, 2026:

	Less than one year	Between one and three years	More than three years
	$	$	$
Accounts payable and accrued liabilities	1,112,003	-	-
Convertible Loan, including interest to maturity	28,500,000	-	-
Convertible Debenture, including interest to maturity	17,000,000	-	-

23. 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.

24. Commitments

Commitments, not otherwise disclosed, are summarized below:

Royalties

As per a purchase agreement dated March 28, 2011 (the "Purchase Agreement"), assigned to the Company in September 2012, certain of the rights of Glencore under the Purchase Agreement are secured by a deed of hypothec in favour of Glencore for a maximum amount of $100 million.

As at June 30, 2026, SA Targeted Investing Corp ("SATIC"), a subsidiary of Royal Gold Inc., owns all rights, title and interest in a 2% net smelter return ("NSR") royalty on the Horne 5 Project. Falco's obligations towards SATIC with respect to the royalty interest are secured by a deed of hypothec for a maximum of $45 million.

Furthermore, the Horne 5 Project is located adjacent to Glencore's operations and the Company is contractually bound to seek authorizations from time to time from Glencore 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 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, 2026, 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 Minerals Ltd. ("FQM")

In June 2021, Falco entered into an option agreement with FQM pursuant to which FQM granted the Company the sole and exclusive right (the "FQM Option") to acquire an undivided 100% interest in Norbec sites (the "Properties") located near the City of Rouyn-Noranda. The Properties have already been impacted by historical mining activities, are located approximately 11 km from the City and would serve as the surface storage of tailings for the Horne 5 Project. The Company paid $1.0 million to FQM on August 20, 2021, in the form of (i) a cash payment of $0.5 million, and (ii) the issuance of 1,265,182 of Common Shares having an aggregate value of $0.5 million based on then prevailing trading prices.

Upon Falco's decision to exercise the FQM Option, (i) FQM will transfer the Properties to Falco; (ii) Falco will assume historical and contingent environmental liabilities related to the Properties' former mining sites, and (iii) Falco shall make a payment to FQM in the amount of $1.5 million, payable in cash and/or Common Shares at the option of Falco.

Falco and FQM ultimately extended the FQM Option's exercise period to December 31, 2026.

Should the FQM Option be exercised by the Company, FQM will retain a 2% NSR on any production from the area represented by the former mining concessions 177 and 517 forming part of the Properties.

24. Commitments (*continued*)

Offtake Agreements

On October 27, 2020, Falco entered into agreements with Glencore affiliated companies related to the Horne 5 Project. The agreements include LOM 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 LOM of this project.

Flow-through shares

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. This obligation was completed prior to December 31, 2025.