FALCO RESOURCES LTD.

CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

FOR THE YEARS ENDED
JUNE 30, 2024 AND 2023

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, 2024 and 2023, 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, 2024 and 2023;
- 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
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

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, 2024. 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 matter described below to be the key audit matter 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, 2024 related to the Horne 5 Project amounted to $145.6 million. The carrying value of PP&E 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 judgment from management. Factors which could trigger an impairment review include, but are not limited to: • evidence that the asset's value has declined; • significant changes with adverse effects on the Company, including changes in the regulatory environment, in metal prices and in foreign exchange rates; and • an excess of the carrying amount of the Company's net assets over its market capitalization.	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. – Assessed whether there was evidence that the carrying value of PP&E declined during the year, by considering evidence obtained in other areas of the audit. – Evaluated whether there were any significant changes with adverse effects on the Company that occurred during the year, which included assessing the changes in the relevant 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.

Key audit matter	How our audit addressed the key audit matter
Management determined that as at June 30, 2024, there were no indications that PP&E may not be recoverable. We considered this a key audit matter due to (i) the significance of the PP&E; (ii) the judgment that was required by management in its assessment of impairment indicators related to PP&E; and (iii) a high degree of subjectivity in performing procedures related to the 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 18, 2024

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

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

	June 30, 2024	June 30, 2023
	$	$
Assets		
Current assets		
Cash and cash equivalents (Note 6)	3,683,817	5,920,920
Accounts receivable (Note 7)	451,991	683,978
Prepaid expenses and other assets	290,593	224,967
	4,426,401	6,829,865
Non-current assets		
Restricted cash (Note 8)	-	905,000
Property, plant and equipment (Note 9)	145,577,761	133,469,045
Other non-current assets (Note 11)	1,728,528	1,728,528
	147,306,289	136,102,573
Total assets	**151,732,690**	**142,932,438**
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	1,845,266	955,409
Convertible Loan (Note 12)	22,905,141	-
Convertible Debenture (Note 13)	13,282,225	-
Deferred premium on flow-through shares (Note 15)	182,694	-
Derivative warrant liabilities (Note 14)	501,555	434,765
	38,716,881	1,390,174
Non-current liabilities		
Contract Liability (Note 11)	60,675,657	54,714,134
Convertible Loan (Note 12)	-	21,074,432
Convertible Debenture (Note 13)	-	11,982,788
Deferred income taxes (Note 19)	1,713,923	1,644,551
	62,389,580	89,415,905
Total liabilities	**101,106,461**	**90,806,079**
Equity		
Share capital (Note 16)	134,741,596	133,121,212
Warrants (Note 17)	701,102	650,397
Contributed surplus	16,595,100	16,355,908
Deficit	(101,411,569)	(98,001,158)
Total equity	**50,626,229**	**52,126,359**
Total liabilities and equity	**151,732,690**	**142,932,438**

Going concern (Note 1) and Commitments (Note 27)

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, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
	$	$
Expenses		
Consulting and compensation	1,965,125	2,102,704
Professional fees	685,912	695,650
Exploration and evaluation (Note 10)	512,529	544,216
Office and administrative	322,980	354,818
Share-based compensation (Note 18)	241,969	382,841
Investor and shareholder relations	202,968	174,814
Travel	41,333	57,751
Depreciation (Note 9)	30,546	15,849
Refundable tax credits	(233,226)	(444,780)
Cost recoveries (Note 22)	(252,996)	(464,591)
Operating loss	**(3,517,140)**	**(3,419,272)**
Interest income	263,575	383,838
Interest expense	(20,887)	(42,543)
Change in fair value of derivative warrant liabilities (Note 14)	(66,790)	82,920
Foreign exchange gain	203	1,935
Loss before income taxes	**(3,341,039)**	**(2,993,122)**
Deferred income tax expense (Note 19)	(69,372)	(402,296)
Net loss and comprehensive loss	**(3,410,411)**	**(3,395,418)**
Net loss per common share		
Basic and diluted (Note 20)	**(0.01)**	**(0.01)**
Weighted average number of common shares outstanding		
Basic and diluted (Note 20)	**271,675,901**	**271,577,879**

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, 2024 and 2023
(Expressed in Canadian Dollars)

	2024	2023
	$	$
Operating activities		
Net loss	(3,410,411)	(3,395,418)
Adjustments for:		
Share-based compensation (Note 18)	241,969	382,841
Depreciation (Note 9)	30,546	15,849
Change in fair value of derivative warrant liabilities (Note 14)	66,790	(82,920)
Deferred income tax expense (Note 19)	69,372	402,296
Changes in non-cash working capital items:		
Accounts receivable	231,987	(109,690)
Prepaid expenses and other assets	(65,626)	64,618
Accounts payable and accrued liabilities	262,683	(247,611)
Net cash flows used in operating activities	**(2,572,690)**	**(2,970,035)**
Investing activities		
Investments in property, plant and equipment	(2,547,565)	(3,012,976)
Decrease in restricted cash (Note 8)	905,000	-
Decrease in short-term investments	-	3,000,000
Net cash flows used in investing activities	**(1,642,565)**	**(12,976)**
Financing activities		
Proceeds from private placement (Note 16)	2,183,402	-
Proceeds from the exercise of stock options (Note 18)	11,400	-
Payment of transaction costs	(216,650)	(116,914)
Net cash flows provided by (used in) financing activities	**1,978,152**	**(116,914)**
Decrease in cash and cash equivalents	**(2,237,103)**	**(3,099,925)**
Cash and cash equivalents, beginning of year	**5,920,920**	**9,020,845**
Cash and cash equivalents, end of year	**3,683,817**	**5,920,920**

Supplemental disclosure (Note 24)

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, 2024 and 2023
(Expressed in Canadian Dollars)

	Number of shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Total
		$	$	$	$	$
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 16)	8,522,555	2,183,402	-	-	-	2,183,402
Share issue costs (Note 16)	-	(396,355)	50,705	-	-	(345,650)
Deferred Premium on flow through Shares (Note 15)	-	(182,694)	-	-	-	(182,694)
Net loss and comprehensive loss	-	-	-	-	(3,410,411)	(3,410,411)
Exercised stock options (Note 18)	38,000	16,031	-	(4,631)	-	11,400
Share-based compensation (Note 18)	-	-	-	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**
Balance – July 1, 2022	**271,577,879**	**133,121,212**	**947,897**	**15,615,190**	**(94,605,740)**	**55,078,559**
Net loss and comprehensive loss	-	-	-	-	(3,395,418)	(3,395,418)
Warrants expired (Note 17)	-	-	(297,500)	297,500	-	-
Share-based compensation (Note 18)	-	-	-	443,218	-	443,218
Balance – June 30, 2023	**271,577,879**	**133,121,212**	**650,397**	**16,355,908**	**(98,001,158)**	**52,126,359**

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 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, 2024, the Company had a negative working capital of $34,290,480 (including a cash and cash equivalent balance of $3,683,817), an accumulated deficit of $101,411,569 and had incurred a loss of $3,410,411 for the year ended June 30, 2024. 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 Osisko Gold Royalties Ltd ("Osisko Gold") on February 27, 2019 (Note 11). Osisko Gold, through the Silver Stream Agreement and the Convertible Loan (see Note 12) and Osisko Development Corp. ("Osisko Development"), which owns 16.7% 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, 2024 will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2025. 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. 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 11, 12, 13, and 16), 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 18, 2024.

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

<u>Debt instruments</u>
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
	Short-term investments
	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. Tax on income in interim periods is accrued using the tax rate that would be applicable to expected total annual earnings.

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 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 shares can be purchased (Note 14), 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. The Company recognizes a deferred tax liability for flow-through shares and a deferred tax expense, at the moment the eligible expenditures are incurred.

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 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 12) 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 9). 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.

4. New accounting standard and amendments

Material accounting standards and amendments

Amendments – IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In 2021, the IASB issued narrow-scope amendments to IFRS Accounting Standards, including to IAS 1 and IAS 8. The amendments were made to help companies:

- improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and
- distinguish changes in accounting estimates from changes in accounting policies

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements. The amendments to IAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments to IAS 1 and IAS 8 are effective for annual reporting periods beginning on or after January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the consolidated financial statements. Management reviewed the accounting policies and made updates to the information disclosed in Note 3, in certain instances, in line with the amendments.

Accounting standards issued but not yet effective

The Company has not yet adopted certain standards, interpretations to existing standards and amendments which have been issued but have an effective date of later than June 30, 2024. These standards, interpretations to existing standards and amendments, will become current as of July 1, 2024, are not expected to have any significant impact on the Company or are not considered material and are therefore not discussed herein.

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).

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

(ii) Impairment of non-financial assets

Asset groups are reviewed for an indication of impairment at each balance sheet date or when a triggering event is identified.

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, 2024 and June 30, 2023. As at 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. As at June 30, 2023, Management had determined that an indication that the non-financial assets may not be recoverable occurred.

As at June 30, 2023, the Company determined the recoverable amount of the CGU using the FVLCD method which was assessed using a discounted cash flow model, which took into account the capital costs to be incurred to complete the Falco Horne 5 Project over the expected construction timeline, as well as the cash generated from subsequent sales of the Falco Horne 5 Project's production based on the project assumptions. The key assumptions used in this calculation included the this project's capital cost, estimated production volume, the long-term gold sales price (US$1,700/oz), the long-term Canadian and US dollar exchange rate (US$1.00 equal to $1.30), expected operating costs, as well as the discount rate (14.5%) which are based on estimates of the risks associated with the projected cash flows based on the best information available as of the date of the impairment test. The Company determined that the recoverable amount exceeded the carrying amounts and therefore, no impairment was recorded.

The estimated FVLCD can be affected by any one or more changes in the estimates used. Changes in significant estimates in further periods may result in an impairment charge. Developing assumptions to determine the recoverable amount of the Falco Horne 5 Project CGU requires significant judgment by management.

(iii) 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 11). 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, and January 31, 2022, the Company and Osisko Gold agreed to amend the Silver Stream Agreement, whereby Osisko Gold agreed to postpone by one year each of the deadlines granted to Falco to achieve milestones set as condition precedent to Osisko Gold funding the remaining staged payments and certain other deadlines. On February 23, 2023, Falco and Osisko Gold entered into an amendment to the Silver Stream Agreement, with effect on January 31, 2023, to postpone to January 31, 2025, the deadlines granted to Falco to achieve milestones set as conditions precedent to Osisko Gold funding the Second and Third Installments, which installments will be funded concurrently, if such conditions are satisfied.

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, 2024 the implied interest rate of the Silver Stream Agreement was 9.0% (10.9% at June 30, 2023).

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

(Expressed in Canadian Dollars)

6. Cash and cash equivalents

	June 30, 2024	June 30, 2023
	$	$
Cash	2,633,817	695,920
Cash equivalents	1,050,000	5,225,000
	3,683,817	5,920,920

Cash equivalents as at June 30, 2024, are comprised of redeemable term deposits bearing a weighted-average interest rate of 5.1%, and having various maturity dates until August 2024.

7. Accounts receivable

	June 30, 2024	June 30, 2023
	$	$
Sales taxes	113,545	128,873
Refundable tax credits	233,418	485,250
Other	105,028	69,855
	451,991	683,978

8. Restricted cash

On June 27, 2017, the Company closed a $5,000,000 revolving credit facility (the "Credit Facility") with National Bank of Canada (the "Lender"), which is secured by a hypothec in favour of the Lender over a collateral account maintained by the Company. The Credit Facility can be used to secure the Company's obligations in favour of Hydro-Québec ("HQ") in connection with certain electrical and engineering work to be performed with respect to the development of the Falco Horne 5 Project, and, subject to third party consent, for other purposes consented to by the Lender. The Credit Facility provides the Company with access to standby letters of credit and letters of guarantee issued by the Lender to HQ on the Company's behalf. The Credit Facility is uncommitted, meaning that the Lender can at its sole discretion (i) terminate the Company's right to make requests for the issuance of letters of credit on same day notice, and (ii) decline a request from the Company for the issuance of a letter of credit. On July 4, 2017, the Company provided $905,000 as collateral against a standby letter of credit in favour of HQ, reducing the amount available under the Credit Facility by the same amount.

In December 2023, the Company reimbursed HQ for the costs that HQ incurred related to the Falco Horne 5 Project. On January 10, 2024, HQ cancelled the standby letter of credit and the $905,000 is no longer restricted.

(Expressed in Canadian Dollars)

9. Property, plant and equipment

	Mining equipment	Land and buildings	Construction in progress	Office and other equipment	Total
	$	$	$	$	$
Cost					
Balance – June 30, 2022	18,317,509	22,916,609	81,066,946	475,780	122,776,844
Additions	-	50,040	1,889,029	57,394	1,996,463
Capitalized borrowing costs	-	-	9,129,871	-	9,129,871
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
Accumulated Depreciation					
Balance – June 30, 2022	-	-	-	418,284	418,284
Depreciation	-	-	-	15,849	15,849
Balance – June 30, 2023	-	-	-	434,133	434,133
Depreciation	-	-	-	30,546	30,546
Balance – June 30, 2024	-	-	-	464,679	464,679
Carrying Amounts					
At June 30, 2023	18,317,509	22,966,649	92,085,846	99,041	133,469,045
At June 30, 2024	18,317,509	23,047,552	104,137,387	75,313	145,577,761

10. 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, 2024 and 2023, the Company incurred exploration and evaluation expenses totaling $512,529 and $544,216, respectively.

11. Contract Liability

On February 27, 2019, the Company and Osisko Gold (the “Parties”) completed the Silver Stream Agreement, whereby Osisko Gold 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, payable as follows:

- First deposit of $25,000,000 on closing of the Silver Stream Agreement, net of any amounts owing by the Company to Osisko Gold (“First Installment”);
- Second deposit of $20,000,000 upon the Company receiving all necessary material third-parties’ approvals, licenses, rights of way, and surface rights (“Second Installment”);
- Third deposit of $35,000,000 following receipt of all material permits required for the construction of a mine at the Falco Horne 5 Project, a positive construction decision for this project, and raising a minimum of $100,000,000 in equity, joint venture or any other non-debt financing for the construction of the mine (“Third Installment”);
- Fourth deposit of $60,000,000 upon the total projected capital expenditure for the Falco Horne 5 Project having been demonstrated to be financed (“Fourth Installment”); and
- Optional fifth deposit of $40,000,000 at the sole election of Osisko Gold to increase the stream percentage, payable concurrently with the fourth deposit (“Fifth Installment”).

(Expressed in Canadian Dollars)

11. Contract Liability (*continued*)

Under the terms of the Silver Stream Agreement, Osisko Gold 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 optional Fifth Installment is paid. In exchange for the silver delivered under this agreement, Osisko Gold 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 Falco Horne 5 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 has agreed to pay a $2,000,000 capital commitment fee, which is payable upon Osisko Gold funding the Third Installment under the Silver Stream Agreement. Falco's obligations towards Osisko Gold 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 13).

On January 31, 2020, November 27, 2020 and January 31, 2022, the Parties amended the Silver Stream Agreement, to postpone by one year each of the deadlines granted to Falco to achieve milestones set as condition precedent to Osisko Gold funding the remaining staged installments and certain other deadlines. On August 19, 2021, the Company received from Osisko Gold a partial advance payment of $10,000,000 on the Second Installment of $20,000,000 to be made under the Silver Stream Agreement. On February 23, 2023, Falco and Osisko Gold entered into an amendment to the Silver Stream Agreement, with effect on January 31, 2023, to postpone to January 31, 2025, the deadlines granted to Falco to achieve milestones set as conditions precedent to Osisko Gold funding the balance of the Second Installment and Third Installments, which installments will be funded concurrently, if such conditions are satisfied.

As of June 30, 2024 and 2023, 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.

The breakdown of the Contract Liability is as follows:

	$
Balance at June 30, 2022	**48,898,002**
Interest on the Contract Liability's financing component	5,816,132
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**

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.

12. Convertible Loan

On February 22, 2019, Falco closed a secured senior loan agreement with Osisko Gold (the "Secured Loan") for $10,000,000 (the "Principal Amount"). On November 22, 2019, the Secured Loan was amended, increasing the Principal Amount by $5,900,000 (the "Increased Principal Amount") to $15,900,000 (the "Amended Principal Amount") and the maturity date was extended from December 31, 2019 to December 31, 2020. Under the terms of the Secured Loan, interest was payable on the Amended Principal Amount at a rate per annum that is equal to 7%, compounded quarterly.

On November 17, 2020, the Company entered into a binding agreement with Osisko Gold in order to extend the maturity date of the Secured Loan from December 31, 2020 to December 31, 2022 (the "Maturity Extension"). Together with capitalized interest, the principal amount outstanding under the Secured Loan as of this date was $17,596,136. In consideration for the Maturity Extension, the Secured Loan was also amended to become convertible (the "Convertible Loan") after the first anniversary of the closing date into common shares of the Company ("Common Shares") at a conversion price of $0.55 per Common Share. The Convertible Loan was bearing interest at a rate of 7% per annum, compounded quarterly.

(Expressed in Canadian Dollars)

12. Convertible Loan (*continued*)

In consideration for the Maturity Extension, the Company issued to Osisko Gold 10,664,324 Common Share purchase warrants of the Company ("Warrants"), each Warrant was exercisable for one Common Share at an exercise price of $0.69 up to 24 months from the date of issuance of the Warrants. The terms of the Warrants provide for a cashless exercise feature, under which the number of Common Shares to be issued will be based on the number of Common Shares for which Warrants are exercised multiplied by the difference between the market price of a Common Share and the exercise price divided by the market price at the time of the exercise. Osisko Gold may utilize the cashless exercise feature at its sole discretion.

On January 24, 2023, Falco finalized an agreement with Osisko Gold 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 of the Convertible Loan, 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 Osisko Gold, 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.

Falco's obligations towards Osisko Gold 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 13).

Transactions affecting the Convertible Loan were as follows:

	$
Balance June 30, 2022	**19,408,400**
Interest	1,817,973
Transaction costs	(77,943)
Fair value of Replacement Warrants	(73,998)
Balance June 30, 2023	**21,074,432**
Interest	1,830,709
Balance June 30, 2024	**22,905,141**

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.

13. 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"), which had an initial term to maturity of 12 months and was bearing interest at a rate of 7% per annum, compounded quarterly. Accrued interest was capitalized quarterly by adding the interest to the principal of the Convertible Debenture, unless the Company elected at its sole discretion to settle in cash any accrued interest. In certain circumstances, Falco had the right to extend this maturity date by an additional six months.

The Convertible Debenture could be converted into Common Shares within 10 days of the maturity date at Glencore Canada's sole option at a conversion price of $0.41 per Common Share.

Falco issued to Glencore Canada 12,195,122 Warrants for which each Warrant was exercisable for one Common Share at an exercise price of $0.51 up to 12 months from the date of issuance of the Warrants. The terms of the Warrants provide for a cashless exercise feature, under which the number of Common Shares to be issued will be based on the number of Common Shares for which Warrants are exercised multiplied by the difference between the market price of a Common Share and the exercise price divided by the market price at the time of the exercise. Glencore Canada may utilize the cashless exercise feature in its sole discretion.

(Expressed in Canadian Dollars)

13. Convertible Debenture (*continued*)

On October 13, 2021, the Company agreed with Glencore Canada to extend the maturity date of the Convertible Debenture, from October 27, 2021 to April 27, 2022, as the circumstances for such an extension were met in accordance with the terms of the Convertible Debenture. Given the extension to the maturity date of the Convertible Debenture, the Company announced the extension of the expiry date of the Warrants issued to Glencore Canada under the Convertible Debenture from October 27, 2021 to April 27, 2022. All other terms and conditions of the Warrants remained unchanged, including the exercise price of $0.51 per Common Share.

On April 27, 2022, the Company and Glencore Canada entered into an agreement to extend the maturity date of the Convertible Debenture, from April 27, 2022 to April 27, 2023 (the “Amended Maturity Date”). The accrued interest on the existing Convertible Debenture was capitalized such that the principal amount of the amended Convertible Debenture was $11,095,976.

In connection with the extension of the Maturity Date, the conversion price of the Convertible Debenture was amended to $0.40 per Common Share and the interest rate to 8% per annum, compounded quarterly. In accordance with its terms, the Convertible Debenture could be converted into Common Shares within 10 days of the Amended Maturity Date or on the Maturity Date except that Glencore Canada would have the right to accelerate its conversion right upon the provision of a prior written notice to the Company. This latter extension was considered to be a settlement of the initial Convertible Debenture ($10,000,000).

Concurrently, Falco announced the extension of the expiry date of Glencore Canada’s Warrants (the “Amended Warrants”) from April 27, 2022 to April 27, 2023. The exercise price of these Warrants was reduced to $0.41 per Common Share. All other terms and conditions of these Warrants remain unchanged. This latter extension is considered to be a settlement of the original Warrants (12,195,122 Warrants).

As consideration for the amendment and extension, Falco issued to Glencore Canada 2,866,036 additional Warrants (the “Additional Warrants”). Each Additional Warrant is exercisable for one Common Share and has identical terms to the Amended Warrants.

On January 24, 2023, Falco finalized an agreement 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.

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, 2022	**10,794,418**
Interest	1,492,719
Transaction costs	(38,971)
Fair value of Warrant Extension	(265,378)
Balance June 30, 2023	**11,982,788**
Interest	1,299,437
Balance June 30, 2024	**13,282,225**

During the years ended June 30, 2024 and 2023, 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.

(Expressed in Canadian Dollars)

14. 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.

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, 2022	**15,061,158**	**178,309**	**10,664,324**	**-**	**25,725,482**	**178,309**
Revaluation of derivative warrant liabilities	-	(175,263)	-	-	-	(175,263)
Expiration of Warrants (Note 12)	-	-	(10,664,324)	-	(10,664,324)	-
Replacement Warrants (Note 12)	-	-	10,664,324	73,998	10,664,324	73,998
Warrant Extension (Note 13)	-	265,378	-	-	-	265,378
Revaluation of derivative warrant liabilities	-	69,764	-	22,579	-	92,343
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**

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, 2024	**June 30, 2023**	**Extension of Warrants January 24, 2023**	**December 31, 2022**	**September 30, 2022**
Risk-free interest rate	4.06%	4.52%	3.56%	5.15%	4.43%
Expected life of Warrants	0.5 years	1.5 years	1.9 years	0.3 years	0.4 years
Annualized volatility	100%	76%	67%	93%	69%
Dividend rate	-	-	-	-	-
Fair value per Warrant	$0.019	$0.017	$0.013	$0.002	$0.004

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.

15. Deferred premium on flow-through shares

	June 30, 2024
	$
Balance – beginning of year	-
Deferred premium on flow-through shares issued net of share issue costs (Note 16)	182,694
Balance – end of year	182,694

(Expressed in Canadian Dollars)

16. Share capital

Authorized:	Unlimited number of Common Shares without par value
Issued and fully paid:	280,138,434 Common Shares

On June 27, 2024, the Company closed a private placement, 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 consists of one Common Share and one-half of one Warrant. Each Warrant is exercisable to acquire one Common Share at a price of $0.35 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.

17. Warrants

The following table details the changes in the Warrants, including Broker warrants for the years ended June 30, 2024 and 2023:

	Number of Warrants	Weighted Average Exercise Price
		$
Balance – June 30, 2022	**47,675,482**	**0.54**
Expired	(11,014,324)	0.70
Issued (Note 12)	10,664,324	0.65
Balance – June 30, 2023	**47,325,482**	**0.52**
Issued (Note 16)	2,475,993	0.33
Balance – June 30, 2024	**49,801,475**	**0.51**
Warrants subject to cashless exercise	**25,725,482**	**0.49**

The Warrants outstanding at June 30, 2024, are as follows:

Exercise price ($)	Number of Warrants	Expiry date	Weighted average remaining contractual life (years)
0.38	15,061,158	December 31, 2024	0.51
0.65	10,664,324	December 31, 2024	0.51
0.55	21,600,000	July 31, 2025	1.09
0.35	2,029,134	June 28, 2026	2.00
0.23	446,859	June 28, 2026	2.00
	49,801,475		

(Expressed in Canadian Dollars)

18. 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, 2024 and 2023.

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, 2022	**16,221,867**	**0.44**
Granted	150,000	0.33
Expired	(2,219,978)	0.86
Forfeited	(153,556)	0.34
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**
Options exercisable – June 30, 2024	**5,825,668**	**0.42**

During the years ended June 30, 2024 and 2023, 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. 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	2023
Risk-free interest rate	3.58%	3.02%
Expected life of Options	5 years	5 years
Annualized volatility	76%	65%
Dividend rate	-	-
Weighted average fair value per Option	$0.23	$0.12

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.

(Expressed in Canadian Dollars)

18. Share-based compensation (*continued*)

Options outstanding at June 30, 2024 are as follows:

Exercise price ($)	Number of Options outstanding	Number of Options exercisable	Weighted average remaining life (Years)
0.29	450,000	300,002	2.66
0.33	150,000	50,000	3.00
0.36	3,440,000	-	4.75
0.40	2,200,000	1,466,666	2.66
0.42	630,000	630,000	1.67
0.43	442,000	442,000	1.67
0.45	2,937,000	2,937,000	1.39
	10,249,000	5,825,668	

For the year ended June 30, 2024, the share-based compensation costs amounted to $243,823 ($443,218 for the year ended June 30, 2023) of which $241,969 was charged to the consolidated statement of loss and comprehensive loss ($382,841 for the year ended June 30, 2023) and $1,854 was capitalized to construction in progress ($60,377 for the year-ended June 30, 2023). The offsetting credit is recorded as contributed surplus.

19. Income taxes

A reconciliation of income taxes at statutory rates (26.5%) with the reported taxes for the year ended June 30, 2024 (26.5% for the year ended June 30, 2023), is as follows:

	2024	2023
	$	$
Loss before income taxes	(3,341,039)	(2,993,122)
Expected income tax recovery	(885,375)	(793,177)
Non-deductible expenses, net	38,000	81,000
Change in fair value of derivative warrant liabilities	(18,000)	(23,000)
Provincial mining duties	69,371	402,296
Change in unrecognized deductible temporary differences	883,376	730,177
Other, net	(18,000)	5,000
Total income tax expense	69,372	402,296

The significant components of the Company's deferred tax assets and liabilities as at June 30, 2024 and 2023 are as follows:

	2024	2023
	$	$
Deferred tax liabilities		
Provincial mining duties	(1,714,000)	(1,645,000)
Exploration and evaluation assets	14,402,000	14,127,000
Property, plant and equipment	(15,805,000)	(14,858,000)
Share and debt issue costs	(329,000)	(235,000)
Non-capital losses	1,732,077	966,449
Deferred tax liability	(1,713,923)	(1,644,551)

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.

(Expressed in Canadian Dollars)

19. Income taxes (*continued*)

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, 2024 are as follows:

	$	Expiry date range
Investment tax credit	71,000	2034
Non-capital losses	74,304,000	2038 to 2041
Income tax benefit from provincial mining duties	1,714,000	No expiry

20. Net loss per share

As a result of the net loss for the years ended June 30, 2024 and 2023, all potentially dilutive Common Shares (Notes 17 and 18) 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.

21. Capital management

The capital structure of the Company as at June 30, 2024, 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, 2024 and 2023. Changes in capital are described in the consolidated statement of changes in equity.

22. 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, 2024 and 2023:

	2024	2023
	$	$
Salaries and short-term employees benefits	1,386,520	1,301,770
Share-based compensation	233,046	322,402
	1,619,566	1,624,172

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

During the year ended June 30, 2024, an amount of $143,000 was invoiced by Osisko Gold for professional services and access to office space ($220,000 during the year ended June 30, 2023), of which $64,000 is included in accounts payable and accrued liabilities as at June 30, 2024 ($35,000 as at June 30, 2023). 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.

(Expressed in Canadian Dollars)

22. Key management and related party transactions (*continued*)

As at June 30, 2024, interest payable on the Convertible Loan amounted to $2,515,277 ($725,234 as at June 30, 2023). Interest incurred on the Convertible Loan for the year ended June 30, 2024 totaled $1,790,043 ($1,750,281 for the year ended June 30, 2023).

During the year ended June 30, 2024, $150,000 was invoiced by Osisko Development for professional services ($330,000 for the year ended June 30, 2023). An amount of $ nil is included in accounts payable and accrued liabilities as at June 30, 2024 ($95,000 as at June 30, 2023).

During the year ended June 30, 2024, the Company provided professional services totaling $253,000 to associates of Osisko Gold ($438,000 for the year ended June 30, 2023), of which $100,000 is included in accounts receivable as at June 30, 2024 ($58,000 as at June 30, 2023). These services have been recorded as cost recoveries in the consolidated statement of loss and comprehensive loss.

The Company has commitments under certain management contracts and minimum commitments under those contracts are $1,750,000.

23. 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, 2024 (see Note 14).

As at June 30, 2024 and June 30, 2023, 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 $22,200,000 and $13,000,000, respectively (Level 3 measurement).

24. Supplemental disclosure – Consolidated statements of cash flows

	Year ended June 30, 2024	**Year ended June 30, 2023**
	$	**$**
Property, plant and equipment acquisitions included in accounts payable and accrued liabilities		
Beginning of year	353,484	1,427,327
End of year	851,658	353,484
Share issue costs included in accounts payable and accrued liabilities		
Beginning of year	-	-
End of year	129,000	-
Interest income received	263,575	383,265

25. 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, 2024 and 2023, 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, 2024, 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, 2024, will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2025.

The following table summarizes the Company's contractual commitments as at June 30, 2024:

	Less than one year	**Between one and three years**	**More than three years**
	$	**$**	**$**
Accounts payable and accrued liabilities	1,845,266	-	-
Convertible Loan, including interest to maturity	23,900,000	-	-
Convertible Debenture, including interest to maturity	14,000,000	-	-

26. 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.

27. Commitments

Commitments, not otherwise disclosed, are summarized below:

<u>Purchase agreement</u>

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 Gold Ltd, all of its rights, title and interest in the 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.

<u>Hoisting systems</u>

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, 2024 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.

<u>Offtake Agreements</u>

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.

<u>First Quantum</u>

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.