



FALCO RESOURCES LTD.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(UNAUDITED)**

**FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
DECEMBER 31, 2025 and 2024**

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

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

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

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

Falco Resources Ltd.
Consolidated Balance Sheets
(Unaudited)

(Expressed in Canadian Dollars)

	As at December 31, 2025	As at June 30, 2025
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 4)	9,531,404	1,520,822
Accounts receivable	632,552	440,922
Prepaid expenses and other assets	232,882	369,997
	<u>10,396,838</u>	<u>2,331,741</u>
Non-current assets		
Property, plant and equipment (Note 5)	165,836,988	158,937,519
Other non-current assets (Note 6)	1,728,528	1,728,528
	<u>167,565,516</u>	<u>160,666,047</u>
Total assets	<u>177,962,354</u>	<u>162,997,788</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	795,876	1,312,835
Convertible Loan (Note 7)	24,511,122	24,519,609
Convertible Debenture (Note 8)	12,490,590	13,884,948
Derivative warrant liabilities (Note 9)	4,448,522	540,685
Deferred premium on flow-through shares (Note 10)	-	157,871
	<u>42,246,110</u>	<u>40,415,948</u>
Non-current liabilities		
Contract Liability (Note 6)	69,161,322	66,256,801
Deferred income taxes	2,336,331	2,336,331
	<u>71,497,653</u>	<u>68,593,132</u>
Total liabilities	<u>113,743,763</u>	<u>109,009,080</u>
Equity		
Share capital	152,674,313	139,965,597
Warrants	202,705	853,102
Contributed surplus	17,911,130	16,976,648
Deficit	(106,569,557)	(103,806,639)
Total equity	<u>64,218,591</u>	<u>53,988,708</u>
Total liabilities and equity	<u>177,962,354</u>	<u>162,997,788</u>
Going concern (Note 1)		
Commitments (Note 18)		
Subsequent events (Note 19)		

Equity is solely attributable to Falco Resources Ltd. shareholders

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

Falco Resources Ltd.

Consolidated Statements of Loss and Comprehensive Loss

For the three-month and six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

	Three-months ended December 31,		Six-months ended December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Expenses				
Consulting and compensation	389,897	753,308	942,938	1,366,913
Share-based compensation (Note 12)	232,739	111,310	268,271	203,212
Professional fees	93,257	109,633	233,743	248,214
Investor and shareholder relations	135,280	91,096	182,878	193,395
Office and administrative	91,722	114,995	158,763	191,551
Depreciation (Note 5)	6,626	7,717	13,252	15,181
Travel	8,551	26,620	9,048	31,504
Exploration and evaluation	1,124,749	138,363	1,176,934	202,431
Refundable tax credits	-	-	(23,000)	(52,063)
Cost recoveries	(48,000)	(63,249)	(96,000)	(126,498)
Operating loss	(2,034,821)	(1,289,793)	(2,866,827)	(2,273,840)
Interest income	62,655	17,897	69,261	52,489
Unrealized (loss) gain on derivative warrant liabilities (Note 9)	12,536	828,456	(121,979)	501,555
Foreign exchange loss	(1,322)	(1,071)	(1,244)	(1,234)
Other income – premium on flow-through shares (Note 10)	154,288	9,636	157,871	14,099
Loss before income taxes	(1,806,664)	(434,875)	(2,762,918)	(1,706,931)
Deferred income tax recovery	-	21,846	-	21,846
Net loss and comprehensive loss	(1,806,664)	(413,029)	(2,762,918)	(1,685,085)
Net loss per common share (Note 13)				
Basic and diluted	(0.01)	(0.00)	(0.01)	(0.01)
Weighted average number of common shares outstanding (Note 13)				
Basic and diluted	338,148,322	283,268,869	321,143,378	281,703,651

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

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

Falco Resources Ltd.

Consolidated Statements of Cash Flows

For the three-month and six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

	Three-months ended December 31,		Six-months ended December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Operating activities				
Net loss	(1,806,664)	(413,029)	(2,762,918)	(1,685,085)
Adjustments for:				
Share-based compensation (Note 12)	232,739	111,310	268,271	203,212
Depreciation (Note 5)	6,626	7,717	13,252	15,181
Deferred income tax recovery	-	(21,846)	-	(21,846)
Other income – premium on flow-through shares (Note 10)	(154,288)	(9,636)	(157,871)	(14,099)
Unrealized (gain) loss on derivative warrant liabilities (Note 9)	(12,536)	(828,456)	121,979	(501,555)
Changes in non-cash working capital items:				
Accounts receivable	(165,113)	83,596	(191,630)	(35,515)
Prepaid expenses and other assets	18,111	(20,412)	137,115	18,245
Accounts payable and accrued liabilities	(914,347)	(579,300)	(504,892)	(429,934)
Net cash flows used in operating activities	<u>(2,795,742)</u>	<u>(1,670,056)</u>	<u>(3,076,694)</u>	<u>(2,451,396)</u>
Investing activities				
Investments in property, plant and equipment	<u>(626,009)</u>	<u>(1,349,381)</u>	<u>(971,346)</u>	<u>(2,383,834)</u>
Net cash flows used in investing activities	<u>(629,009)</u>	<u>(1,349,381)</u>	<u>(971,346)</u>	<u>(2,383,834)</u>
Financing activities				
Proceeds from private placement (Note 11)	13,121,600	6,000,000	13,121,600	6,000,000
Share issue costs (Note 11)	(1,062,978)	(404,159)	(1,062,978)	(404,159)
	<u>12,058,622</u>	<u>5,595,841</u>	<u>12,058,622</u>	<u>5,595,841</u>
Increase in cash and cash equivalents	<u>8,634,141</u>	<u>2,576,404</u>	<u>8,010,582</u>	<u>760,611</u>
Cash and cash equivalents, beginning of period	<u>897,263</u>	<u>1,868,024</u>	<u>1,520,822</u>	<u>3,683,817</u>
Cash and cash equivalents, end of period	<u>9,531,404</u>	<u>4,444,428</u>	<u>9,531,404</u>	<u>4,444,428</u>

Supplemental disclosure (Note 17)

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

Falco Resources Ltd.

Consolidated Statements of Changes in Equity

For the six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

	Number of shares outstanding	Share capital	Warrants	Contributed surplus	Deficit	Total
		\$	\$	\$	\$	\$
Balance – July 1, 2025	304,138,434	139,965,597	853,102	16,976,648	(103,806,639)	53,988,708
Units issued pursuant to a private placement (Note 11)	41,005,000	13,121,600	-	-	-	13,121,600
Share issue costs (Note 11)	-	(1,075,548)	-	-	-	(1,075,548)
Exercised Warrants (Note 9)	1,566,209	662,664	-	-	-	662,664
Expired Warrants (Note 11)	-	-	(650,397)	650,397	-	-
Share-based compensation (Note 12)	-	-	-	284,085	-	284,085
Net loss and comprehensive loss	-	-	-	-	(2,762,918)	(2,762,918)
Balance – December 31, 2025	346,709,643	152,674,313	202,705	17,911,130	(106,569,557)	64,218,591
Balance – July 1, 2024	280,138,434	134,741,596	701,102	16,595,100	(101,411,569)	50,626,229
Units issued pursuant to a private placement	24,000,000	6,000,000	-	-	-	6,000,000
Share issue costs	-	(748,316)	152,000	-	-	(596,316)
Share-based compensation (Note 12)	-	-	-	222,876	-	222,876
Net loss and comprehensive loss	-	-	-	-	(1,685,085)	(1,706,931)
Balance – December 31, 2024	304,138,434	139,993,280	853,102	16,817,976	(103,096,654)	54,545,858

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

Falco Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

1. Nature of activities and going concern

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

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 precious and base 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 “Horne 5 Project” or “Horne 5 Deposit”).

These unaudited condensed consolidated interim financial statements have been prepared based on 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 December 31, 2025, the Company had a negative working capital of \$31,849,272 (including a cash and cash equivalent balance of \$9,531,404), an accumulated deficit of \$106,569,557 and had incurred a loss of \$2,762,918 for the six-month period ended December 31, 2025. As the Company is in the development stage for the Horne 5 Project, it has not recorded any revenues from operations and has no source of operating cash flow, except for the silver stream agreement (the “Silver Stream Agreement”) signed with OR Royalties Inc (“OR Royalties”) on February 27, 2019 (Note 6). OR Royalties, through the Silver Stream Agreement and the Convertible Loan (see Note 7) and Osisko Development Corp. (“Osisko Development”), which owns 15.8% 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 December 31, 2025, will not be sufficient to meet the Company’s obligations, commitments and budgeted expenditures through December 31, 2026. 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 unaudited condensed consolidated interim financial statements do not reflect the adjustments to the carrying values of assets and liabilities, expenses and balance sheet classifications that would be necessary if the going concern assumption was not appropriate. These adjustments could be material.

The Company’s ability to continue future operations and fund its planned development activities at the Horne 5 Deposit is dependent on Management’s ability to secure third parties’ approvals and additional financing in the future, in addition to renewing debt facilities (see Notes 7 and 8). 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 6, 7, 8 and 11), 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

These unaudited condensed consolidated interim financial statements have been prepared in accordance with *International Financial Reporting Standards* (“IFRS”) as issued by the *International Accounting Standards Board* (“IFRS accounting standards”) applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, *Interim Financial Reporting*. The unaudited condensed consolidated interim financial statements should be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended June 30, 2025, which have been prepared in accordance with IFRS accounting standards.

These unaudited condensed consolidated interim financial statements were approved by the Company’s Board of Directors (the “Board”) on February 18, 2026.

The policies applied in these unaudited condensed consolidated interim financial statements are the same accounting policies and methods as those in Falco’s most recent audited annual consolidated financial statements.

Falco Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

3. Judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires the Company to make judgments, estimates and assumptions on reported amounts of assets and liabilities, and reported amounts of expenses. The estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may be substantially different. The critical accounting judgments, estimates and assumptions are the same as those in Falco's most recent audited annual consolidated financial statements.

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 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 cash generating unit ("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. As at December 31, 2025 and June 30, 2025, Management determined that there were no indications that the non-financial assets may not be recoverable.

4. Cash and cash equivalents

	December 31, 2025	June 30, 2025
	\$	\$
Cash	5,451,404	770,822
Cash equivalents	4,080,000	750,000
	9,531,404	1,520,822

Cash equivalents at December 31, 2025, are comprised of redeemable term deposits bearing a weighted-average interest rate of 2.6% and having various maturity dates until March 2026.

5. Property, plant and equipment

	Mining equipment	Land and buildings	Construction in progress	Office and other equipment	Total
	\$	\$	\$	\$	\$
Cost					
Balance – June 30, 2024	18,317,509	23,047,552	104,137,387	539,992	146,042,440
Additions	-	-	3,301,208	-	3,301,208
Capitalized borrowing costs	-	-	10,088,036	-	10,088,036
Balance – June 30, 2025	18,317,509	23,047,552	117,526,631	539,992	159,431,684
Additions	-	-	880,482	-	880,482
Capitalized borrowing costs	-	-	6,032,239	-	6,032,239
Balance – December 31, 2025	18,317,509	23,047,552	124,439,352	539,992	166,344,405
Accumulated Depreciation					
Balance – June 30, 2024	-	-	-	464,679	464,679
Depreciation	-	-	-	29,486	29,486
Balance – June 30, 2025	-	-	-	494,165	494,165
Depreciation	-	-	-	13,252	13,252
Balance – December 31, 2025	-	-	-	507,417	507,417
Carrying Amounts					
At June 30, 2025	18,317,509	23,047,552	117,526,631	45,827	158,937,519
At December 31, 2025	18,317,509	23,047,552	124,439,352	32,575	165,836,988

Falco Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

6. Contract Liability

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

As of December 31, 2025, the Company has received installment payments totalling \$35,000,000. The remaining installments are payable as follows:

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

Under the terms of the Silver Stream Agreement, OR Royalties will purchase 90% of the payable silver from the Horne 5 Project, increasing to 100% of the payable silver from this project in the event the Fourth Instalment is paid. In exchange for the silver delivered under this agreement, OR Royalties will pay the Company ongoing payments equal to 20% of the spot price of silver on the day of delivery, subject to a maximum payment of USD\$6.00 per silver ounce. The silver produced from the Project and properties within a 5 km area of interest will be subject to the Silver Stream Agreement. Pursuant to the Silver Stream Agreement, the Company agreed to pay a \$2,000,000 capital commitment fee, which is payable upon OR Royalties funding the Second Installment under the Silver Stream Agreement. Falco’s obligations towards OR Royalties with respect to the Silver Stream Agreement are secured by a deed of hypothec for a maximum of \$600,000,000; such first ranking deed was subordinated in favour of the security granted to Glencore Canada Corporation (“Glencore”) as part of the Convertible Debenture transaction (see Note 8).

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

The breakdown of the Contract Liability is as follows:

	\$
Balance at June 30, 2024	60,675,657
Interest on the Contract Liability’s financing component	5,581,144
Balance at June 30, 2025	66,256,801
Interest on the Contract Liability’s financing component	2,904,521
Balance at December 31, 2025	69,161,322

As of December 31, 2025 and June 30, 2025, the Company incurred on a cumulative basis \$1,728,528 of transaction costs relating to the Contract Liability, which is accounted for as other non-current assets on the consolidated balance sheet.

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 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.

Falco Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

7. Convertible Loan

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

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

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

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

Transactions affecting the Convertible Loan were as follows:

	\$
Balance June 30, 2024	22,905,141
Interest	2,434,057
Transaction costs	(69,921)
Fair Value of OR Warrants	(749,668)
Balance June 30, 2025	24,519,609
Interest	1,578,912
Transaction Costs	(54,694)
Fair Value of the New OR Warrants	(1,532,705)
Balance December 31, 2025	24,511,122

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

Falco's obligations towards OR Royalties with respect to the Convertible Loan is secured by a deed of hypothec for a maximum of \$25,000,000 over all the assets of Falco other than the Horne 5 Project and ranks after the security granted to Glencore as part of the Convertible Debenture transaction (see Note 8).

Falco Resources Ltd.

Notes to the Condensed Consolidated Interim Financial Statements

For the three-month and six-month periods ended December 31, 2025 and 2024

(Unaudited)

(Expressed in Canadian Dollars)

8. Convertible Debenture

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

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

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

On December 16, 2025, the Company and Glencore amended and extended the maturity of the existing Convertible Debenture from December 31, 2025 to December 31, 2026, effective December 31, 2025 (the "New Convertible Debenture"). In connection with the extension of the maturity date of this Convertible Debenture, the Convertible Debenture was amended in order for (i) the accrued interest on the existing Convertible Debenture up to the Effective Date to be capitalized such that the principal amount of the New Convertible Debenture will be \$15,433,754, (ii) the conversion price to be maintained at \$0.37 per Common Share, and (iii) the interest rate to be maintained at 10%. The Glencore Warrants held by Glencore will remain outstanding in accordance with their terms until their expiry on December 31, 2025. In consideration for the extension of the maturity date of the Convertible Debenture, the Company issued to Glencore, on the Effective Date, 21,381,422 Warrants (the "New Glencore Warrants"), each exercisable at any time from and after January 1, 2026, at an exercise price of (i) \$0.38 per Common Share for 15,061,158 of the New Glencore Warrants and (ii) \$0.42 per Common Share for the remaining 6,320,264 New Glencore Warrants, with the New Glencore Warrants expiring on December 31, 2026.

Transactions affecting the Convertible Debenture were as follows:

	\$
Balance June 30, 2024	13,282,225
Interest	2,072,836
Transaction costs	(34,961)
Fair value of Glencore Warrants	(1,435,152)
Balance June 30, 2025	13,884,948
Interest	1,531,325
Transaction costs	(27,346)
Fair value of the New Glencore Warrants	(2,915,817)
Balance December 31, 2025	12,490,590

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

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

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9. 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, 2024	15,061,158	416,238	10,664,324	85,317	25,725,482	501,555
Revaluation of derivative warrant liabilities	-	(1,424,533)	-	(721,157)	-	(2,145,690)
Expiration of Warrants (Notes 7 and 8)	(15,061,158)	-	(10,664,324)	-	(25,725,482)	-
New Warrants (Notes 7 and 8)	19,424,944	1,435,152	17,690,237	749,668	37,115,181	2,184,820
Balance at June 30, 2025	19,424,944	426,857	17,690,237	113,828	37,115,181	540,685
Revaluation of derivative warrant liabilities	-	235,807	-	(113,828)	-	121,979
Exercise of Warrants	(19,424,944)	(662,664)	-	-	(19,424,944)	(662,664)
Expiration of Warrants (Note 7 and 8)	-	-	(17,690,237)	-	(17,690,237)	-
New Warrants (Notes 7 and 8)	21,381,422	2,915,817	19,332,237	1,532,705	40,713,659	4,448,522
Balance at December 31, 2025	21,381,422	2,915,817	19,332,237	1,532,705	40,713,659	4,448,522

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

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

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:

	December 31, 2025	June 30, 2025	June 30, 2024
Risk-free interest rate	2.55%	2.66%	4.06%
Expected life of Warrants	1.0 years	0.5 years	0.5 years
Annualized volatility	72%	80%	100%
Dividend rate	-	-	-
Fair value per Warrant	\$0.109	\$0.015	\$0.019

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

10. Deferred premium on flow-through shares

	December 31, 2025	June 30, 2025
	\$	\$
Balance – beginning of period	157,871	182,694
Recognition of deferred premium on flow-through shares	(157,871)	(24,823)
Balance – end of period	-	157,871

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11. Share capital and Warrants

Share capital

Authorized: Unlimited number of Common Shares without par value
 Issued and fully paid: 346,709,643 Common Shares

Financing

On October 17, 2025, the Company closed a private placement (the "Placement"), pursuant to which Falco issued an aggregate of 41,005,000 units (the "Placement Units") at a price of \$0.32 per Placement Unit, for aggregate gross proceeds of \$13,121,600. Each Placement Unit consists of one Common Share and one-half of one Warrant. Each Warrant is exercisable to acquire one Common Share at a price of \$0.46 at any time on or before April 17, 2027. In connection with the closing of the Placement cash fees of \$1,075,548 were incurred.

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

Warrants

The following table details the changes in the Warrants, including Warrants subject to cashless exercise (Note 9):

	Number of Warrants	Weighted Average Exercise Price
		\$
Balance – June 30, 2024	49,801,475	0.51
Expired	(25,725,482)	0.49
Issued	62,267,181	0.43
Balance – June 30, 2025	86,343,174	0.45
Expired	(39,290,237)	0.56
Issued	61,216,159	0.47
Exercised on cashless basis (Note 9)	(19,424,944)	0.39
Balance – December 31, 2025	88,844,152	0.43
Warrants subject to cashless exercise	40,713,659	0.48

12. Share-based compensation

The Company's stock 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 details the changes in the Options:

	Number of Options	Weighted Average Exercise Price
		\$
Balance – June 30, 2024	10,249,000	0.40
Forfeited	(450,000)	0.37
Expired	(200,000)	0.39
Balance – June 30, 2025	9,599,000	0.40
Forfeited	(93,333)	0.36
Granted	9,950,000	0.33
Expired	(3,120,667)	0.44
Balance – December 31, 2025	16,335,000	0.35
Options exercisable – December 31, 2025	4,451,666	0.39

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12. Share-based compensation (continued)

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

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

Share price as at date of grant	\$0.33
Exercise price as at date of grant	\$0.33
Risk-free interest rate	2.71%
Expected life of Options	5.0 years
Annualized expected volatility	76%
Dividend rate	0%
Weighted average fair value per Option	\$0.21

The expected volatility was determined by calculating the "historical" volatility of the Company's Common Share price back from the date of the grant and for a period corresponding to the expected life of the Options. When computing historical volatility, Management may disregard an identifiable period of time in which it considers that the share price was extraordinarily volatile because of a specific event that is not expected to recur during the expected life of the Option.

Share option compensation for the three-month period ended December 31, 2025, amounted to \$248,553 (\$121,142 for the three-month period ended December 31, 2024) of which \$15,814 was capitalized to construction in progress (\$9,832 was capitalized from construction in progress for the three-month period ended December 31, 2024).

Share option compensation for the six-month period ended December 31, 2025, amounted to \$284,085 (\$222,876 for the six-month period ended December 31, 2024) of which \$15,814 was capitalized to construction in progress (\$19,664 was capitalized to construction in progress for the six-month period ended December 31, 2024).

13. Net loss per share

As a result of the net loss for the three-month and six-month periods ended December 31, 2025 and 2024, all potentially dilutive common shares are deemed to be antidilutive and thus diluted net loss per share is equal to the basic net loss per share for these periods.

14. Key management and related party transactions

Key management includes directors (executive and non-executive) and certain officers of the Company. The compensation paid or payable to key management for employee services is presented below for the three-month and six-month periods ended December 31, 2025 and 2024:

	Three-months ended		Six-months ended	
	December 31,		December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Salaries and short-term employee benefits	297,812	363,067	662,375	726,135
Share-based compensation	197,896	104,353	241,319	208,708
	495,708	467,420	903,694	934,843

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

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

During the three-month and six-month periods ended December 31, 2025, amounts of \$20,000 and \$44,000, respectively were invoiced by OR Royalties for professional services and access to office spaces (\$25,000 and \$55,000, respectively, for the three-month and six-month periods ended December 31, 2024). An amount of \$9,000 is included in accounts payable and accrued liabilities as at December 31, 2025 (\$30,000 as at June 30, 2025).

As at December 31, 2025, interest payable on the Convertible Loan amounted to \$ nil (\$1,071,720 as at June 30, 2025). Interest incurred on the Convertible Loan for the three-month and six-month periods ended December 31, 2025, totaled \$766,264 and \$1,578,912, respectively, and was capitalized to property, plant and equipment in the consolidated balance sheet (\$493,225 and \$976,680, respectively for the three-month and six-month periods ended December 31, 2024).

During the three-month and six-month periods ended December 31, 2025, amounts of \$48,000 and \$96,000, respectively, were invoiced to associates of OR Royalties for professional services provided by the Company (\$63,249 and \$126,498 for the three-month and six-month periods ended December 31, 2024), which have been recorded as cost recoveries in the statement of loss and comprehensive loss.

15. Fair value of financial instruments

The Company's derivative warrant liabilities are measured at fair value in the condensed consolidated interim balance sheet as at December 31, 2025 (see Note 9).

As at December 31, 2025 and June 30, 2025, the financial instruments that are not measured at fair value in the consolidated balance sheets are represented by cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, the debt host of the Convertible Loan and the Convertible Debenture. The fair values of the cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities approximate their respective carrying values due to their short-term nature. The fair value of the Convertible Loan and the Convertible Debenture are \$24,800,000 and \$14,800,000, respectively (Level 3 measurement).

16. 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 December 31, 2025, cash and cash equivalents are comprised of bank balances and short-term highly liquid investments (Note 4). As described in Note 1, the Company's liquidity position as at December 31, 2025, will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through December 31, 2026.

The following table summarizes the Company's contractual commitments as at December 31, 2025 (see also Note 18):

	Less than one year	Between one and three years	More than three years
	\$	\$	\$
Accounts payable and accrued liabilities	795,876	-	-
Convertible Loan, including interest to maturity	28,500,000	-	-
Convertible Debenture, including interest to maturity	17,000,000	-	-

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17. Supplemental disclosure – Statements of cash flows

	Three-months ended December 31,		Six-months ended December 31,	
	2025	2024	2025	2024
	\$	\$	\$	\$
Property and equipment investments included in accounts payable and accrued liabilities				
Beginning of period	888,770	1,210,033	618,782	851,658
End of period	512,104	571,922	512,104	571,922
Share issue costs included in accounts payable and accrued liabilities				
Beginning of period	-	129,000	-	129,000
End of period	12,570	321,157	12,570	321,157
Interest income received	65,060	17,897	71,933	52,489

18. Commitments

Commitments, not otherwise disclosed, are summarized below:

Royalties

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

As at October 20, 2025, SA Targeted Investing Corp ("SATIC"), a subsidiary of Royal Gold Inc., owns all rights, title and interest in a 2% net smelter return ("NSR") royalty on the Horne 5 Project (the "Horne 5 NSR Royalty"). Falco's obligations towards SATIC with respect to the royalty interest are secured by a deed of hypothec for a maximum of \$45 million.

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

Hoisting systems

On March 24, 2017, the Company entered into an initial agreement for the engineering, procurement, supply, performance services and installation of the hoisting systems for the Horne 5 Project (the "Contract"). The hoisting systems will include a production hoist, an auxiliary hoist and a service hoist. The Contract is estimated at \$28,900,000, of which \$8,225,000 was incurred and paid as at December 31, 2025 and can be terminated at any time, subject to the payment of the approved and executed work performed by the supplier at the termination date. These amounts are recorded in mining equipment.

First Quantum

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

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

On December 16, 2022, and on June 7, 2024, Falco and First Quantum ultimately extended the Option's exercise period to December 31, 2025. On November 20, 2025, the Option was extended to December 31, 2026.

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

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18. Commitments (*continued*)

Offtake Agreements

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

Flow-through shares

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

19. Subsequent events

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

On January 30, 2026, Falco and OR Royalties entered into an amendment to the Silver Stream Agreement. This amendment postpones certain deadlines granted to Falco to achieve milestones set as conditions precedent to OR Royalties funding the remaining instalments of the stream deposit and certain other deadlines.