



**Condensed Interim Consolidated Financial Statements**

**December 31, 2023**

**(Expressed in Canadian Dollars)**

**(Unaudited – Prepared by Management)**

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

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

The accompanying unaudited condensed interim consolidated financial statements of the Company for the six months ended December 31, 2023 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

**FALCON GOLD CORP.**

## Condensed Interim Consolidated Statements of Financial Position

As at December 31, 2023 and June 30, 2023

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|                                                   | December 31,<br>2023 | June 30,<br>2023 |
|---------------------------------------------------|----------------------|------------------|
| <b>ASSETS</b>                                     |                      |                  |
| Current                                           |                      |                  |
| Cash and cash equivalents                         | \$ 96,496            | \$ 326,356       |
| Amount receivable                                 | 86,902               | 82,127           |
| Marketable securities (Note 5)                    | 102,114              | 118,961          |
| Prepaid expenses                                  | 110,556              | 193,655          |
|                                                   | 396,068              | 721,099          |
| Exploration and evaluation assets (Note 6)        | 3,624,654            | 2,698,288        |
|                                                   | \$ 4,020,722         | \$ 3,419,387     |
| <b>LIABILITIES</b>                                |                      |                  |
| Current                                           |                      |                  |
| Accounts payable and accrued liabilities (Note 8) | 1,335,802            | \$ 524,880       |
| Premium on flow-through (Note 10)                 | -                    | 207,493          |
|                                                   | \$ 1,335,802         | 732,373          |
| <b>SHAREHOLDERS' EQUITY</b>                       |                      |                  |
| Share capital (Note 7)                            | 11,656,919           | 11,563,752       |
| Share subscriptions (receivable)                  | (25,000)             | (25,000)         |
| Contributed surplus                               | 2,181,901            | 2,128,568        |
| Deficit                                           | (11,128,900)         | (10,980,306)     |
|                                                   | 2,684,920            | 2,687,014        |
|                                                   | \$ 4,020,722         | \$ 3,419,387     |

Nature of operations and going concern (Note 1)

Subsequent events (Note 11)

Approved and authorized for issuance on behalf of the Board of Directors on February 27, 2024:

/s/ Karim Rayani

Karim Rayani

/s/ James Farley

James Farley

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

**FALCON GOLD CORP.****Condensed Interim Consolidated Statements of Operations and Comprehensive Loss**

For the six months ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|                                                         | For the three months ended<br>December 31, |              | For the six months ended<br>December 31, |              |
|---------------------------------------------------------|--------------------------------------------|--------------|------------------------------------------|--------------|
|                                                         | 2023                                       | 2022         | 2023                                     | 2022         |
| Expenses                                                |                                            |              |                                          |              |
| Consulting fees (Note 8)                                | \$ 11,916                                  | \$ 43,462    | \$ 23,337                                | \$ 66,982    |
| Exploration expenditures                                | 1,000                                      | -            | 1,000                                    | -            |
| Filing fees and communications                          | 24,306                                     | 79,266       | 56,621                                   | 129,862      |
| Foreign exchange                                        | -                                          | 984          | 180                                      | 984          |
| General and administration costs (Note 8)               | 24,133                                     | 13,934       | 49,400                                   | 28,110       |
| Management fees (Note 8)                                | 45,000                                     | 30,000       | 90,000                                   | 60,000       |
| Professional fees (Note 8)                              | 30,941                                     | 41,167       | 58,702                                   | 62,075       |
| Share-based payments (Notes 7 and 8)                    | -                                          | -            | 60,000                                   | -            |
|                                                         | 137,296                                    | 208,813      | 339,240                                  | 348,013      |
| Loss before other items                                 | (137,296)                                  | (208,813)    | (339,240)                                | (348,013)    |
| Other items                                             |                                            |              |                                          |              |
| Interest income                                         | -                                          | -            | -                                        | 23           |
| Other income (Note 10)                                  | 195,240                                    | 60,481       | 207,493                                  | 89,815       |
| Unrealized (loss) gain on marketable securities         | (16,615)                                   | 5,078        | (16,848)                                 | 7,733        |
|                                                         | 178,625                                    | 65,569       | 190,646                                  | 97,571       |
| Net loss and comprehensive loss for the period          | \$ (41,329)                                | \$ (143,244) | \$ (148,594)                             | \$ (250,442) |
| Basic and diluted loss per share                        | \$ (0.00)                                  | \$ (0.00)    | \$ (0.00)                                | \$ (0.00)    |
| Weighted average number of common shares<br>outstanding | 130,066,143                                | 123,958,334  | 129,765,419                              | 119,673,368  |

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

**FALCON GOLD CORP.**

## Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

For the six months ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|                                       | Number of<br>Shares | Share<br>Capital | Share<br>subscriptions<br>received<br>(receivable) | Contributed<br>Surplus | Deficit         | Total<br>Shareholders'<br>Equity |
|---------------------------------------|---------------------|------------------|----------------------------------------------------|------------------------|-----------------|----------------------------------|
| Balance, June 30, 2022                | 113,367,783         | \$ 10,093,746    | \$ (73,000)                                        | \$ 2,138,237           | \$ (9,937,728)  | \$ 2,221,255                     |
| Private placement Non-FT              | 5,484,090           | 463,250          | -                                                  | -                      | -               | 463,250                          |
| Private placement FT                  | 9,246,154           | 1,202,000        | -                                                  | -                      | -               | 1,202,000                        |
| Reclassification of premium on FT     | -                   | (246,692)        | -                                                  | -                      | -               | (246,692)                        |
| Share issue costs                     | -                   | (78,120)         | -                                                  | -                      | -               | (78,120)                         |
| Exercise of warrants                  | 266,667             | 26,667           | -                                                  | -                      | -               | 26,667                           |
| Exercise of options                   | 300,000             | 33,400           | -                                                  | (15,900)               | -               | 17,500                           |
| Units issued for property acquisition | 300,000             | 29,500           | -                                                  | 9,000                  | -               | 38,500                           |
| Distribution to shareholders          | -                   | -                | -                                                  | -                      | (65,146)        | (65,146)                         |
| Net loss for the period               | -                   | -                | -                                                  | -                      | (250,442)       | (250,442)                        |
| Balance, December 31, 2022            | 128,964,694         | \$ 11,523,751    | \$ (73,000)                                        | \$ 2,131,337           | \$ (10,253,416) | \$ 3,328,772                     |
| Balance, June 30, 2023                | 129,464,694         | \$ 10,093,746    | \$ (25,000)                                        | \$ 2,128,568           | \$ (10,980,306) | \$ 2,687,014                     |
| Private placement Non-FT              | 2,166,667           | 65,000           | -                                                  | -                      | -               | 65,000                           |
| Share issue costs                     | -                   | (6,833)          | -                                                  | 3,333                  | -               | (3,500)                          |
| Share-based compensation              | -                   | -                | -                                                  | 60,000                 | -               | 60,000                           |
| Exercise of options                   | 500,000             | 35,000           | -                                                  | (10,000)               | -               | 25,000                           |
| Net loss for the period               | -                   | -                | -                                                  | -                      | (148,594)       | (148,594)                        |
| Balance, December 31, 2023            | 132,131,361         | 11,656,919       | (25,000)                                           | 2,181,901              | (11,128,900)    | 2,684,920                        |

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

**FALCON GOLD CORP.**

## Condensed Interim Consolidated Statements of Cash Flows

For the six months ended December 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

|                                                                  | 2023         | 2022         |
|------------------------------------------------------------------|--------------|--------------|
| Operating Activities                                             |              |              |
| Net loss for the period                                          | \$ (148,594) | \$ (250,442) |
| Items not affecting cash                                         |              |              |
| Unrealized loss (gain) on marketable securities                  | 16,847       | (7,733)      |
| Share-based payment                                              | 63,333       | -            |
| Other income                                                     | (207,493)    | (89,815)     |
| Changes in non-cash working capital items related to operations: |              |              |
| Amount receivable                                                | (4,775)      | (77,846)     |
| Prepaid expenses and deposits                                    | 83,099       | (25,557)     |
| Accounts payable and accrued liabilities                         | 810,922      | (120,555)    |
| Due from related parties                                         | -            | (110,000)    |
| Cash used in operating activities                                | 613,339      | (681,948)    |
| Investing Activities                                             |              |              |
| Exploration and evaluation assets                                | (926,366)    | (339,861)    |
| Cash used in investing activity                                  | (926,366)    | (339,861)    |
| Financing Activities                                             |              |              |
| Shares issued for cash                                           | 90,000       | 1,628,167    |
| Share issue costs                                                | (6,833)      | (78,120)     |
| Cash provided by financing activities                            | 83,167       | 1,550,047    |
| Change in cash and cash equivalents during the period            | (229,860)    | 528,238      |
| Cash and cash equivalents, beginning of period                   | 326,356      | 273,905      |
| Cash and cash equivalents, end of the period                     | \$ 96,496    | \$ 802,143   |
| Supplemental Disclosure of Cash Flow Information:                |              |              |
| Cash paid during the period:                                     |              |              |
| Interest                                                         | \$ -         | \$ -         |
| Income taxes                                                     | \$ -         | \$ -         |
| Cash and cash equivalents                                        |              |              |
| Cash                                                             | \$ 96,496    | \$ 802,143   |
|                                                                  | \$ 96,496    | \$ 802,143   |
| Non-cash transactions                                            |              |              |
| Exploration expenditures included in accounts payable            | \$ 887,967   | \$ 142,394   |
| Transfer of fair value on exercise of stock options              | \$ 10,000    | \$ 15,900    |
| Distribution of property to Latamark                             | \$ -         | \$ 81,024    |
| Distribution of Latamark shares to shareholders                  | \$ -         | \$ 65,146    |
| Shares issued for property acquisition                           | \$ -         | \$ 29,500    |
| Fair value of warrants issued for property acquisition           | \$ -         | \$ 9,000     |

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

**FALCON GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

December 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Falcon Gold Corp. (the “Company”) was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on November 24, 2006 and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The Company’s registered office is located at suite 1100 – 1111 Melville Street, Vancouver, BC, V6E 3V6.

These condensed interim consolidated financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company was not expected to continue operations for the foreseeable future. At December 31, 2023, the Company has not achieved profitable operations, has accumulated losses of \$11,128,900 since inception and expects to incur further losses in the development of its business.

The Company’s business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events, including, the outbreaks of the coronavirus (COVID-19) pandemic, relations between NATO and Russian Federation regarding the situation in Ukraine, and potential economic global challenges such as the risk of the higher inflation and energy crises, may create further uncertainty and risk with respect to the prospects of the Company’s business.

The above material uncertainties cast significant doubt about the Company’s ability to continue as a going concern. The Company’s continuation as a going concern is dependent upon successful results from its exploration and evaluation activities, its ability to attain profitable operations to generate funds and/or its ability to raise equity capital or borrowings sufficient to meet its current and future obligations. Although the Company has been successful in the past in raising funds to continue operations, there is no assurance it will be able to do so in the future.

These condensed interim consolidated financial statements do not give effect to any adjustments which would be necessary should the Company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these consolidated financial statements.

**2. BASIS OF PREPARATION****Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on February 27, 2024.

**Basis of Measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The presentation currency and the functional currency of the Company and its subsidiaries is the Canadian dollar.

**FALCON GOLD CORP.**

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**2. BASIS OF PREPARATION (cont'd)****Basis of Measurement**

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The presentation currency and the functional currency of the Company and its subsidiaries is the Canadian dollar.

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at June 30, 2023.

**Recent accounting pronouncements**

A number of new standards, and amendments to standards and interpretations, are not yet effective for the fiscal period ended December 31, 2023 and have not been early adopted in preparing these financial statements. These new standards, and amendments to standards and interpretations are either not applicable or are not expected to have a significant impact on the Company's financial statements.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

**Impairment of Mineral Properties**

In accordance with the Company's accounting policy for its mineral properties, exploration and evaluation expenditures on mineral properties are capitalized. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. The Company applies judgment to determine whether indicators of impairment exist for these capitalized costs.

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Notes to the Condensed Interim Consolidated Financial Statements

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**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)**Impairment of Mineral Properties (cont'd)

Management uses several criteria in making this assessment, including the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of mineral properties are budgeted, and evaluation of the results of exploration and evaluation activities up to the reporting date.

Determining Amount and Timing of Reclamation Provisions

A reclamation provision represents the present value of estimated future costs for the reclamation of the Company's mineral properties. These estimates include assumptions as to the future activities, cost of services, timing of the reclamation work to be performed, inflation rates and interest rates. The actual cost to reclaim a mine or exploration property may vary from the estimated amounts because there are uncertainties with respect to the extent of required future remediation activities, as studies are currently ongoing, and uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mineral property. Management periodically reviews the reclamation requirements and adjusts the liability as new information becomes available and will assess the impact of new regulations and laws as they are enacted.

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgement. Management monitors future cash requirements to assess the Company's ability to meet these future funding requirements. Further information regarding going concern is outlined in Note 1.

**5. MARKETABLE SECURITIES**

Marketable securities are fair valued at the end of each reporting period. The fair values of the common shares of the publicly traded companies have been directly referenced to published price quotations in an active market. The fair value of investments in private company is referenced to the most recent equity financing completed.

| Investment in marketable securities | Number of shares/Units Held | Investment Cost | Fair Value at Dec. 31, 2023 | Number of shares/Units Held | Investment Cost | Fair Value at June 30, 2023 |
|-------------------------------------|-----------------------------|-----------------|-----------------------------|-----------------------------|-----------------|-----------------------------|
|                                     | #                           | \$              | \$                          | #                           | \$              | \$                          |
| <b>Public Companies</b>             |                             |                 |                             |                             |                 |                             |
| Portofino Resources Inc.            | 161,500                     | 18,573          | 12,113                      | 161,500                     | 18,573          | 6,460                       |
| Marvel Discovery Corp.              | 1,500,000                   | 75,000          | 60,000                      | 1,500,000                   | 75,000          | 82,500                      |
| <b>Private Company</b>              |                             |                 |                             |                             |                 |                             |
| Power One Resources Corp.           | 300,000                     | -               | 30,000                      | 300,000                     | -               | 30,000                      |
| Latamark Resources Corp.            | 5,000,000                   | 15,878          | 1                           | 5,000,000                   | 15,878          | 1                           |
| <b>Total</b>                        | <b>6,961,500</b>            | <b>109,451</b>  | <b>102,113</b>              | <b>6,961,500</b>            | <b>109,451</b>  | <b>118,961</b>              |

During the fiscal year ended June 30, 2023, the Company completed the plan of arrangement ("the Arrangement") whereby the Company spun out its Esperanza property assets to create a new exploration company, Latamark Resources Corp. ("Latamark"), under the Business Corporations Act (British Columbia). In consideration for the transferred assets, the Company received 5,000,000 common shares of Latamark and in addition, each holder of common shares of the Company received one Latamark common share for each 5.8 common shares of the Company held which was recorded as distribution to the shareholders of the Company. Latamark is connected by way of common directors or officer.

**FALCON GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

December 31, 2023 and 2022

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**6. EXPLORATION AND EVALUATION ASSETS**

| <b>As at December 31, 2023</b> | Central<br>Canada | Spitfire &<br>Sunny | Gaspard    | Hope<br>Brook | Baie<br>Verte | Springpole | Valentine<br>Gold | Viernes    | Gander<br>South | Others       | Total       |
|--------------------------------|-------------------|---------------------|------------|---------------|---------------|------------|-------------------|------------|-----------------|--------------|-------------|
| Balance, beginning of year     | \$ 986,311        | \$ 377,559          | \$127,649  | \$ 530,363    | \$ 112,129    | \$ 8,496   | \$ -              | \$ 127,505 | \$ 99,523       | \$ 328,753   | \$2,698,288 |
| Cash                           | -                 | -                   | -          | -             | -             | -          | -                 | -          | -               | -            | -           |
| Staking                        | -                 | -                   | -          | 10,200        | -             | -          | 7,500             | -          | -               | 400          | 18,100      |
| Shares issued                  | -                 | -                   | -          | -             | -             | -          | -                 | -          | -               | -            | -           |
| Warrants issued                | -                 | -                   | -          | -             | -             | -          | -                 | -          | -               | -            | -           |
| Exploration costs              | -                 | -                   | 250        | 31,750        | 42,225        | 106,645    | 3,000             | 20,894     | 9,900           | 693,602      | 908,266     |
| Balance, end of year           | \$ 986,311        | \$ 377,559          | \$ 127,899 | \$ 572,313    | \$ 154,354    | \$ 115,141 | \$ 10,500         | \$ 148,399 | \$ 109,423      | \$ 1,022,755 | \$3,624,654 |

  

| <b>As at June 30, 2023</b> | Central<br>Canada | Spitfire &<br>Sunny | Gaspard    | Hope<br>Brook | Baie<br>Verte | Esperanza | Valentine<br>Gold | Viernes    | Gander<br>South | Others     | Total        |
|----------------------------|-------------------|---------------------|------------|---------------|---------------|-----------|-------------------|------------|-----------------|------------|--------------|
| Balance, beginning of year | \$ 969,431        | \$ 376,544          | \$ 83,075  | \$ 120,400    | \$ 121,233    | \$ 67,932 | \$ 56,500         | \$ 31,629  | \$ 37,180       | \$ 116,015 | \$ 1,979,939 |
| Cash                       | 20,000            | -                   | -          | -             | -             | -         | -                 | 52,314     | -               | 42,124     | 104,438      |
| Staking                    | -                 | -                   | -          | -             | 585           | -         | -                 | -          | -               | 102,959    | 113,544      |
| Shares issued              | -                 | -                   | -          | -             | -             | -         | -                 | 9,500      | -               | 53,000     | 62,500       |
| Warrants issued            | -                 | -                   | -          | -             | -             | -         | -                 | 3,000      | -               | 16,000     | 19,000       |
| Exploration costs          | 13,880            | 1,015               | 44,574     | 423,781       | 49,499        | 13,092    | 66,134            | 31,062     | 78,983          | 67,005     | 789,025      |
| Distribution (Note 5)      | -                 | -                   | -          | -             | -             | (81,024)  | -                 | -          | -               | -          | (81,024)     |
| Adjustment                 | -                 | -                   | -          | -             | (59,188)      | -         | -                 | -          | -               | -          | (59,188)     |
| Impairment                 | (17,000)          | -                   | -          | (13,818)      | -             | -         | (122,634)         | -          | (16,640)        | (59,854)   | (229,946)    |
| Balance, end of year       | \$ 986,311        | \$ 377,559          | \$ 127,649 | \$ 530,363    | \$ 112,129    | \$ -      | \$ -              | \$ 127,505 | \$ 99,523       | \$ 337,249 | \$2,698,288  |

**FALCON GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

December 31, 2023 and 2022

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****Central Canada Property**

The Central Canada Property is subject to a 2.0% net smelter return in favour of the previous owner of the claims. On January 10, 2018, the Company entered into an option agreement to acquire 100% of the Central Canada Property consisting of a claim group located in Hutchinson Township, east of Atikokan in Northern Ontario. The Central Canada Property consists of 7 unpatented mining claims consisting of 42 claim shares. As consideration, the Company is required to issue 325,000 common shares and make cash payments totalling \$141,500 and incur \$100,000 in exploration and evaluation expenditures as follows:

- a) Cash payment of \$6,500 on signing (paid);
- b) Issue 50,000 common shares on regulatory approval (issued);
- c) Cash payment of \$15,000 (paid), issuance of 50,000 common shares (issued) and incur \$10,000 in exploration expenditures on or before the first anniversary of the approval (incurred);
- d) Cash payment of \$30,000, issuance of 50,000 common shares (see below) and incur \$20,000 in exploration expenditures on or before the second anniversary of the approval (incurred);
- e) Cash payment of \$40,000 (paid), issuance of 75,000 common shares (issued) and incur \$30,000 in exploration expenditures on or before the third anniversary of the approval date (incurred); and
- f) Cash payment of \$50,000 (paid), issuance of 100,000 common shares (issued) and incur \$40,000 in exploration expenditures on or before the fourth anniversary of the approval date (incurred).

In addition, on the fifth anniversary of the approval date, the Company must pay a pre-production advance royalty cash payment of \$20,000 (paid), and cash payments of \$5,000 thereafter on each anniversary of the approval date.

The Central Canada Property is subject to a 2.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the one-half of the net smelter return for an aggregate amount of \$1,000,000 at any time prior to the commencement of production.

During the year ended June 30, 2020, the Company entered into a debt settlement agreement to cover \$21,000 of the second anniversary payment by issuing 350,000 common shares and a cash payment of \$15,000, which was paid on August 8, 2020.

On July 23, 2020, the Company staked additional mineral claims consisting of 369 units in Atikokan gold camp. During the year ended June 30, 2022, the Company has determined not to renew some of the claims as they are not considered to be core claims. During the year ended June 30, 2023, the Company determined not to renew any non-core claims and wrote down the carrying amount of non-core claims by \$17,000. As at September 30, 2023, the Company has a total of 31 claims.

**Spitfire and Sunny Boy**

On April 14, 2020, the Company acquired 100% interest in Spitfire and Sunny Boy claims in south central British Columbia. The claims are located approximately 16 kilometers east of Merritt and total 502 hectares. As consideration the Company paid cash of \$25,000, issued 2,500,000 common shares fair valued at \$175,000 and issued 2,500,000 warrants exercisable at \$0.10 for a period of two years with a fair value of \$113,883.

The vendor will retain a 2% net smelter royalty (NSR). The Company will have the right to purchase 0.5 of the total NSR 1% at any time up to commencement of production for a one-time payment of \$400,000.

**FALCON GOLD CORP.**

Notes to the Condensed Interim Consolidated Financial Statements

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****Gaspard Claims**

On January 27, 2021, the Company entered into a property purchase agreement to acquire 100% interest in the Gaspard Claims which is located in the Clinton Mining District in central British Columbia. The Gaspard Claims consist of 3 mineral claims totaling 3,955.15 hectares. As consideration, the Company paid \$15,000 in cash and issued 200,000 common shares and granted 200,000 warrants at \$0.20 per share for a two year term within 15 days of the effective date and complete \$34,000 in exploration expenditures on the property during the 2021 field season.

The Company fair valued the 200,000 warrants at \$10,000 using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.09; Risk-free interest rate of 0.22%; Dividend yield of NIL; Expected volatility of 140%; Expected life of 2 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

The Company will pay a 2% net Smelter Returns ("NSR") to the vendor and the Company may at any time purchase 1% NSR for \$1,500,000.

**Hope Brook**

During the year ended June 30, 2021, the Company staked claims within the Hope Brook area in Newfoundland for a total cost of \$64,740. During year ended June 30, 2022, the Company staked additional claims for a total cost of \$43,160. As at June 30, 2023, the Company has a total of 1,795 claims. During fiscal 2023, it was determined that some of the claims comprising the Hope Brook property would be allowed to lapse. The Company recoded impairment in the amount of \$13,818.

**Baie Verte Area**

During the year ended June 30, 2022, the Company staked claims in Newfoundland for a total cost of \$62,045. As at September 30, 2023, the Company has a total of 502 claims.

During the fiscal year ended June 30, 2023, the Company entered into an option agreement with Carmanah Minerals Corp. ("Carmanah") with respect to 502 claims whereby the Company will receive cash payments of \$62,000 over a four-year period and 2,000,000 common shares and 2,000,000 common share purchase warrants of Carmanah with each share purchase warrant exercisable for one common share at \$0.10 per share for a period of three years from the date of issue. In addition, the Company will retain a 2.5% NSR of which Carmanah may purchase 1% for \$1,000,000 at any time. The transaction is subject to approval by the TSX Venture Exchange as the Company and Carmanah are related parties as a result of common officers and directors. (See Note 11)

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****Valentine Gold**

During the year ended June 30, 2022, the Company staked claims in New Foundland for a total cost of \$56,500. As at June 30, 2022, the Company has a total of 612 claims. During the year ended June 30, 2023, the Company recorded impairment of \$122,634.

**Viernes Project**

On December 16, 2021, the Company entered into a property option agreement to acquire 100% interest in the Viernes Project in the Republic of Chile from Excava Holding SpA, a Chilean company ("Excava"). The Viernes project consist of 13 claims. As consideration, the Company agreed to issue 500,000 common shares and 500,000 share purchase warrants over a two year period; incur US\$250,000 in exploration expenditures within 48 months from the effective date. Upon completion of the above terms, the Company will hold an 80% interest in the Claims and Excava will hold the remaining 20% and retain a 2% Net Return Royalty (the "NSR").

The Company can acquire the remaining 20% interest which includes a 1% NSR buy back for US\$1,500,000. The Company has the exclusive right to purchase the remaining 20% interest in the project for a 30 month term; after which the Company reserves first right of refusal.

On February 24, 2022, the Company issued 150,000 common shares valued at \$12,750 and 150,000 share purchase warrants exercisable at \$0.20 over a two year period. The Company fair valued the 150,000 share purchase warrants at \$6,000 using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.09; Risk-free interest rate of 1.26%; Dividend yield of nil; Expected volatility of 117%; Expected life of two years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

**Springpole West Project**

On August 25, 2020, the Company acquired 4,440 hectares of mining land 110 kilometers ("km") northeast of Red Lake, ON in the Birch-Uchi Greenstone Belt on Springpole Lake. The Company's new Springpole West Property comprises 221 claims and extends from McNaughton Township

**Gander South**

During the year ended June 30, 2022, the Company staked claims in Gander Newfoundland for a total cost of \$37,180. As at June 30, 2023, the Company has a total of 572 claims. During fiscal 2023, it was determined that some of the claims comprising the Gander South property would be allowed to lapse. The Company recorded impairment in the amount of \$16,640.

**Other properties****Great Bent**

During the year ended June 30, 2021, the Company staked 91 claims in Newfoundland for a total cost of \$5,915.

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****Gander North**

During the year ended June 30, 2021, the Company staked claims in Gander Newfoundland for a total cost of \$26,390. As at June 30, 2023, the Company has a total of 406 claims. During fiscal 2023, it was determined that some of the claims comprising the Gander North property would be allowed to lapse. The Company recorded impairment in the amount of \$9,750.

**Camilleri Project**

On June 15, 2022, the Company acquired 100% interest in the Camilleri project which is located in Ontario, Canada. The Camilleri project consists of 8 claims. As consideration, the Company paid \$10,500 in cash and issued 100,000 common shares of the Company fair valued at \$8,000. The Camilleri project is subject to a 1% net smelter return which the Company may purchase back for \$300,000 at any time.

**Holmstead Project**

On June 6, 2022, the Company acquired 100% interest in the Holmstead project which is located in Quebec, Canada. The Holmstead project consists of 93 claims. As consideration, the Company paid \$12,000 in cash and issued 150,000 common shares of the Company fair valued at \$12,000. The Holmstead project is subject to a 1% net smelter return which the Company may purchase back for \$300,000 at any time. The Company agreed to give the vendor the first right of refusal on technical work to a maximum of \$50,000 for a twelve month term.

During the year ended June 30, 2023, the Company staked additional claims in the Holmstead claims located in Quebec, Canada for a total cost of \$23,719.

**HSP Claims**

On October 5, 2022, the Company acquired 100% interest in the HSP Claims which is located in Quebec, Canada. The HSP Claims consist of 413 claims. As consideration, the Company paid cash of \$10,000 and issued 200,000 common shares fair valued at \$20,000 and 200,000 share purchase warrants expiring two years from the date of issuance. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.20 per share until October 18, 2024. The warrants were valued at \$6,000 using volatility of 95%, interest rate of 3.87%, share price at date of issuance of \$0.10, expected life of 2 years and dividend yield of 0.00%.

This agreement is subject to a 1% NSR which the Company may buy back for \$400,000 at any time. The Company agrees to give the vendor the first right of refusal on technical work to a maximum of \$50,000 for a twelve month term.

During the year ended June 30, 2023, the Company additionally staked additional claims in the HSP Claims located in Quebec, Canada for a total cost of \$52,372

**Nickel North Project**

On March 31, 2023, the Company acquired 100% interest in the Nickel North project which is located in Quebec, Canada. The Nickel North project consists of 56 claims. As consideration, the Company paid \$17,500 in cash and issued 200,000 common shares of the Company fair valued at \$16,000 and 200,000 share purchase warrants expiring two years from the date of issue. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.20 per share until April 20, 2025. The Nickel North project is subject to a 1% net smelter return which the Company may purchase back

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****Nickel North Project (cont'd)**

for \$400,000 at any time. The warrants were valued at \$4,000 using volatility of 95%, interest rate of 3.87%, share price at date of issuance of \$0.10, expected life of 2 years and dividend yield of 0.00%.

During the year ended June 30, 2023, the Company staked additional 60 claims in the Nickel North project located in Quebec, Canada for a total cost of \$26,882.

**Area 51 Claims**

On January 12, 2023, the Company acquired 100% interest in the Area 51 Claims which is located in the Republic of Chile. The Area 51 Claims consist of 14 claims. As consideration, the Company paid cash of \$13,586 (US\$10,000) and issued 200,000 common shares fair valued at \$17,000 and 200,000 share purchase warrants expiring two years from the date of issuance. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.20 per share until January 30, 2025. The warrants were valued at \$6,000 using volatility of 94%, interest rate of 3.56%, share price at date of issuance of \$0.09, expected life of 2 years and dividend yield of 0.00%.

This agreement is subject to a 1% NSR which the Company may buy back for US\$1,200,000 at any time.

**Robb & Turnbull Property**

On March 17, 2023, the Company acquired 100% interest in the Robb & Turnbull Property, located in Ontario, Canada. As consideration, the Company paid cash of \$850.

**Esperanza Property**

On February 3, 2021, the Company entered into an option agreement to re-acquire 80% interest in Esperanza property. As consideration, the Company is required to issue 500,000 common shares and 500,000 warrants and complete a total of US\$350,000 in exploration expenditures over a four year period with minimum annual expenditures of US\$87,500 per year.

The Company is required to issue the following:

- i) Issue 200,000 common shares (issued) and 200,000 warrants (issued) on signing of the agreement;
- ii) Issue 100,000 common shares (issued) and 100,000 warrants (issued) on the second anniversary date of the first payment;
- iii) Issue 100,000 common shares and 100,000 warrants on the third anniversary date; and
- iv) Issue 100,000 common shares and 100,000 warrant on the fourth anniversary date;

The Company fair valued the 200,000 warrants at \$10,000 using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.09; Risk-free interest rate of 0.22%; Dividend yield of nil; Expected volatility of 140%; Expected life of 2 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

On February 24, 2022, the Company issued 100,000 common shares and 100,000 share purchase warrants. The Company fair valued the 100,000 warrants at \$1,000 using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.09; Risk-free interest rate of 2.21%; Dividend yield of nil; Expected volatility of 90%; Expected life of one years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****Esperanza Property (cont'd)**

Upon completion of the 80% the Company has the option to acquire the remaining 20% for a further payment of 2,000,000 common shares of the Company and cash payment of US\$1,500,000 payable within 30 months and grant 1% net Smelter Return Royalty to the vendor.

The Esperanza Property is comprised of seven mineral concessions within the Sierra de Las Minas District of La Rioja and San Luis provinces in Argentina.

On June 16, 2022, the Company entered into an arrangement agreement with its wholly owned subsidiary, Latamark Resources Corp. ("Latamark") Pursuant to the arrangement agreement, the Company will transfer its interest in the option agreement concerning the Esperanza gold project to Latamark in exchange for (i) Latamark issuing to the shareholders of the Company one common share in the capital of Latamark for every 5.8 common shares held in the company; (ii) Latamark issuing five million common shares to the Company; and (iii) Latamark assuming certain liabilities incurred, exploring or maintaining the property.

On October 14, 2022, the optionors of the Esperanza Property agreed to defer the minimum annual expenditure requirement until the commencement of trading of Latamark shares on a Canadian stock exchange.

**Bruce Lake Property**

On September 6, 2019, the Company entered into an option agreement to acquire 100% interest in the Bruce Lake Property, which consists of a claim group located in the Red Lake area of Northern Ontario. The Bruce Lake Property consists of 5 unpatented mining claims consisting of 72 claim cells. As consideration, the Company is required to issue 500,000 common shares (issued) and make cash payments totalling \$58,000 of which \$6,000 have been paid by the Company and the remaining \$50,000 over a four-year period as follows – \$8,000 on or before September 6, 2020 and \$10,000, \$14,000 and \$20,000 due on the second, third and fourth anniversary date respectively.

The Bruce Lake Property is subject to a 1.5% net smelter return ("NSR") in favour of the previous owner of the claims. The Company may purchase the one-half of the NSR for an aggregate amount of \$400,000 at any time prior to the commencement of production.

On June 20, 2020, the Company entered into property assignment agreement with Portofino Resources Inc. ("Portofino") whereby the Company has assigned 100% of the interest in the Bruce Lake Property as consideration, the Company received 650,000 common shares of Portofino valued at \$74,750 and Portofino assumed the remaining cash payments of \$50,000 commencing on September 6, 2020.

The Company received an additional 0.5% NSR for a total of 2% NSR of which 1.5% is payable to the previous owner.

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**6. EXPLORATION AND EVALUATION ASSETS (cont'd)****Burton Property**

The Burton Property consists of a 100% interest in a claim group located in Esther Township, northwest of Sudbury in Northern Ontario. The Burton Property consists of 16 unpatented mining claims and 6 patented claims covering 356 hectares in a largely contiguous block.

The Burton Property is subject to a 2.5% net smelter return and a 10% net profits interest in favour of the previous owner of the claims. The Company may purchase sixty percent of the net smelter return for an aggregate amount of \$1,500,000 at any time.

During the year ended June 30, 2012, the Company entered into a Mining Option Agreement with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation) whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of \$150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of \$1,200,000 over a two-year period from the date of signing of the Agreement.

As of June 30, 2015, and June 30, 2016, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property. The option for Trelawney to acquire an additional 24% interest in the Burton Property has lapsed.

During the year ended June 30, 2019, the Company identified an impairment indicator with respect to the Burton Property as there was an absence of substantive exploration expenditures over the past four fiscal years, nor are substantive exploration expenditures budgeted or planned for the coming fiscal year. Consequently, the Company recorded impairment in the amount of \$1,308,291 in connection with the Burton Property.

As of December 31, 2023, and June 30, 2023, the Company owns 49% of the Property and the Property remains inactive.

**7. SHARE CAPITAL****a) Authorized**

Unlimited shares without par value.

**b) Issued****During the six months ended December 31, 2023:**

On November 20, 2023, pursuant to the terms of an option agreement, the Company issued 500,000 common shares for proceeds of \$25,000 fair valued at \$10,000.

On December 20, 2023, the Company completed a non-flow-through private placement of 2,166,667 units at a price of \$0.03 per unit for total proceeds of \$65,000. Each unit consisted of one non-flow-through common share and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional non-flow-through common share at a price of \$0.05 per share for a period of five years expiring on December 20, 2028. The Company recognized a value of \$nil to the warrants using the residual value method.

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**7. SHARE CAPITAL (cont'd)****b) Issued (cont'd)**During the year ended June 30, 2023:

On August 17, 2022, the Company completed a non-flow-through private placement of 4,000,000 units at a price of \$0.075 per unit for total proceeds of \$300,000. Each unit consisted of one non-flow-through common share and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional non-flow-through common share at a price of \$0.10 per share for a period of three years expiring on August 17, 2025. The Company recognized a value of \$nil to the warrants using the residual value method.

On October 18, 2022, pursuant to the terms of an option agreement for the HSP Claims, the Company issued 200,000 common shares fair valued at \$20,000 and issued 200,000 share purchase warrants expiring two years from the date of issuance. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.20 per share until October 18, 2024. The warrants were valued at \$6,000 using volatility of 95%, interest rate of 3.87%, share price at date of issuance of \$0.10, expected life of 2 years and dividend yield of 0.00%.

On October 25, 2022, the Company completed a non-flow-through private placement of 909,090 units at a price of \$0.11 per unit for total proceeds of \$100,000. Each unit consisted of one non-flow-through common share and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional non-flow-through common share at a price of \$0.15 per share for a period of two years expiring on October 25, 2024. The Company recognized a value of \$nil to the warrants using the residual value method.

On November 3, 2022, the Company completed a flow-through private placement of 3,846,154 units at a price of \$0.13 per unit for total proceeds of \$500,000. Each unit consist of one flow-through share and one-half of one common share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional non-flow-through common share at a price of \$0.25 per share for a period of two years expiring on November 3, 2024. The Company recognized a flow-through premium of \$57,692 on this private placement and a value of \$nil to the warrants using the residual value method.

On November 9, 2022, the Company completed a non-flow-through private placement of 200,000 units at a price of \$0.11 per unit for total proceeds of \$22,000. Each unit consisted of one non-flow-through common share and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional non-flow-through common share at a price of \$0.15 per share for a period of two years expiring on November 9, 2024. The Company recognized a value of \$nil to the warrants using the residual value method.

On November 18, 2022, the Company completed a non-flow-through private placement of 625,000 units at a price of \$0.11 per unit for total proceeds of \$68,750 of which \$27,500 is included in share subscriptions receivable but which were cancelled and no units issued were 375,000. Each unit consisted of one non-flow-through common share and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional non-flow-through common share at a price of \$0.15 per share for a period of two years expiring on November 18, 2024. The Company recognized a value of \$nil to the warrants using the residual value method.

On November 18, 2022, the Company completed a flow-through private placement of 5,400,000 units at a price of \$0.13 per unit for total proceeds of \$702,000. Each unit consist of one flow-through share and one-half of one common share purchase warrant. Each share purchase warrant entitled the holder to purchase

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**7. SHARE CAPITAL (cont'd)****b) Issued (cont'd)**

one additional non-flow-through common share at a price of \$0.25 per share for a period of two years expiring on November 18, 2024. The Company recorded a cash finders fee of \$78,119. The Company recognized a flow-through premium of \$189,000 on this private placement and a value of \$nil to the warrants using the residual value method.

On December 16, 2022, pursuant to the terms of an option agreement, the Company issued 100,000 common shares fair valued at \$ 9,500 and issued 100,000 share purchase warrants expiring two years from the date of issuance. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.23 per share until December 16, 2024. The warrants were valued at \$3,000 using volatility of 95%, interest rate of 4%, share price at date of issuance of \$0.10, expected life of 2 years and dividend yield of 0.00%.

On January 30, 2023, pursuant to the terms of an option agreement, the Company issued 200,000 common shares fair valued at \$17,000 and issued 200,000 share purchase warrants expiring two years from the date of issuance. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.19 per share until January 30, 2025. The warrants were valued at \$6,000 using volatility of 94%, interest rate of 3.56%, share price at date of issuance of \$0.09, expected life of 2 years and dividend yield of 0.00%.

On February 22, 2023, pursuant to the terms of an option agreement, the Company issued 100,000 common shares fair valued at \$7,000 and issued 100,000 share purchase warrants expiring one year from the date of issuance. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.20 per share until February 22, 2024. The warrants were valued at \$1,000 using volatility of 96%, interest rate of 4.25%, share price at date of issuance of \$0.07, expected life of 1 year and dividend yield of 0.00%.

On April 20, 2023, pursuant to the terms of an option agreement, the Company issued 200,000 common shares fair valued at \$16,000 and issued 200,000 share purchase warrants expiring one year from the date of issuance. The share purchase warrants will entitle the holder to purchase one additional common share of the Company at a price of \$0.20 per share until April 20, 2025. The warrants were valued at \$4,000 using volatility of 96%, interest rate of 4.25%, share price at date of issuance of \$0.07, expected life of 1 year and dividend yield of 0.00%.

During the year ended June 30, 2023, the Company issued 266,667 common shares pursuant to the exercise of share purchase warrants for a total proceed of \$26,667.

During the year ended June 30, 2023, the Company issued 300,000 common shares pursuant to the exercise of stock options at a price between \$0.05 to \$0.075 per share for total proceeds of \$17,500. The Company transferred \$15,900 from contributed surplus.

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**7. SHARE CAPITAL (cont'd)**

## c) Share purchase warrants

The following share purchase warrants entitle the holders thereof the right to purchase one share for each share purchase warrant. Warrant transactions are summarized as follows:

|                            | <b>Number of Warrants</b> | <b>Weighted Average Exercise Price</b> |
|----------------------------|---------------------------|----------------------------------------|
| Balance, June 30, 2022     | 20,625,165                | \$0.13                                 |
| Issued                     | 11,157,167                | \$0.17                                 |
| Exercised                  | (266,667)                 | \$0.10                                 |
| Cancelled                  | (250,000)                 | \$0.15                                 |
| Expired                    | (500,000)                 | \$0.20                                 |
| Balance, June 30, 2023     | 27,032,332                | \$0.15                                 |
| Issued                     | 2,333,333                 | \$0.05                                 |
| Expired                    | (5,750,000)               | \$0.08                                 |
| Balance, December 31, 2023 | 23,615,665                | \$0.14                                 |

The following warrants are outstanding at December 31, 2023:

| <b>Number of warrants</b> | <b>Exercise price per warrant</b> | <b>Expiry date</b> |
|---------------------------|-----------------------------------|--------------------|
| 2,058,500                 | \$0.11                            | October 13, 2025   |
| 6,666,665                 | \$0.12                            | January 14, 2026   |
| 150,000                   | \$0.20                            | January 31, 2024   |
| 1,500,000                 | \$0.20                            | July 9, 2024       |
| 4,000,000                 | \$0.10                            | August 17, 2025    |
| 200,000                   | \$0.20                            | October 18, 2024   |
| 909,090                   | \$0.15                            | October 25, 2024   |
| 200,000                   | \$0.15                            | November 9, 2024   |
| 375,000                   | \$0.15                            | November 18, 2024  |
| 1,923,077                 | \$0.25                            | November 3, 2024   |
| 2,700,000                 | \$0.25                            | November 18, 2024  |
| 100,000                   | \$0.23                            | December 16, 2024  |
| 200,000                   | \$0.19                            | January 30, 2025   |
| 100,000                   | \$0.20                            | February 22, 2024  |
| 200,000                   | \$0.20                            | April 20, 2025     |
| 2,166,667                 | \$0.05                            | December 20, 2028  |
| 166,666                   | \$0.05                            | December 20, 2025  |
| 23,615,665                |                                   |                    |

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**7. SHARE CAPITAL (cont'd)****d) Stock options**

The Company has an omnibus security-based compensation plan ("Plan") in accordance with the policies of the TSX Venture Exchange (the "Exchange"). The plan includes authorization to grant options to directors, officers, employees and consultants to purchase shares of the Company, and to grant restricted share units and deferred share units to officers, directors, employees and consultants to acquire shares of the Company or to be settled in cash. The stock option component of the plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding shares. Each stock option granted is for a term not exceeding five years unless otherwise specified. Outstanding options vest immediately at date of grant. Options granted to investor relations personnel vest in accordance with Exchange regulations. The fixed security based compensation component of the plan is limited to 11,301,778 shares.

On August 31, 2021, the Company granted 1,800,000 stock options to an officer of the Company and to consultants. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.10 per share expiring on August 31, 2026 and vested on the grant date. The fair value of the stock options of \$180,000 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.11; Risk-free interest rate of 0.87%; Dividend yield of nil; Expected volatility of 135%; Expected life of 5 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

On November 1, 2021, the Company granted 1,000,000 stock options to directors of the Company and to consultants. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.13 per share expiring on November 1, 2024 and vested on the grant date. The fair value of the stock options of \$60,000 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.09; Risk-free interest rate of 1.17%; Dividend yield of nil; Expected volatility of 131%; Expected life of 3 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

On January 31, 2022, the Company granted 2,200,000 stock options to directors of the Company and to consultants. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.05 per share expiring on January 31, 2027 and vested on the grant date. The fair value of the stock options of \$154,000 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.09; Risk-free interest rate of 1.67%; Dividend yield of nil; Expected volatility of 124%; Expected life of 5 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

On June 30, 2022, the Company granted 680,000 stock options to an officer, directors of the Company and to consultants. The stock options entitle the holders thereof the right to purchase one common share for each option at a price of \$0.075 per share expiring on June 30, 2025 and vested on the grant date. The fair value of the stock options of \$40,800 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.08; Risk-free interest rate of 3.18%; Dividend yield of nil; Expected volatility of 118%; Expected life of 3 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

On September 15, 2023, the Company granted 3,000,000 incentive stock options to directors, officers, and consultants. The options vested on date of grant, have a term of five years and are exercisable at \$0.05 per common share. The fair value of the stock options of \$60,000 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.025; Risk-free interest rate of 4.33%; Dividend yield of nil; Expected volatility of 125%; Expected life of 5 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

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**7. SHARE CAPITAL (cont'd)**

## d) Stock options (cont'd)

The following table summarizes the continuity of the Company's stock options:

|                            | <b>Number of<br/>Stock Options</b> | <b>Weighted Average<br/>Exercise Price</b> |
|----------------------------|------------------------------------|--------------------------------------------|
| Balance, June 30, 2022     | 10,230,000                         | \$0.09                                     |
| Granted                    | -                                  | \$0.00                                     |
| Exercised                  | (300,000)                          | \$0.06                                     |
| Expired                    | (350,000)                          | \$0.10                                     |
| Cancelled                  | -                                  | \$0.00                                     |
| Balance, June 30, 2023     | 9,580,000                          | \$0.09                                     |
| Granted                    | 3,000,000                          | \$0.05                                     |
| Exercised                  | (500,000)                          | \$0.00                                     |
| Expired                    | (925,000)                          | \$0.125                                    |
| Balance, December 31, 2023 | 11,155,000                         | \$0.09                                     |

As at December 31, 2023, the Company had stock options outstanding enabling holders to acquire the following:

| <b>Number of<br/>options</b> | <b>Exercise price<br/>per option</b> | <b>Expiry date</b> |
|------------------------------|--------------------------------------|--------------------|
| 575,000                      | \$0.12                               | March 10, 2024     |
| 400,000                      | \$0.12                               | May 31, 2024       |
| 1,550,000                    | \$0.05                               | August 23, 2024    |
| 850,000                      | \$0.13                               | November 1, 2024   |
| 200,000                      | \$0.05                               | January 15, 2025   |
| 680,000                      | \$0.075                              | June 30, 2025      |
| 900,000                      | \$0.135                              | September 16, 2025 |
| 1,700,000                    | \$0.10                               | August 31, 2026    |
| 2,100,000                    | \$0.05                               | January 31, 2027   |
| 2,500,000                    | \$0.05                               | September 15, 2028 |
| 11,155,000                   |                                      |                    |

The weighted average remaining contractual life of options outstanding at December 31, 2023 was 2.42 years (June 30, 2023 – 2.05 years).

## e) Restricted Share Units

On September 15, 2023, the Company granted 2,000,000 restricted share units (RSU). The RSUs vest 50% on September 15, 2024, 25% on September 15, 2025, and 25% on September 15, 2026.

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**8. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

The Company had the following transactions in the normal course of operations with related parties:

|                          |                                                   | <b>For the six months ended<br/>December 31,</b> |                  |
|--------------------------|---------------------------------------------------|--------------------------------------------------|------------------|
|                          |                                                   | <b>2023</b>                                      | <b>2022</b>      |
| Consulting fees          | Directors                                         | \$ -                                             | \$ 10,000        |
| Management fees          | R7 Capital Ventures Ltd. controlled by CEO        | 90,000                                           | 60,000           |
| Office and miscellaneous | R7 Capital Ventures Ltd.                          | 27,718                                           | 15,000           |
| Professional fees        | Harmony Corporate Services Ltd. controlled by CFO | -                                                | 12,000           |
|                          | Brant Capital Partners Inc. Controlled by CFO     | 12,000                                           | -                |
| Share-based payments     | Directors and officers                            | 12,600                                           | -                |
|                          |                                                   | <b>\$ 142,318</b>                                | <b>\$ 97,000</b> |

As at December 31, 2023, prepaid expenses include \$3,800 (June 30, 2023 - \$11,400) in prepaid rent to the CEO.

As at December 31, 2023, accounts payable and accrued liabilities include \$13,869 (June 30, 2023 - \$nil) due to officers and directors of the Company. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

**9. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business.

The Company currently has no source of revenues, and therefore is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. 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 were no changes in the Company's approach to capital management during the period ended December 31, 2023. The Company is not subject to externally imposed capital requirements.

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**9. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)**

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

**(a) Credit risk**

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at major Canadian financial institutions.

The Company's concentration of credit risk and maximum exposure is as follows:

|                           | <b>December 31, 2023</b> | <b>June 30, 2023</b> |
|---------------------------|--------------------------|----------------------|
| Cash and cash equivalents | \$ 96,496                | \$ 326,356           |

The credit risk associated with cash is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company has insufficient cash to meet its requirements for administrative overhead, to conduct due diligence on mineral property acquisition targets, and to conduct exploration of its mineral properties and mineral properties that may be acquired.

The Company does not generate cash flows from operations to fund its activities and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

- **Interest rate risk**

The Company's cash and cash equivalents consist primarily of cash held in bank accounts or in a brokerage account. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of December 31, 2023. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

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**9. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (cont'd)****(c) Market risk**

- Foreign currency risk

During the period ended December 31, 2023 the Company was not exposed to material foreign currency risk.

- Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk. The Company's marketable securities are exposed to other price risk.

Financial assets and liabilities that are recognized on the statement of financial position at fair value can be classified in a hierarchy that is based on the significance of the inputs used in making the measurements.

The levels in the hierarchy are:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial assets include cash and is classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

The Company's financial assets measured at fair values through profit or loss are as follows:

| December 31, 2023     | Level 1 | Level 2 | Level 3 |
|-----------------------|---------|---------|---------|
|                       | \$      | \$      | \$      |
| Marketable securities | 72,113  | -       | 30,001  |
| June 30, 2023         | Level 1 | Level 2 | Level 3 |
|                       | \$      | \$      | \$      |
| Marketable securities | 88,960  | -       | 30,001  |

**10. INCOME TAXES***Flow-through*

Flow-through common shares require the Company to spend an amount equivalent to the proceeds of the issued flow-through common shares on Canadian qualifying exploration expenditures. The Company may be required to indemnify the holders of such shares for any tax and other costs payable by them in the event the Company has not made the required exploration expenditures.

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**10. INCOME TAXES (cont'd)**

During the year ended June 30, 2023, the Company received. \$1,202,000 from the issuance of flow-through shares. These amounts will not be available to the Company for future deduction from taxable income. The Company renounced \$1,202,000 to the subscribers. A flow-through premium of \$246,693 was recognized initially, with \$nil remaining at December 31, 2023 and \$207,493 was recognized as other income.

**11. SUBSEQUENT EVENTS**

Subsequent to December 31, 2023

On February 16, 2024, the Company issued 5,315,167 units for cash proceeds of \$159,455. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.05 for a period of sixty months from the date of issue.