



**FALCO RESOURCES LTD.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE YEAR ENDED**

**JUNE 30, 2024**

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**FALCO RESOURCES LTD.**

## Management's Discussion &amp; Analysis

For the year ended June 30, 2024

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*The following management discussion and analysis (the "MD&A") of the operations and consolidated financial position of Falco Resources Ltd. ("Falco" or the "Company") for the year ended June 30, 2024, should be read in conjunction with Falco's audited consolidated financial statements as at and for the year ended June 30, 2024 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Consequently, all comparative financial information presented in the MD&A reflects the consistent application of IFRS.*

*Falco's management ("Management") is responsible for the preparation of the consolidated financial statements and other financial information relating to the Company included in the MD&A. The Board of Directors (the "Board") is responsible for ensuring that Management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of a majority of independent directors. The Audit Committee meets with Management in order to discuss results of operations and the financial condition of the Company prior to making recommendations and submitting the consolidated financial statements to the Board for its consideration and approval for issuance to shareholders. The information included in the MD&A is as of September 18, 2024, the date the Board approved the Financial Statements, following the recommendation of the Audit Committee. All monetary amounts included in this report are expressed in Canadian dollars, the Company's reporting and functional currency, unless otherwise noted. The MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in the "Cautionary Statement Regarding Forward-Looking Statements" section.*

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**Description of the Business**

Falco is in the business of exploring, evaluating and developing mineral properties in Canada. Its focus is on developing its mineral properties in the Rouyn-Noranda region of the Province of Québec for base and precious metals, primarily on its wholly owned Horne 5 polymetallic deposit (the "Falco Horne 5 Deposit", the "Falco Horne 5 Project" or the "Project").

Falco is listed on the TSX Venture Exchange ("TSX-V") under the symbol "FPC". The Company is one of the largest claim holders in the Province of Québec, with extensive land holdings in the Abitibi Greenstone Belt. Falco owns mining claims and contractual rights in or in relation to mining concessions in the Rouyn-Noranda mining camp (the "Mining Camp").

The Company was originally incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2010. On June 12, 2015, Falco was continued under the *Canada Business Corporations Act*. The Company's registered business address is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada. As at June 30, 2024, the Company has a convertible loan and a silver stream agreement with Osisko Gold Royalties Ltd ("Osisko Gold"). Osisko Development Corp owns a 16.7% interest in Falco.

**Highlights**

From July 1, 2023 up to the date of this MD&A, the Company has completed the following key items:

- On January 23, 2024, Falco entered into an operating license and indemnity agreement ("OLIA") with Glencore Canada Corporation ("Glencore Canada") pursuant to which Glencore Canada granted to Falco, a license to access and utilize certain of its properties in order for Falco to conduct exploration, development, construction, operation, mining, closure operations and other activities ("Project Operations").
- On March 27, 2024, the Company announced the receipt of confirmation of the admissibility of its Environmental Impact Assessment ("EIA") for the Falco Horne 5 Project (the "Admissibility") from the Ministry of the Environment, the Fight Against Climate Change, Wildlife and Parks ("MEFCCWP").
- On April 4, 2024, Falco entered into a services agreement with Red Cloud Financial Services Inc. ("RCFS") pursuant to which RCFS provides certain advisory services to the Company.
- On June 7, 2024, Falco and First Quantum extended the Option's exercise period to December 31, 2025.
- On June 10, 2024, the Company announced the end of the public information period of the Bureau d'audiences publiques sur l'environnement ("BAPE").
- On June 27, 2024, the Company closed a private placement for aggregate gross proceeds of \$2.2 million.
- On June 28, 2024, Falco announced the resignation of Mr. Claude Dufresne as a member of the Board.
- On July 25, 2024, Falco announced that the Minister of the MEFCCWP gave the mandate to the BAPE to hold an inquiry and a public hearing concerning the Falco Horne 5 Project. This mandate commenced on August 26, 2024 and will have a maximum duration of four months.
- On August 26, 2024, the Company announced the creation and establishment of Technical and Strategic Committees as contemplated by the terms of the OLIA.

**Rouyn-Noranda Mining Region**

The Company has a 100% interest in approximately 670 square kilometres of mining claims and contractual rights in or in relation to mining concessions in the Mining Camp, which Management believes represents approximately 67% of the entire Mining Camp. Rouyn-Noranda is an established Mining Camp in the Province of Québec with the required infrastructure (rail, water, etc.) in place for exploration and mine development.

Rouyn-Noranda has a long history of mining and exploration. Since the Horne deposit discovery in the 1920's, the area has been host to 50 former producers, including 20 base metal mines and 30 gold mines. A number of copper-zinc volcanogenic massive sulphide ("VMS") deposits in the Mining Camp contained gold grades well in excess of those associated with typical VMS deposits, which along with several mesothermal vein type deposits have accounted for more than 19 million ounces of historic gold production from the Mining Camp as a whole.

The Company's principal property is the Falco Horne 5 Project, located in the Mining Camp, which has hosted several former gold and base metal producers including the Horne Mine, which was operated by Noranda Inc. from 1927 to 1976. The Horne Mine produced approximately 11.6 million ounces of gold and 2.5 billion pounds of copper.

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For further details regarding the Falco Horne 5 Project, refer to the Feasibility Study entitled, "Feasibility Study Update, Horne 5 Gold Project", dated effective March 18, 2021 (the "Updated Feasibility Study" or "UFS"), which was prepared in accordance with National Instrument 43-101 *Respecting Standards of Disclosure for Mineral Projects* ("NI 43-101"), and is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Air quality in Rouyn-Noranda has been the subject of greater public and government attention. Glencore Canada has copper smelting operations (the "Horne Smelter"), which emit arsenic and other metals above the air quality standards, which are subject to a Ministerial Authorization that was due for renewal at the end of 2022. The renewed Ministerial Authorization was issued to Glencore Canada on March 16, 2023. New requirements were formulated by the MEFCCWP, including for air emissions, noise and waste waters.

For more details, please refer to the Falco Horne 5 Project section under "*Environmental Permitting Process*" and the Risk Factors section under "*Permits, licenses and approvals*".

**Agreements with Glencore Canada and its affiliated companies**The Operating License and Indemnity Agreement

On January 23, 2024, the Company entered into the OLIA with Glencore Canada pursuant to which Glencore Canada granted to Falco, a license to access and utilize certain of its properties in order for Falco Project Operations, subject to the terms of the OLIA and, where applicable, the fulfilment of certain conditions by Falco, including those summarized below.

The OLIA was entered into further to the preliminary agreement in principle with Glencore Canada announced on June 28, 2021, which it replaces. The OLIA establishes the framework to govern the Company's development and operation of its world-class Falco Horne 5 Project, taking into account its overlap with and close proximity to Glencore Canada's copper smelting operations at the Horne Smelter in order to provide Glencore Canada protection from incremental risks and losses to the Horne Smelter and its businesses and assets occasioned by project operations and the presence of the Company and components of the Falco Horne 5 Project.

The key features of the OLIA include:

- The creation of a Technical Committee comprised of two representatives of each of Falco and Glencore Canada (the "Parties"), to determine ongoing operating parameters within which Falco can conduct operations of the Falco Horne 5 Project so as not to interfere with the Horne Smelter, minimize and control risks to the Horne Smelter and where necessary adopt mitigation measures.
- The creation of a Strategic Committee comprised of two representatives of each of the Parties, to collaborate and exchange information in connection with the development and operation of the Falco Horne 5 Project, its interaction with the Horne Smelter and community and regulatory matters, and to capitalize on the many synergies between the Parties.
- The right of Glencore Canada to appoint one nominee to Falco's board of directors.
- The adoption of principles pursuant to which Glencore Canada and its Horne Smelter (i) retain priority over the operations of the Falco Horne 5 Project as contemplated in the OLIA and (ii) must be afforded protection from incremental risks and losses occasioned by the Falco Horne 5 Project.
- Financial assurances, guarantees and indemnification to be provided by Falco to Glencore Canada to cover incremental risks and losses to the Horne Smelter arising from Falco's operations and certain other matters specified in the OLIA, as further described below.
- The right of Glencore Canada to require remediation, suspension or other risk-mitigation during the operations of the Falco Horne 5 Project to protect the Horne Smelter and related operations, subject to expert intervention and dispute resolution mechanisms set out in the OLIA.

On August 26, 2024, the Company announced the creation and establishment of Technical and Strategic Committees (collectively the "Committees"), as contemplated by the terms of the OLIA. The creation of the Committees confirms the Parties' recognition that the successful development, construction, operation and closure of the Falco Horne 5 Project in a manner that ensures the safety and operational integrity of the Horne Smelter operations, requires coordination and communication between Falco and Glencore at multiple levels.

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The Technical Committee will be composed of four members as follows:

- Mr. Wouter Vanaarde, Engineering Manager – Glencore
- Ms. Marie-Élise Viger, Environmental Manager – Glencore
- Mr. Luc Lessard, President and CEO – Falco
- Ms. Hélène Cartier, Vice President, Environment, Sustainable Development and Community Relations – Falco

The Strategic Committee will be composed of three members as follows:

- Mr. Danny Tremblay, Manager for Commercial & Recycling Sites Operations – Glencore
- Mr. Luc Lessard, President and CEO – Falco
- Ms. Hélène Cartier, Vice President, Environment, Sustainable Development and Community Relations – Falco

The Committees are composed of experienced professionals with extensive experience in various areas including environment, construction, development and production, and most of whom have been collaborating closely over the past years.

#### Financial Assurances and Insurance Policies

The ability of Falco to commence certain conditioned activities under the OLIA, including dewatering and mining activities, is also subject to Falco providing Glencore Canada at the relevant time, financial assurances in the form of letters of credit, performance guarantee or similar guarantees.

Financial assurances ("Financial Assurances") must be posted by Falco in the amount of \$40 million for the dewatering phase, increasing to \$80 million during the mining phase and decreasing to between \$10 million and \$20 million during the closure and remediation phases, subject to certain conditions and inflation-related adjustments after a specified number of years. Glencore Canada will have the right to draw upon such Financial Assurances in the event that it incurs losses subject to indemnification by Falco under the OLIA. The OLIA also requires Falco to provide Glencore Canada specified coverage under insurance policies ("Insurance Policies") to address certain risks to Glencore Canada and its Horne Smelter arising from the Falco Horne 5 Project, before the commencement of dewatering and mining activities. Based on its discussions with insurance brokers and underwriters, Falco expects that such coverage can be obtained on reasonable terms when required.

#### Conditions Precedent

In addition to the requirement to post Financial Assurances and obtain Insurance Policies, the ability of Falco to commence dewatering and mining activities is also subject to other conditions precedent, including:

- Falco granting Glencore Canada a hypothec over the Falco Horne 5 Project and other assets as security for its obligations pursuant to the OLIA, ranking after the existing security for Falco's senior convertible debenture held by Glencore Canada, senior convertible loan and silver stream held by Osisko Gold and royalty held by Sandstorm Gold Ltd. ("Sandstorm"). Glencore Canada also agreed to negotiate in good faith to subordinate this hypothec to security interests to be granted in future debt financings for the dewatering and construction of the Falco Horne 5 Project;
- Falco entering into a water agreement with Glencore Canada governing the provision by the Company of replacement process water for the Horne Smelter prior to the dewatering of the Falco Horne 5 Project;
- Falco making available to Glencore Canada certain synergies through further Synergy Agreements to be entered into with Glencore Canada, based on key terms already contemplated in the OLIA; and
- Falco obtaining all required permits and authorizations from governmental entities in connection with such conditioned activities and Glencore Canada obtaining certain confirmations in connection with regulatory and permitting matters.

(collectively, the "Conditions Precedent")

A material change report dated February 1, 2024, describing the principal terms of the OLIA together with a copy of the OLIA is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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**The Convertible Debenture**

Falco entered into a \$10.0 million convertible debenture (the "Convertible Debenture") on October 27, 2020. The Convertible Debenture had an initial term to maturity of 12 months (the "Maturity Date") and was bearing interest at a rate of 7% per annum, compounded quarterly. Accrued interest was capitalized quarterly by adding the interest to the principal of the Convertible Debenture. As the Parties progressed towards the negotiation of the OLIA, Falco had the right to extend the Maturity Date by an additional six months. On October 13, 2021, the Company agreed with Glencore Canada to extend the Maturity Date of the Convertible Debenture from October 27, 2021 to April 27, 2022, in accordance with the terms of the Convertible Debenture. The Convertible Debenture was convertible into common shares of the Company (each a "Share") within ten days of the Maturity Date or on the Maturity Date at Glencore Canada's sole option at a conversion price of \$0.41 per Share.

Concurrently with the issuance of the Convertible Debenture on October 27, 2020, Falco also issued to Glencore Canada, 12,195,122 warrants of the Company ("Warrants") (the "Glencore Warrants"). Each Glencore Warrant was exercisable for one Share at an exercise price of \$0.51 up to 12 months from the date of issuance of the Glencore Warrants. Given the extension to the Maturity Date of the Convertible Debenture, the Company announced the extension of the expiry date of the Glencore Warrants from October 27, 2021 to April 27, 2022. All other terms and conditions of the Glencore Warrants remained unchanged.

In April 2022, the Parties agreed to extend the Maturity Date of the Convertible Debenture, from April 27, 2022 to April 27, 2023. The accrued interest on the existing Convertible Debenture was capitalized such that the principal amount of the amended Convertible Debenture was \$11.1 million.

In connection with this extension, the conversion price of the Convertible Debenture was amended to \$0.40 per Share and the interest rate is 8% per annum, compounded quarterly. In accordance with its terms, the Convertible Debenture can be converted into Shares within 10 days of the Maturity Date or on the Maturity Date except that Glencore Canada shall have the right to accelerate its conversion right upon the provision of a prior written notice to the Company.

The Company also extended the expiry date of the Glencore Warrants from April 27, 2022 to April 27, 2023. The exercise price of the Glencore Warrants was reduced to \$0.41 per Share. All other terms and conditions of the Glencore Warrants remained unchanged. As consideration for the amendment and extension, Falco issued to Glencore Canada 2,866,036 additional warrants (the "Additional Warrants"). Each Additional Warrant is exercisable for one Share and has identical terms to the terms of the Glencore Warrants.

On January 24, 2023, Falco finalized an agreement with Glencore Canada to extend the maturity date of the Convertible Debenture from April 27, 2023 to December 31, 2024. In consideration for the extension of the maturity date of the Convertible Debenture, this loan was also 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 would be \$11.8 million, (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 Share. In addition, the 15,061,158 Warrants held by Glencore Canada, each exercisable for one 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.

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

**Offtake Agreements**

Under the terms of the concentrate offtake agreements (the "Offtake Agreements") concluded on October 27, 2020, Glencore Canada affiliated companies will purchase from Falco the copper and zinc concentrates produced during the life of mine ("LOM") of the Falco Horne 5 Project, currently estimated at 15 years. Terms were negotiated on an arms' length basis.

**The Work Plan**

On October 27, 2020, in order to further investigate and mitigate geotechnical and other technical risks, and to identify additional synergies, Falco announced the collaboration with Glencore Canada in developing the Work Plan for additional geotechnical work and analysis of the risks associated with the development of the Falco Horne 5 Project. Falco and Glencore Canada conducted the Work Plan to address concerns and mitigate potential risks to Glencore Canada's Horne Smelter. Key components of the Work Plan were established by Glencore Canada after a due diligence review of the Falco Horne 5 Project, and included geotechnical advancement (drilling investigation, crown

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pillar stability, seismicity potential, backfill characterization, etc.), water management and synergies between the Falco Horne 5 Project and the Horne Smelter.

**The Silver Stream Agreement**

On February 27, 2019, Falco and Osisko Gold completed the Silver Stream Agreement, whereby Osisko Gold agreed to provide the Company with staged payments totaling up to \$180 million, toward the funding of the development of the Project, payable in five distinct installments, subject to the occurrence of specific conditions precedent detailed in the Silver Stream Agreement as amended (the "Conditions Precedent").

Under the terms of the Silver Stream Agreement, Osisko Gold will purchase 90% of the payable silver from the Project, increasing to 100% of the payable silver from the Project in the event the optional Fifth Installment is paid. In exchange for the silver delivered under the Silver Stream Agreement, Osisko Gold will pay the Company ongoing payments equal to 20% of the spot price of silver on the day of delivery, subject to a maximum payment of US\$6.00 per silver ounce. The silver produced from the Project and from properties located 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 \$2.0 million capital commitment fee, payable upon Osisko Gold funding the third installment under the Silver Stream Agreement. Falco's obligations towards Osisko Gold with respect to the Silver Stream Agreement is secured by a deed of hypothec for a maximum of \$600 million; such first ranking was subordinated in favour of the security granted to Glencore Canada as part of the Convertible Debenture transaction.

On January 31, 2020, November 27, 2020 and on January 31, 2022, Falco and Osisko Gold agreed to amend the Silver Stream Agreement, to postpone by one year each of the deadlines granted to Falco to achieve milestones set as condition precedent to Osisko Gold funding the remaining installments and certain other deadlines. On August 19, 2021, the Company received from Osisko Gold a partial advance payment of \$10.0 million on the second installment of \$20.0 million to be made under the Silver Stream Agreement.

On February 23, 2023, Falco and Osisko Gold entered into an amendment to the Silver Stream Agreement, with effect on January 31, 2023, to postpone to January 31, 2025, the deadlines granted to Falco to achieve milestones set as Conditions Precedent to Osisko Gold funding the second and third installments, which installments will be funded concurrently, if such conditions are satisfied.

To date, a total of \$35 million has been received by Falco. Other remaining payments remain subject to the occurrence of the Conditions Precedent.

**Loan with Osisko Gold**

On November 17, 2020, the Company entered into a binding agreement with Osisko Gold in order to extend the maturity date of the Secured Loan entered into on February 22, 2019 and amended on November 22, 2019 from December 31, 2020 to December 31, 2022 (the "Maturity Extension"). Together with capitalized interest, the principal amount outstanding under the Secured Loan as of November 17, 2020, was \$17.6 million. In consideration for the Maturity Extension, the Secured Loan was amended to become convertible (the "Convertible Loan") after the first anniversary of the closing date into Shares at a conversion price of \$0.55 per Share. The Convertible Loan bears interest at a rate of 7.0% per annum, compounded quarterly, and will continue to be secured by a hypothec on certain assets of Falco which ranks after the hypothec securing the Convertible Debenture. The Shares that the Convertible Loan may be converted into are subject to a hold period of four months from the date of closing of this transaction.

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

On January 24, 2023, Falco finalized an agreement with Osisko Gold to extend the maturity date of the Convertible Loan from December 31, 2022 to December 31, 2024. In consideration for the extension of this maturity date of the Convertible Loan, this loan was also amended (collectively with the extension of the maturity date of the Convertible Loan, the "Convertible Loan Amendments") (i) in order for the accrued interest on the existing Convertible Loan to be

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capitalized such that the principal amount of the amended Convertible Loan would be \$20.5 million, (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 Share. In addition, the 10,664,324 Warrants previously held by Osisko Gold, were replaced with 10,664,324 Warrants exercisable at an exercise price of \$0.65 and expiring on December 31, 2024, maturing concurrently with the Convertible Loan, as amended.

Falco's obligations towards Osisko Gold with respect to the Convertible Loan is secured by a deed of hypothec for a maximum of \$25.0 million over all of the assets of Falco other than the Falco Horne 5 Project and ranks after the security granted to Glencore Canada as part of the Convertible Debenture transaction.

**Option Agreement with First Quantum**

On June 30, 2021, Falco announced that it entered into an option agreement with First Quantum pursuant to which First Quantum granted the Company the sole and exclusive right to acquire this option (the "Option") in the properties (the "Properties") located near the City of Rouyn-Noranda (the "City"). The Properties have already been impacted by historical mining activities and are located approximately 11 km from the City and would serve as the surface storage of tailings for the Falco Horne 5 Project. The Company paid \$1.0 million (the "Option Price") to First Quantum on August 20, 2021, in the form of (i) a cash payment of \$0.5 million (the "Cash Payment"), and (ii) the issuance of 1,265,182 of Shares having an aggregate value of \$0.5 million (the "Consideration Shares") based on the volume weighted average trading price of the 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; and (ii) the Company will assume historical and contingent environmental liabilities related to the Properties' former mining sites.

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

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

**Gold Market**

On June 30, 2024, the gold price closed at US\$2,330 per ounce compared to US\$2,078 per ounce on December 31, 2023. The historical gold price (US\$/ounce of gold) is as follows:

Period (Calendar)	High	Low	Average	Close
	US\$	US\$	US\$	US\$
2024 (to June 30, 2024)	2,444	1,990	2,203	2,330
2023	2,078	1,811	1,941	2,078
2022	2,039	1,629	1,800	1,814
2021	1,943	1,684	1,799	1,806
2020	2,067	1,474	1,770	1,888
2019	1,546	1,270	1,393	1,515

**The Falco Horne 5 Project**

On April 29, 2021, Falco filed the Updated Feasibility Study ("UFS"), which reiterated that the Falco Horne 5 Project represents a robust, high margin, fifteen-year underground mining project with attractive economics. The Updated Feasibility Study was prepared by BBA Inc. ("BBA"), under the direction of Management, and included contributions from the geological and engineering teams at BBA, InnovExplo Inc. ("InnovExplo"), Golder Associates Ltd. ("Golder"), WSP Canada Inc. ("WSP"), SNC-Lavalin Stavibel Inc. ("SNC-Lavalin"), and Ingénierie RIVAL Inc. ("RIVAL").

The UFS was initiated to reflect the improved commodity prices, the Silver Stream Agreement with Osisko Gold and the Offtake Agreements with Glencore Canada affiliated companies. In addition, the capital and operating costs were reviewed to reflect recent market conditions for labour, supplies and services.



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*Highlights of the Updated Feasibility Study*

The base case is stated using a gold price of US\$1,600/ounce ("oz"), a silver price of US\$21.00/oz, a copper price of US\$3.20/pound ("lb"), a zinc price of US\$1.15/lb and an exchange rate of \$1.00 equal to US\$0.78. The UFS was prepared in Canadian Dollars. The values have been converted to and presented in US\$ at an exchange rate of \$1.00 = US\$0.78 for this section of the MD&A. The highlights include the estimates presented in the section below (*dollar amounts are presented on a pre-tax basis, except where otherwise indicated*).

*Comparison of the 2017 Feasibility Study ("2017 FS") and the 2021 Updated Feasibility Study*

Category	Unit	2021 UFS	2017 FS
Inventory	tonnes	80,896,876	80,896,876
Contained Gold	oz	3,740,871	3,740,871
Payable Gold LOM	oz	3,304,453	3,294,000
Payable Silver LOM	oz	27,289,020	26,300,000
Produced Zinc LOM	Million lbs	1,190	1,190
Produced Copper LOM	Million lbs	247	247
Average Diluted Gold Equivalent Grade	g/t Au Eq	2.24	2.37
Average Diluted Gold Grade	g/t	1.44	1.44
Cash Cost	\$/oz Au	406	260
AISC*	\$/oz Au	587	399
Operating Cost	C\$/tonne processed	43.11	41.00
Total LOM NSR Revenue	\$M	6,813.9	6,123.9
Total LOM Pre-Tax Cash Flow	\$M	2,593.1	2,162.4
Average Annual Pre-Tax Cash Flow	\$M	232.7	205.4
LOM Income Taxes	\$M	982.9	784.7
Total LOM After-Tax Cash Flow	\$M	1,610.2	1,377.7
Average Annual After-Tax Cash Flow	\$M	158.4	146.1
Pre-Tax NPV 5%	\$M	1,279	1,012
After-Tax NPV 5%	\$M	761	602
Pre-Tax IRR	%	23.0%	18.9%
After-Tax IRR	%	18.9%	15.3%
Operating Costs	\$M	2,724.8	2,586.9
Refining & Smelting	\$M	525.7	493.5
Royalties	\$M	144.4	122.5
By-Product Credit	\$M	(2,052.5)	(2,337.9)
Pre-Production CAPEX	\$M	844.2 <sup>(2)</sup>	801.7 <sup>(1)</sup>
Sustaining CAPEX	\$M	526.6	417.6
Closure (net of salvage value)	\$M	69.0	32.9
Gold Price	\$/oz	1,600	1,300
Exchange Rate (US\$:C\$)	1 US\$ =	1.28	1.28
After-Tax Payback	Years	4.8	5.6

(1) Including a \$58.5 million contingency and excluding \$26.7 million of capital outlays to August 31, 2017

(2) Including a \$70.8 million contingency and excluding \$51.5 million of capital outlays to December 31, 2020

(3)\*AISC are presented as defined by the World Gold Council, less corporate general & administrative costs.

**FALCO RESOURCES LTD.**

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*Sensitivity Analysis (bold denotes pricing used in the UFS base case)*

<b>Gold Price US\$/oz</b>	\$1,300	\$1,400	\$1,500	<b>\$1,600</b>	\$1,700	\$1,800	\$1,900	\$2,000
Pre-Tax NPV 5% \$M	706	897	1,088	<b>1,279</b>	1,470	1,661	1,852	2,043
After-Tax NPV 5% \$M	405	526	645	<b>761</b>	875	989	1,101	1,213
Pre-Tax IRR	15.8%	18.3%	20.7%	<b>23.0%</b>	25.2%	27.4%	29.5%	31.6%
After-Tax IRR	12.8%	14.9%	17.0%	<b>18.9%</b>	20.7%	22.5%	24.2%	25.8%
Pre-Tax Payback Years	6.2	5.5	5.1	<b>4.6</b>	4.2	3.9	3.6	3.4
After-Tax Payback Years	6.3	5.7	5.2	<b>4.8</b>	4.5	4.2	3.9	3.7

<b>Copper Price US\$/lb</b>	\$2.50	\$2.75	\$3.00	<b>\$3.20</b>	\$3.50	\$3.75	\$4.00
Pre-Tax NPV 5% \$M	1,189	1,221	1,253	<b>1,279</b>	1,318	1,350	1,382
After-Tax NPV 5% \$M	707	726	746	<b>761</b>	784	803	822
Pre-Tax IRR	22.0%	22.3%	22.7%	<b>23.0%</b>	23.4%	23.8%	24.1%
After-Tax IRR	18.0%	18.3%	18.6%	<b>18.9%</b>	19.2%	19.5%	19.8%
Pre-Tax Payback Years	4.8	4.7	4.6	<b>4.6</b>	4.5	4.5	4.4
After-Tax Payback Years	5.0	4.9	4.9	<b>4.8</b>	4.8	4.7	4.6

<b>Zinc Price US\$/lb</b>	\$0.90	\$1.00	\$1.10	<b>\$1.15</b>	\$1.20	\$1.30	\$1.40
Pre-Tax NPV 5% \$M	1,129	1,189	1,249	<b>1,279</b>	1,309	1,369	1,430
After-Tax NPV 5% \$M	669	706	743	<b>761</b>	779	815	852
Pre-Tax IRR	21.0%	21.8%	22.6%	<b>23.0%</b>	23.4%	24.2%	24.9%
After-Tax IRR	17.3%	17.9%	18.6%	<b>18.9%</b>	19.2%	19.8%	20.5%
Pre-Tax Payback Years	5.0	4.8	4.7	<b>4.6</b>	4.5	4.4	4.2
After-Tax Payback Years	5.2	5.0	4.9	<b>4.8</b>	4.7	4.6	4.5

<b>FX: C\$1.00: US\$</b>	\$0.87	\$0.84	\$0.81	<b>\$0.78</b>	\$0.75	\$0.72	\$0.69
Pre-Tax NPV 5% \$M	870	998	1,137	<b>1,279</b>	1,446	1,621	1,810
After-Tax NPV 5% \$M	512	591	676	<b>761</b>	860	962	1,072
Pre-Tax IRR	17.9%	19.5%	21.3%	<b>23.0%</b>	25.0%	27.0%	29.1%
After-Tax IRR	14.6%	16.0%	17.5%	<b>18.9%</b>	20.5%	22.1%	23.8%
Pre-Tax Payback Years	5.6	5.3	4.9	<b>4.6</b>	4.2	3.9	3.7
After-Tax Payback Years	5.8	5.4	5.1	<b>4.8</b>	4.5	4.2	4.0

*Opportunities to Enhance Value*

Falco intends to carry out future optimization studies to evaluate alternate development scenarios that would be used to reduce the initial capital requirements and increase revenue in the early stage of the LOM. Items to be reviewed include: (1) the significant exploration potential for discoveries at depth and around the Falco Horne 5 Project, and the possibility to increase resources and extend LOM as further definition drilling may convert some of the existing Inferred Mineral Resources to the Indicated or Measured Mineral Resource categories; (2) determining whether larger underground stopes can be implemented through continued geotechnical investigations, simulations and detailed mining studies; and (3) the development of potential synergies with Glencore Canada's local smelting operations. In addition, Falco may benefit from its large, highly prospective regional land package.

*Mineral Resource Estimate*

The Mineral Resources presented in the UFS, are based upon an updated Mineral Resource estimate (the "current MRE") effective as of February 24, 2021, prepared by Carl Pelletier, P. Geo of InnovExplo, using available information. The main objective was to update the previous NI 43-101 Mineral Resource estimate for the Falco Horne 5 Deposit, which was prepared by InnovExplo and included in the Feasibility Study (the "November 2016 MRE").

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The current MRE is primarily based on changes made to the NSR parameters, supported by new assumptions concerning metal prices and net recoveries and the creation of potentially mineable shape to constrain the MRE. No changes to the interpretation were deemed necessary. The Mineral Resource model for the current MRE is based largely upon the model generated for the November 2016 MRE and Feasibility Study.

The current MRE is prepared in accordance with CIM standards and guidelines for reporting Mineral Resources and Reserves. The selected NSR cut-off of C\$55/t and the mineable shape constrain used allowed the Mineral Resource to be outlined for a potential underground mining scenario. While the results are presented undiluted and in situ, the reported Mineral Resources are considered by the qualified persons under NI 43-101 ("QP"), to satisfy the reasonable prospects for eventual economic extraction.

The results of the current MRE are presented in the table below. InnovExplo estimates that the Falco Horne 5 Deposit contains, based on an NSR cut-off of C\$55/t, Measured Mineral Resources of 10.8M tonnes at 2.26 g/t AuEq (gold equivalent) for a total of 786,000 oz AuEq, Indicated Mineral Resources of 94.8M tonnes at 2.25 g/t AuEq for a total of 6.9M oz AuEq, and Inferred Mineral Resources of 24.3M tonnes at 2.23 g/t AuEq, for a total of 1.7M oz AuEq.

**Mineral Resources Table**

Resource Category	Tonnes (Mt)	NSR(\$)	AuEq (g/t)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)	Contained AuEq (Moz)	Contained Au (Moz)	Contained Ag (Moz)	Contained Cu (Mlbs)	Contained Zn (Mlbs)
Measured	10.839	110.67	2.26	1.45	15.70	0.17	0.74	0.786	0.504	5.470	40.123	177.753
Indicated	94.767	109.88	2.25	1.44	14.16	0.17	0.80	6.854	4.382	43.155	348.704	1 672.328
Measured+ Indicated	105.606	109.96	2.25	1.44	14.32	0.17	0.79	7.640	4.886	48.625	389.827	1 850.081
Inferred	24.311	107.40	2.23	1.35	21.40	0.19	0.67	1.740	1.058	16.730	103.666	357.931

*Mineral Reserve estimate*

The Mineral Reserve estimate for the Falco Horne 5 Project (effective as of August 26, 2017) was prepared by Mr. Denis Gourde, P.Eng., of InnovExplo. The Mineral Reserve estimate stated herein is consistent with the CIM Standards on Mineral Resources and Mineral Reserves and is suitable for public reporting. As such, the Mineral Reserves are based on Measured and Indicated Mineral Resources, and do not include any Inferred Mineral Resources. Measured and Indicated Mineral Resources are inclusive of Proven and Probable Reserves.

The UFS, LOM and Mineral Reserve estimate were developed from the November 2016 MRE (Jourdain et al., 2016). Apart from the OLIA with Glencore Canada, as of the date of the UFS, the QP had not identified any risks, legal, political or environmental, that would materially affect potential development of the Mineral Reserves.

There were no changes to the mining Mineral Reserves in the UFS as compared to the 2017 FS. The metal prices used in the Mineral Reserves are gold \$1,300 per ounce, copper \$2.15 per pound, zinc \$1.00 per pound and silver \$18.50 per ounce.

**Statement of Mineral Reserves (as of August 26, 2017)**

Category	Tonnes (Mt)	NSR (\$)	Au (g/t)	Ag (g/t)	Cu (%)	Zn (%)
Proven	8.4	91.72	1.41	15.75	0.17	0.75
Probable	72.5	92.56	1.44	13.98	0.17	0.78
P&P	80.9	92.41	1.44	14.14	0.17	0.77

1) Mineral Reserves have an effective date of August 26, 2017.

2) Estimated from the November 2016 MRE and does not consider the October 2017 nor the current MRE. The metal prices, exchange rates and recovery equations that were used to support the Mineral Reserve estimate are: 2.15 US\$/lb Cu, 1.00 US\$/lb Zn, 1,300 US\$/oz Au and 18.50 US\$/oz Ag, using an exchange rate of 1.30 C\$:US\$, cut-off NSR value of C\$55/t.

3) Mineral Reserve tonnage and mined metal have been rounded to reflect the accuracy of the estimate and numbers may not add due to rounding.

4) Mineral Reserves presented include both internal and external dilution along with mining recovery. The external dilution is estimated to be 2.3%. The mining recovery factor was set at 95% to account for mineralized material left in the margins of the deposit in each block.

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*Capital and operating costs summary*

Capital Costs (\$M)	2021 UFS			2017 Feasibility Study		
	Pre-Production	Sustaining	Total <sup>(1)(2)</sup>	Pre-Production	Sustaining	Total <sup>(1)(3)</sup>
Mining	\$218.7	\$285.4	\$504.1	\$200.4	\$253.6	\$454.0
Mineral Processing Plant	\$313.0	\$11.6	\$324.5	\$296.0	\$10.2	\$306.1
Electrical and Communication	\$15.0	\$2.0	\$16.9	\$14.2	\$1.8	\$16.0
Project Infrastructure	\$76.6	\$3.5	\$80.1	\$76.9	\$3.7	\$80.6
Tailings and Water Management	\$50.1	\$224.1	\$274.3	\$53.0	\$148.4	\$201.4
Indirect Costs	\$61.3	--	\$61.3	\$65.9	--	\$65.9
Owner's Costs	\$38.7	--	\$38.7	\$36.8	--	\$36.8
Site restoration (net of salvage value)	--	\$69.0	\$69.0	--	\$32.9	\$32.9
<b>Subtotal</b>	<b>\$773.4</b>	<b>\$595.6</b>	<b>\$1,369.0</b>	<b>\$743.2</b>	<b>\$450.5</b>	<b>\$1,193.7</b>
Contingency	\$70.8	--	\$70.8	\$58.5	--	\$58.5
<b>Total Capital Costs <sup>(2)</sup></b>	<b>\$844.2</b>	<b>\$595.6</b>	<b>\$1,439.8</b>	<b>\$801.7</b>	<b>\$450.5</b>	<b>\$1,252.2</b>
<b>CAPEX per Oz (\$/oz)</b>			\$255			\$243
<b>OPEX per Oz (\$/oz)</b>			\$587			\$399
<b>All-In Cost per Oz (\$/oz)</b>			<b>\$842</b>			<b>\$643</b>

<sup>(1)</sup> Totals may differ due to rounding.<sup>(2)</sup> Excludes \$51.5 million in outlays to December 31<sup>st</sup>, 2020.<sup>(3)</sup> Excludes \$26.7 million in outlays to August 31<sup>st</sup>, 2017.*Independent qualified persons*

The Updated Feasibility Study was prepared under the direction of BBA, by leading independent industry consultants, all of whom are QP. Independent QP from BBA, InnovExplo, Golder, WSP, SNC-Lavalin and RIVVAL who have prepared or supervised the preparation of the technical information relating to the Updated Feasibility Study include:

- Colin Hardie (BBA);
- Carl Pelletier, Denis Gourde, Simon Boudreau (InnovExplo);
- Michel Mailloux, Ken De Vos, Rob Bewick, André Harvey, Michael Bratty, Yves Boulianne, Pierre Primeau (Golder);
- Dominick Turgeon, René Fontaine (WSP);
- Luc Gaulin (SNC-Lavalin); and
- Yves Vallières (RIVVAL).

None of the aforementioned firms or persons, nor any directors, officers or employees of such firms, are currently, or are expected to be elected, appointed or employed, as a director, officer or employee of the Company, or of any associate or affiliate of the Company.

The Company's disclosure of technical or scientific information about the Updated Feasibility Study, has been reviewed and approved by Luc Lessard, Eng., President and Chief Executive Officer of Falco, who serves as a QP.

*Mining*

The underground deposit is located at a depth of approximately 600 metres to 2,300 metres below surface. The existing Quemont #2 shaft, which extends to a depth of approximately 1,200 metres, would need to be rehabilitated. The shaft would provide for the hoisting of mineralized material and waste, services personnel and materials, and the supply of ventilation to the underground workings in the development stage. The access to and use of the Quemont #2 shaft by Falco is contingent upon compliance with the terms of the OLIA entered into with Glencore Canada as the current owner of such infrastructure.

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**FALCO RESOURCES LTD.****Management's Discussion & Analysis****For the year ended June 30, 2024**

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The mine has been designed to have low operating costs through the use of large, modern equipment, gravity transport of mineralized material through raises, shaft hoisting, minimal mineralized material and waste re-handling, and high productivity bulk mining methods. The mine is designed to employ state-of-the-art technology. Highly automated and using tele-operation equipment, the mine would be able to operate 25-tonne load haul dump ("LHD") loader to transport ore to the ore pass systems. The underground crushing facility would be fed by two ore pass systems. The crushed mineralized material would then be transported via two 250-metre conveyors and transferred to a 600-metre conveyor leading to the shaft loading point, where it would be hoisted to the surface using 43.5-tonne skips on a continuous basis. For servicing the mine, the shaft would have a double-deck service cage and a double-deck auxiliary cage. Paste backfill would be used to fill the extracted stopes and strengthen stability of the adjacent stopes and avoid or minimize dilution.

The Company expects to use transverse long hole as the primary mining method and will favor the minimization of dilution over mineral resource recovery.

*Processing*

A Semi-Autogenous-Ball milling facility on surface would be used to process an average of 15,800 tonnes per day ("tpd") of mineralized material at steady-state. The facility would also include a flotation and thickening section, divided in three circuits and dedicated to recovering copper, zinc and pyrite concentrates. The copper and zinc circuits would have their concentrate filtered to reduce humidity to 9%. Both concentrates would be stored directly in trucks and railcars, awaiting shipment. The pyrite concentrate will require a finer liberation to enhance gold recovery by cyanide leaching, resulting in the requirement to regrind from the primary grind size of 55 microns to the targeted  $P_{80}$  of 12 microns. The resulting regrind pyrite concentrate would then be leached along with the pyrite flotation tailings in separate leaching circuits, followed by carbon-in-pulp ("CIP") circuits. Thickeners would be used to maximize water and cyanide recovery, and the Caro's acid cyanide destruction method would be applied to reduce the cyanide content of the two leach streams. Both pyrite tailings and pyrite concentrate streams from flotation would be used as paste backfill in the new mine workings; excess volumes will be disposed of in existing historical openings, until the old mine openings are filled. Water liberated in the underground workings from the consolidated tailings would be recovered, recycled and pumped back to the process plant.

Gold, zinc, copper and silver metal would be recovered. The process plant would produce three final products; two concentrates and doré bars. The copper concentrate would have an estimated 16% copper content as well as payable gold and silver, and the zinc concentrate would have an estimated 52% zinc content as well as payable gold and silver. The payable gold recovery is estimated to average 88.3% over the LOM and estimated payable recoveries average 75.7% for copper, 72.8% for zinc and 74.2% for silver. Copper and zinc concentrates have been analyzed and are considered to be free of deleterious elements.

The process plant facility would include a wet laboratory, site offices, mine and mill dry and a process plant maintenance shop.

*Surface infrastructure*

The Falco Horne 5 Project, located within the industrial park and former mine infrastructure (Quemont and Horne Mines) of the City of Rouyn-Noranda, Québec, a mining community of over 42,000 people, benefits from great infrastructure. As important as the physical infrastructure in the Rouyn-Noranda region is the high level of underground mining expertise that is readily available in the region. The Company believes its advantageous location has the potential to positively impact the long-term viability and attractiveness of employment at the Falco Horne 5 Project, given that employees and contractors could work in the community they live in, a rare opportunity in the mining industry.

The Falco Horne 5 Project is located 1.1 km from route 101 and 4.0 km of the Trans-Canada Highway, with all services readily available at site. The Falco Horne 5 Project is also located less than 700 meters from Glencore Canada's operating Horne copper smelter, which treats both copper concentrates and precious metal-bearing recyclable materials as its feedstock to produce 99.1% copper anodes. Development of the future mine is planned on the former Quemont mine site, the surface rights of which were acquired or under option to acquire by Falco. Acquisition of land adjacent to the currently proposed mine site would likely be necessary for some of the new infrastructure. Electric power is expected to be supplied to the site at a voltage level of 120 kV, originating from either the nearby Hydro-Québec, Rouyn-Noranda substation or another substation.

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**FALCO RESOURCES LTD.**

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Since 2017, Falco had been party to a pre-project evaluation agreement with Hydro-Québec. However, in August 2023, Falco was informed by Hydro-Québec that this agreement would be abandoned. Pursuant to an *Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity* (the "Act regulating the distribution of electricity"), an authorization must now be obtained from the Minister of Economy, Innovation and Energy ("MEIE") for connection projects of greater than 5,000 kW. On August 28, 2023, the Company submitted a request for hydroelectricity supply to Hydro-Québec in accordance with such Act regulating the distribution of electricity.

The Falco Horne 5 Project envisions the following key infrastructure items to support the mine to be constructed: site access road, on-site parking area, process plant, including site offices, dry and paste backfill plant, headframe and shaft house, hoist building, 120 kV sub-station and railway spur lines and storage area.

The access to and use by Falco of surface rights and infrastructure not owned by it, is subject to compliance with the terms of the OLIA. For more details please refer to "Risk Factors – *Tenures and Access*" heading.

#### *Environmental Permitting Process*

The first stage of the Project will be the development of the Horne 5 mine, located in the municipality of Rouyn-Noranda, Québec, through among other things, the dewatering of the Quemont, Horne and Donalda old mines and the rehabilitation of the Quemont No.2 shaft. The Company will submit a new application for an authorization under Sections 22 and 31.75 of the *Environment Quality Act (Québec)* to be issued by the MEFCCWP to support the development, dewatering and sludge management strategy. During the dewatering stage, which is expected to last approximately 25 months, water will be pumped, treated and high-density sludge from the water treatment process will be stored in the former Donalda and Quemont underground mine openings.

The Falco Horne 5 Project requires a provincial governmental decree. The Project is subject to a provincial EIA, including public hearings, as forecasted production (average 15,000 tpd) is over the 2,000 tpd threshold outlined in the applicable regulation. On December 6, 2017, the Company was advised by the Canadian Environmental Assessment Agency (Government of Canada) (the "Agency") that the Project is not a designated activity under the Regulations Designating Physical Activities pursuant to the Canadian Environmental Assessment Act, 2012. Therefore, the Project is not subject to the federal environmental assessment procedure, however, there will be other federal authorizations to be obtained.

The Company's EIA was filed with the MEFCCWP in January 2018 and published in the Environmental Assessment Register of the MEFCCWP. Falco completed field work and studies in order to respond to questions raised by the MEFCCWP and filed, in April 2022, all required information for the MEFCCWP to assess the admissibility of the EIA as required. On September 1, 2023, additional questions and requests for information were received from the MEFCCWP. On March 27, 2024, the Company announced the receipt of confirmation of the Admissibility of its EIA from the MEFCCWP.

The EIA Admissibility allowed Falco to progress towards the public hearing process to be hosted by the BAPE following the issuance by the MEFCCWP of the BAPE mandate to hold an inquiry and conduct a public hearing process concerning Falco's Horne 5 Project, which began on August 26, 2024 and will have a maximum duration of four months.

For more information, please refer to the following MEFCCWP link: <https://www.ree.environnement.gouv.qc.ca/index.asp>

Tailings produced during the first two years of operations will be stored in former underground openings either in the form of slurry or paste backfill. Paste backfill will continue to be produced throughout the entire life of mine. After the first two years, the remainder of the tailings produced will either be stored in the Horne 5 mine openings or at the surface in a tailings management facility ("TMF"). The TMF will be situated at the Norbec site (approximately 11 km from the City) and will serve as the surface storage of tailings for the Falco Horne 5 Project. Pipelines, 17 km in length, will transport the tailings from the Horne 5 Mining Complex ("H5MC") to the surface TMF.

A closure and rehabilitation plan for each of the sites has been developed in accordance with the *Mining Act* (Québec). The site restoration cost estimate for the Falco Horne 5 Project is based on the dismantling of the mine buildings and the restoration of both the H5MC and the TMF. The Company intends to dismantle all buildings that would have served its mining operations. Given the proximity of the site to the City, its location in the Noranda Nord Industrial park and the existence of few infrastructures of this type in Rouyn-Noranda, these buildings could be reused or modified for other uses. This cost estimate includes the cost of site restoration as well as post-closure monitoring. In accordance

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with the regulations, the Company intends to post a bond as a guarantee against the site restoration cost.

The conduct of the foregoing activities remains subject to compliance with the terms of the OLIA, including in the case of dewatering and mining activities, satisfaction of the conditions precedent described under "*Agreements with Glencore Canada and its affiliated companies – Conditions Precedent*".

Air quality in Rouyn-Noranda has been the subject of public and government attention. The Horne Smelter, which emits arsenic and other metals above the air quality standards, are subject to a Ministerial Authorization that was due for renewal at the end of 2022.

Considering the concentration of arsenic, cadmium and other metals in the air in Rouyn-Noranda and the result of a new study by Québec's public health institute (INSPQ), the provincial authorities declared the status quo unacceptable and asked for a significant decrease through a specific action plan. Glencore Canada (as operator of the Horne Smelter) presented its action plan on August 18, 2022 ("Action Plan") that would significantly reduce contaminants by 2027. Public consultations on the Action Plan between the government, Glencore Canada and the surrounding community were held in Rouyn-Noranda from September 6 to October 20, 2022, during which more than 45 briefs were submitted, including the Falco Memorandum, and over 1,200 residents expressed their views during in-person sessions or filed through the relevant online platform. The purpose of the public consultation was to gauge the level of public agreement with the Action Plan and the environmental requirements to be imposed for the renewal of the Horne Smelter Ministerial Authorization. The Falco Memorandum discussed the challenges faced by both the community and the Company over the air quality in Rouyn-Noranda and provided recommendations that would be beneficial to all stakeholders.

The Horne Smelter Ministerial Authorization was issued to Glencore Canada on March 16, 2023. New requirements were formulated by the MEFCCWP, including for air emissions, noise and waste waters.

The renewal process of the Horne Smelter Ministerial Authorization delayed and impacted the Falco Horne 5 Project's Environmental Permitting Process as well as the negotiation of the OLIA which was concluded on January 23, 2024. In addition, Section 197 of the *Clean Air Regulation* ("CAR") prohibits a project from being authorized if it is likely to add contaminants to the air that are already present in a concentration higher than the standards in force. Currently, arsenic and other metals are most probably present in the ambient air of Rouyn-Noranda beyond the concentration allowed by the standards in force. With the requirements formulated by the MEFCCWP in the renewed Horne Smelter Ministerial Authorization, air quality should reach regulatory standards by 2028 except for arsenic, which will remain above standards.

Based on the results of the air emissions modeling for the Falco Horne 5 Project, Falco is of the view that the contribution of the Falco Horne 5 Project to air emissions will be negligible and therefore complies with the CAR. This is emphasized by Falco's Air Emission Reduction Plan that would ensure a negative mass balance of its air emissions, capturing more contaminants than its estimated contribution. The MEFCCWP has indicated to Falco that it has concerns with respect to compliance of this approach with Section 197 of the CAR. The MEFCCWP will make a decision and a recommendation to the Environment Minister over compliance of Horne 5 to section 197 of the CAR.

As of June 30, 2024, Falco has provided all required documentation for the MEFCCWP and has received the Admissibility of the EIA for the Falco Horne 5 Project. However, there is no certainty that the MEFCCWP will agree with Falco regarding the application of the CAR and the acceptability of the Project, which may delay or prevent the issuance of the required permits and therefore delay or negatively affect the development of the Falco Horne 5 Project. There can be no guarantee that Falco will be able to obtain all necessary licenses and permits that may be required to develop the Falco Horne 5 Project, or to maintain its business operations and mining activities.

#### *Sustainability and Stakeholder Engagement*

Falco's approach to sustainability and social impact is measured through ESG criteria. Falco has been proactive and made progress in securing its social license to operate in the City, and believes that ESG is fundamental to creating a positive impact on local and regional economies, better working and living environment, health and employment as well as creating value for shareholders. With our people, mission, culture and strategy, Falco will emerge as a strong ESG performer. On December 7, 2023, the ESG Report detailing the ESG performance of its activities for the period ending December 31, 2022 was published (the "2022 ESG Report"). The 2022 ESG Report titled "*Falco Resources Ltd. 2022 ESG Report*" was prepared, using Onyen Corporation's innovative software solution and on-line ESG reporting system and is available on the Company's website at <https://www.falcores.com/en/sustainability/#ESG>. The 2022 ESG Report describes Falco's Management and Board's approach to, and performance in, a variety of ESG criteria and gives us an opportunity to highlight our initiatives and progress in line with international reporting standards

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**FALCO RESOURCES LTD.**

Management's Discussion &amp; Analysis

For the year ended June 30, 2024

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(such as SASB, IFC, GRI), which is valuable to rating agencies and investors.

The Company will continue to take a proactive approach to its public consultation process and has been working diligently to identify as many stakeholders as possible in the Rouyn-Noranda and Abitibi regions. Based on our numerous community meetings held throughout the region, the Company observes strong community support for the Project. Development of the Project would bring substantial economic development and more to the City and the surrounding region. The operating mine would provide direct employment for approximately 500 people over its 15-year operating life.

Since February 5, 2019, a consultation committee (the "Committee") composed of representatives from the community was created. Falco remains committed to working with various stakeholders to finalize a plan for the Falco Horne 5 Project that will maximize benefits for the entire community, our shareholders and other stakeholder groups. The mandate of the Committee is to propose enhancements to optimize cohabitation with all stakeholders and ensure that the consultation and engagements plan has been implemented and has fulfilled its objective.

Falco launched its Virtual Information and Consultation Portal for the Falco Horne 5 Project in 2022. The Consultation Portal includes an interactive map, a virtual open house organized by thematic and a 3D model of the Horne 5 ore body and of the future ore processing plant. This portal is a new tool to reach the Company's stakeholders providing them with an enriched and optimized web experience to learn about the Falco Horne 5 Project and to communicate with Falco's Project team.

The Company opened Espace Falco, a new space dedicated to meeting citizens, groups and organizations wishing to learn about the Falco Horne 5 Project. On May 21, 2024, Falco invited the population to an information meeting organized by the BAPE as part of the public information period. More than 200 people came for information and to ask questions about the Falco Horne 5 Project not counting webcast participants, which demonstrates the population's high level of interest in the Project for all the surrounding communities.

This public information session allowed the population and various organizations to obtain details on the Project and answers on subjects of concern to them. Falco has been engaged and listening to citizens since day one. To that effect, Falco has heard each of the concerns raised during the public information session.

The BAPE public information period relating to the Falco Horne 5 Project commenced April 24, 2024 and was completed on June 10, 2024. Citizens, groups, municipalities or organizations who wished the BAPE to carry out a public examination on the social, ecological and economic aspects of the Project had until June 10, 2024 to send a request for public consultation or mediation to the MEFCCWP. At the end of the public information period, a report will be sent to the Minister and made public on the BAPE digital platforms. On April 23, 2024, Falco wrote to the Minister of the MEFCCWP and asked that a public review be held, led by the BAPE, regarding Falco's Horne 5 Project. Falco joined its voice to that of the municipality of Rouyn-Noranda and to local organizations, reiterating to the government that holding public hearings is essential given the interest of the Project for the community and for regional development.

On July 25, 2024, the Company announced that the Minister of the MEFCCWP, Benoit Charette, gave the mandate to the BAPE to hold an inquiry and a public hearing concerning the Falco Horne 5 Project. This mandate commenced on August 26, 2024 and will have a maximum duration of four months. This decision marks an important milestone for the Falco Horne 5 Project and Falco's team will be supported by expert resources, including the firms A2GC, Sanexen, SoftdB, BGC and WSP in order to respond to questions and requests from the population and the BAPE during the hearings. The inquiry commission is composed of Joseph Zayed, who acts as President, as well as Martin Lessard and Geneviève Meloche, who act as commissioners. The first part of the public hearing was held between August 26 and August 29 and allowed the public and the commission to obtain information and ask questions to understand all aspects of the Project. The public sessions were held in the presence of Falco and its expert resources. The second part of the hearing will be held starting October 1, 2024. It will allow the Commission to hear from all those who wish to express their views on the Project, whether by presenting a brief or a verbal opinion.

#### *Dewatering Phase – Geotechnical Work Investigation*

The dewatering of the old underground workings (former Horne and Quemont mines) constitutes the initial phase of the development of the Falco Horne 5 Project and involves geotechnical and hydrogeological analysis to mitigate risk associated with the dewatering stage. As part of the risk assessment for the dewatering phase, Falco collaborated with Glencore Canada on geotechnical programs and other studies to gather information, analyse the risks associated with the development of the Project and put in place mitigation measures to minimize these risks where appropriate.



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The Company's collaboration with Glencore Canada progressed on various investigation and mitigation measures to bring the Falco Horne 5 Project to the dewatering phase. Specifically, Falco completed the geotechnical assessment and mitigation measures agreed upon for the Quemont North Area (closest to the future Falco Horne 5 Project infrastructure), and completed an induced seismicity assessment on the potential impact generated by the Project and completed the geotechnical risk assessment of the Falco Horne 5 Project's development and operation on the Horne Smelter.

As discussed above under the "*Agreements with Glencore Canada and its affiliated companies*" heading, Falco and Glencore Canada conducted a Work Plan to address concerns and mitigate potential risks to Glencore Canada's Horne Smelter. Key components of the Work Plan were established by Glencore Canada after a due diligence review of the Falco Horne 5 Project by the parties' technical teams, and included geotechnical advancement (drilling investigation, crown pillar stability, seismicity potential, backfill characterization, etc.), water management and synergies between the Falco Horne 5 Project and the Horne Smelter.

Falco and Glencore Canada have made material progress on the execution of the key components of the Work Program and will continue to collaborate to finalize outstanding matters for the Falco Horne 5 Project and proceed with dewatering, construction and operation of the Falco Horne 5 Project, subject to the conditions set out in the OLIA. Falco and Glencore Canada have approved an instrumentation program for the monitoring of key geotechnical and environmental parameters in the dewatering phase of the Falco Horne 5 Project. The installation of the instrumentation is essentially complete.

#### *Projected Next Steps*

- Complete the Falco Horne 5 Project's formal public consultation process;
- File dewatering permit applications with authorities to commence the pre-production dewatering;
- Secure financing to meet the project development schedule; and
- Continue to attract key personnel to Falco in step with the project development schedule.

The activities contemplated above are subject at all times to matters and timelines that are not within the exclusive control of Falco. These factors include the ability to obtain, on terms acceptable to Falco, financing, governmental and other third parties' approvals, licenses, rights of way and surface rights.

An updated schedule for the Falco Horne 5 Project will be released when Falco has greater visibility on the regulatory approvals.

#### Hoisting System

On March 24, 2017, the Company entered into an initial agreement for the engineering, procurement, supply, performance services and installation of the hoisting systems for the Falco Horne 5 Project (the "Hoisting Agreement"). The hoisting systems will include a production hoist, an auxiliary hoist and a service hoist. The production friction hoist will have a 6.5 metre diameter and will allow a skip payload of 39,400 kg. The service hoist will have a 5.5 metre diameter and will be equipped with a double deck cage for 2 x 50-person capacity or 15,000 kg payload. The auxiliary hoist will have a 3.1 metre diameter and will be equipped with a double deck cage for 2 x 5-person capacity or 1,250 kg payload. The Hoisting Agreement is estimated at approximately \$28.9 million 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. As at June 30, 2024, \$8.2 million was incurred and paid pursuant to the Hoisting Agreement.

Key auxiliary and service hoisting system components have been received. Construction, materials and detailed engineering of the hoist building, which will host the auxiliary and service hoisting systems, commenced in December 2017. The hoist building's construction will enable Falco to start the mine dewatering and Quemont #2 shaft rehabilitation efforts efficiently and safely. The Company completed the closure of the hoist building in December 2021 with costs totaling \$8.0 million as at June 30, 2024.

#### Surface Rights Agreements

In September 2014, the Company entered into an option agreement with the City to acquire the surface rights to land 500 metres north of the Falco Horne 5 Deposit. In January 2020, this agreement was extended for an additional 5 years, providing the Company the option to purchase additional land within an area surrounding this property.

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Dewatering Equipment

Certain long-lead equipment for the water treatment facility and pumping system (the "WT Equipment") was ordered, with costs incurred totaling \$6.8 million as at June 30, 2024. The WT Equipment was received and will have a capacity of 600 cubic metres per hour.

Detailed Engineering

Falco advanced the detailed engineering and procurement of equipment shop drawings in relation to the Falco Horne 5 Project, with a total incurred cost of \$6.7 million as at June 30, 2024. The focus to date has been the geotechnical investigation, the water treatment facility, the electrical substation and hoisting facilities.

Falco Horne 5 Project Costs

On October 30, 2017, Management determined that the technical feasibility and commercial viability of the Falco Horne 5 Project was established and accordingly, the development phase of the Project had commenced. As such, the Company reclassified \$6.5 million in exploration and evaluation ("E&E") costs to property, plant and equipment ("PPE").

In addition to these reclassified E&E costs, from July 1, 2016 through to June 30, 2024, the Company incurred a cumulative total of \$139.0 million related to the Falco Horne 5 Project. The breakdown of these costs are as follows:

	As at	
	June 30, 2024	June 30, 2023
	\$	\$
Mining equipment	18,317,509	18,317,509
Land and buildings	23,047,552	22,966,649
Construction in progress	58,968,694	56,008,822
Capitalized borrowing costs	38,672,499	29,580,830
<b>Total</b>	<b>139,006,254</b>	<b>126,873,810</b>

*Mining equipment*

Mining equipment includes costs incurred on the Hoisting Agreement, and on the WT Equipment, as discussed above under the "*Hoisting System Construction*" and "*Dewatering Program*" headings.

*Land and buildings*

Land and buildings include costs incurred on property relocation initiatives, land purchase agreements, and the hoist building's construction as discussed above under the "*Surface Rights Agreements*" and "*Hoisting System Construction*" headings.

*Construction in progress*

These costs include Falco's preparation of the EIA related documentation, our advancement of the Project's detailed engineering efforts as discussed above under the heading "*Detailed Engineering*", in addition to the cost of managing the Project's pre-construction activities, including the Work Plan with Glencore Canada.

*Royalties*

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

Certain of the rights of Glencore Canada under the Purchase Agreement are secured by a deed of hypothec in favour of Glencore Canada for a maximum amount of \$100 million.

Falco's obligations towards Sandstorm with respect to the royalty interest are secured by a deed of hypothec for a maximum of \$45 million.

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**Outlook**

In order to advance the Falco Horne 5 Project and proceed with the dewatering, construction and operation of the Falco Horne 5 Project, the Company must obtain all required regulatory approvals and satisfy all conditions contained in the OLIA. In addition, Falco must secure financing which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments and joint venture agreements at the asset level and/or monetizing certain non-current assets of the Company. If the funds are not available on terms satisfactory to the Company, some planned activities may be postponed and the Company will be required to re-evaluate its plans and allocate its total resources in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

The Falco Horne 5 Project

Management believes that the execution of the OLIA with Glencore Canada, reception of the Admissibility, commencement of the formal BAPE process, in addition to the completion of the Work Plan and execution of the Offtake Agreements were significant steps forward for the Company. In addition to obtaining financing for the Project, Falco will focus on the following key project execution activities:

1. Continuing the environmental work, community engagement and permitting in order to progress towards the end of the public hearing process (*Bureau d'audiences publiques sur l'environnement*) on the Falco Horne 5 Project.
2. Finalizing the conditions precedent to dewatering and mining activities under the OLIA with Glencore Canada.
3. Initiating the surface infrastructure construction program, a pre-requisite to the initiation of dewatering and shaft rehabilitation.
4. Securing additional surface rights near the Falco Horne 5 Project by continuing certain community infrastructure and relocation activities.

Exploration activities

Falco's objectives regarding exploration are to complete statutory obligations. Management endeavours to proceed with future exploration programs targeted at increasing the Falco Horne 5 Project's mineral resources and ultimately the Project's life of mine.

**Selected Annual Financial Information**

A summary of selected annual financial information for the years ended June 30, 2024, 2023 and 2022, is outlined below:

	<b>2024</b>	<b>2023</b>	<b>2022</b>
	\$	\$	\$
Cash and cash equivalents	3,683,817	5,920,920	9,020,845
Short-term investments	-	-	3,000,000
Working capital	(34,290,480)	5,439,691	(19,773,272)
Total assets	151,732,690	142,932,438	137,876,806
Total non-current financial liabilities	62,389,580	89,415,906	50,140,257
Investments in property, plant and equipment	2,547,565	3,012,976	13,898,739
Total revenue	-	-	-
Net loss for the year	3,410,411	3,395,418	3,148,250
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)
Dividends per share	-	-	-

From June 30, 2022 to June 30, 2024, the level of cash and the movement in working capital is a direct result of financings completed during the periods, offset by investments in PPE and operating expenses, including exploration and evaluation expenditures.

For all periods, the net loss for the year is primarily comprised of operating expenses, such as consulting and compensation costs (including share-based compensation), professional fees, travel and other office administrative costs, exploration and evaluation expenditures and deferred income tax expense (or recovery). In addition, for the years ended June 30, 2024, 2023 and 2022, the Company provided services to third parties that allowed the recovery of costs totaling \$0.3 million, \$0.5 million and \$1.1 million, respectively.

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In 2024, 2023 and 2022, costs incurred by the Company were partially offset by \$0.1 million, \$0.1 million and \$1.3 million, respectively, in changes in fair values on derivative warrant liabilities.

**Results of Operations**

Falco incurred a net loss of \$3.4 million for the year ended June 30, 2024 ("Fiscal 2024"), compared to a net loss of \$3.4 million for the year ended June 30, 2023 ("Fiscal 2023").

The operating loss for Fiscal 2024 increased by \$0.1 million, totaling \$3.5 million for this period. The Fiscal 2024 operating loss was mostly impacted by lower cost recoveries from the Company providing services to third parties that allowed the recovery of \$0.3 million in costs (\$0.5 million recovered in Fiscal 2023) and lower refundable tax credits (\$0.2 million). In addition, in Fiscal 2024 there were decreases in consultation and compensation expenses (\$0.1 million) and share-based compensation (\$0.1 million), which reflects the reduction in activities in the current period.

As discussed above under the "*Agreements with Glencore Canada and its affiliated companies*" and "*Loan with Osisko Gold*" headings, the Company issued Warrants that provide for a cashless exercise feature. As these contracts call for the possible issuance of a variable number of shares, they are classified as derivative liabilities and measured at fair value at each period-end. For Fiscal 2024, the Company recognized an unrealized loss on these derivative warrant liabilities for \$0.1 million (\$0.1 million gain for Fiscal 2023).

**Financing**

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

Each Unit consists of one Common Share and one-half of one Warrant. Each Warrant is exercisable to acquire one Common Share at a price of \$0.35 at any time on or before that date which is 24 months after the closing date of the Offering. Each FT Share consists of one Common Share issued as a "flow-through share" within the meaning of the *Income Tax Act* ( Canada ).

Share issue costs totaled \$0.4 million, including \$0.3 million in cash and the issuance of 446,859 Warrants (each, a "Broker Warrant"). Each Broker Warrant entitles the holder to purchase one Common Share at an exercise price of \$0.23 per Broker Warrant at any time for a term of 24 months following the date of issuance.

**Liquidity and Capital Resources**

As at June 30, 2024, the Company had a negative working capital of \$34.3 million (working capital of \$5.4 million as at June 30, 2023) and cash and cash equivalents (including restricted cash) amounted to \$3.7 million (\$6.8 million as at June 30, 2023).

As the Company is in the development stage for the Falco Horne 5 Project, it has not recorded any revenues from operations, has no source of operating cash flow, with the exception of the Silver Stream Agreement, and no assurance that additional funding will be available to it for further development of the Project. The working capital as at June 30, 2024 will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through June 30, 2025. In addition, expected budgeted expenditures may be impacted by a rise in inflation. The Company is consistently evaluating various financing opportunities to pursue the development of the Falco Horne 5 Project.

The Company's ability to continue future operations beyond June 30, 2025, and fund its planned development activities at the Falco Horne 5 Deposit is dependent on Management's ability to secure third parties' approvals and additional financing in the future. This may be completed in a number of ways, including, but not limited to, achieving the next milestones of the Silver Stream Agreement, the issuance of debt or equity instruments, a joint venture agreement at the asset level and/or monetizing certain non-current assets of the Company. Management will pursue such additional sources of financing when required, and while Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If the funds are not available on terms satisfactory to the Company, some planned activities may be postponed and the Company will be required to re-evaluate its plans and allocate its total resources in such a manner as the Board and

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Management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

**Cash Flows**

Cash flows used in operating activities during Fiscal 2024 totaled \$2.6 million (\$3.0 million generated during Fiscal 2023). In Fiscal 2024, this is primarily due to the net loss for the period that totaled \$3.4 million (\$3.4 million in Fiscal 2023). The impact of non-cash working capital items such as accounts receivable, prepaid expenses and other assets, accounts payable and accrued liabilities was an increase of \$0.4 million in Fiscal 2024 (decreased cash by \$0.3 million in Fiscal 2023), due to timing differences in the collection of sales tax receivables and the payments to suppliers.

Cash flows used in investing activities for Fiscal 2024 amounted to \$1.6 million (\$ nil in Fiscal 2023). Investments in property, plant equipment totaled \$2.5 million in Fiscal 2024, offset by a decrease in restricted cash (\$0.9 million). In Fiscal 2023, the investments in property, plant and equipment (\$3.0 million) were offset by the redemption of investments for \$3.0 million.

Cash flows provided by financing activities totaled \$2.0 million in Fiscal 2024 (\$0.1 million used in Fiscal 2023). In Fiscal 2024, cash flows provided related to the closing of a financing for \$2.2 million.

**Quarterly Information**

A summary of selected quarterly financial information for the last eight quarters is outlined below:

<b>(as at or for the three months ended)</b>	<b>June 30, 2024</b>	<b>March 31, 2024</b>	<b>December 31, 2023</b>	<b>September 30, 2023</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	3,683,817	3,267,300	3,269,840	5,132,141
Working capital	(34,290,480)	(35,529,402)	(31,508,217)	4,774,249
Total assets	151,732,690	148,049,830	145,780,896	144,159,770
Investments in property, plant and equipment	738,466	554,592	941,238	313,269
Total revenue	-	-	-	-
Net profit (loss) for the period	1,267,825	(3,335,057)	(740,098)	(603,081)
Basic and diluted net profit (loss) per Common Share <sup>(i)</sup>	(0.00)	(0.01)	(0.00)	(0.00)

  

<b>(as at or for the three months ended)</b>	<b>June 30, 2023</b>	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>September 30, 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	5,920,920	6,780,847	8,567,198	10,131,062
Working capital	5,439,691	6,764,442	(23,632,596)	(21,563,855)
Total assets	142,932,438	141,317,283	140,149,519	138,571,093
Investments in property, plant and equipment	445,482	595,001	641,901	1,330,592
Total revenue	-	-	-	-
Net loss for the period	(1,507,251)	(531,610)	(748,930)	(607,627)
Basic and diluted net loss per Common Share <sup>(i)</sup>	(0.01)	(0.00)	(0.00)	(0.00)

(i) Net loss per Common Share is based on each reporting period's weighted average number of Common Shares outstanding, which may differ on a quarter-to-quarter basis. As such, the sum of the quarterly net loss per Common Share amounts may not equal year-to-date net loss per Common Share.

From July 1, 2022 to March 31, 2024, the Company's overall decreases in cash and cash equivalents are primarily the result of Falco's continued investments in PPE as discussed above under the "*Falco Horne 5 Project Costs*" heading. The increase in cash and cash equivalents during the three-month period ended June 30, 2024 relates to the completion of a financing as described above under the "*Financing*" heading. During most quarters, the net losses for the periods are comparable. Variations in specific quarters relate primarily to one-off events, such as unrealized gains/losses on the cashless warrants outstanding.

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**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 years ended June 30, 2024 and 2023:

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

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

During Fiscal 2024, \$0.1 million (\$0.2 million for Fiscal 2023) was invoiced by Osisko Gold for professional services and access to office spaces.

Interest incurred on the Convertible Loan for Fiscal 2024 and Fiscal 2023 totaled \$1.8 million and was capitalized to property, plant and equipment.

During Fiscal 2024, \$0.2 million was invoiced by Osisko Development for professional services (\$0.3 million for Fiscal 2023).

During Fiscal 2024, the Company provided professional services totaling \$0.3 million to associates of Osisko Gold (\$0.4 million for Fiscal 2023), which have been recorded as cost recoveries for the period.

On April 3, 2024, the Company announced the grant of stock options ("Options") to key employees, officers and directors to purchase up to an aggregate of 3,440,000 Shares. Grants are subject to a three-year vesting period and a five-year term. The Options were granted at an exercise price of \$0.36 per Share.

**Capital Management**

The capital structure of the Company as at June 30, 2024, consists of equity attributable to common shareholders comprising issued capital and equity reserves.

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the capital management objectives, policies and proceedings as at June 30, 2024.

**Off-balance Sheet Items**

As of September 18, 2024, the Company has no off-balance sheet arrangements.

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**Outstanding Share Data**

As of September 18, 2024, the Company has 280,138,434 issued and outstanding Common Shares, 9,699,000 Options outstanding, 49,801,475 Warrants outstanding, the Convertible Debenture is convertible into 32,696,416 Shares and the Convertible Loan is convertible into 40,968,390 Shares.

**Risk Factors**

An investment in the Company's Shares is subject to a number of risks and uncertainties. An investor should carefully consider the risks described in the MD&A and the other information filed with the Canadian securities regulators ([www.sedarplus.ca](http://www.sedarplus.ca)), before investing in the Company's Shares. If any of the described risks occur, or if others occur, the Company's business, operating results and financial condition could be seriously harmed and investors may lose a significant proportion of their investment.

The following risk factors may not be a definitive list of all risk factors associated with an investment in Falco or in connection with the business and operations of Falco.

*Title to property and license to operate pursuant to the OLIA*

Pursuant to the terms of the OLIA, Glencore granted to Falco, a license to utilize a portion of its lands, which Falco will use to develop and operate the Falco Horne 5 Project.

The ability of Falco to commence certain conditioned activities under the OLIA, including dewatering and mining activities of the Falco Horne 5 Project, is subject to Falco providing Glencore at the relevant time (i) Financial Assurances under Insurance Policies to address certain risks to Glencore and its Horne Smelter arising from the Falco Horne 5 Project, before the commencement of dewatering and mining activities, the whole as further described under "*Agreements with Glencore Canada and its Affiliated Entities – Financial Assurance and Insurance Policies*" heading.

The failure to obtain and maintain the required Financial Assurance and Insurance Policies could have a material adverse effect on the development and continuation of the Falco Horne 5 Project.

The ability of Falco to commence certain conditioned activities under the OLIA, including dewatering and mining activities is also subject to Falco fulfilling the Conditions Precedent further described under "*Agreements with Glencore Canada and its Affiliated Entities – Conditions Precedent*" heading. If Falco is unable to satisfy any of such Conditions Precedent, Falco may be unable to conduct dewatering and mining activities, or obtain financing towards such activities, which would have a material adverse effect on the development of the Falco Horne 5 Project.

*Tenure and Access Rights*

The right of Falco to access certain portions of the properties of Glencore pursuant to the OLIA remains subject to Falco entering into additional agreements with Glencore Canada, or otherwise obtaining written authorizations from Glencore Canada in order to, among other things, delineate such portions of properties to the satisfaction of Glencore.

The failure to obtain tenure and access rights could have a material adverse effect on the development and financing of the Falco Horne 5 Project.

Furthermore, Falco will also have to obtain a number of rights of way or other surface rights from third parties in order to construct and lay in the ground the pipeline that will carry the tailings to a TMF located approximately 11 km from the City of Rouyn-Noranda. Falco is also required to obtain definitive rights to the TMF site which are currently held by a third party. There can be no assurance that any such right of way or surface right or rights to the TMF rights will be granted, or if granted will be on terms acceptable to Falco. Any delay in obtaining such rights may also negatively impact the project schedule.

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*Other terms and conditions included in the OLIA*Indemnity and Release in favour of Glencore Canada pursuant to the OLIA.

The OLIA provides that the Corporation shall indemnify and release Glencore for certain potential claims and liabilities arising out of matters specified in the OLIA including, without limitation, the development of the Falco Horne 5 Project, the dewatering program and related water management matters, geotechnical issues, the operations of Falco and its site infrastructure, and certain zones of proposed operations with respect to which Falco will assume historical liabilities. Such indemnities in favour of Glencore Canada, if triggered, may result in Falco incurring significant losses and other obligations in favour of Glencore which Falco may be unable to satisfy, which would have a material adverse effect on the development or operations of Falco. In addition, the releases contained in the OLIA could prevent Falco from claiming certain losses from Glencore Canada in the context of the development, operation or closure of the Falco Horne 5 Project, which could have a material adverse effect on the affairs and operations of Falco.

Please refer to the material change report dated February 1, 2024 for more details on the Indemnity and Release in favour of Glencore Canada pursuant to the OLIA.

Technical Committee Approvals, Right of Glencore to make Orders

The OLIA provides for the establishment of a Technical Committee with the mandate to establish operating parameters or limits (the "Operating Parameters") within which Falco can conduct operations of the Project so as not to interfere with the operations of the Horne Smelter, pose risks to the Horne Smelter or increase risks to the Horne Smelter, and determine whether mitigation measures are required, and approve the scoping and design of such mitigation measures.

In addition, the OLIA provides that Glencore Canada has the power, in certain specified circumstances, to issue Orders in order to protect the Horne Smelter.

Operating Parameters imposed at the level of the Technical Committee, or the issuance of an Order by Glencore could negatively impact Falco's dewatering or mining operations, resulting in such operations being less profitable or not profitable compared to expectations in the latest feasibility study for the Falco Horne 5 Project, which could have a material adverse effect on Falco's ability to obtain financing or on Falco's results of operations.

Termination of the OLIA

The occurrence of any of the events of default under the OLIA which is not cured or certain other termination triggers in the OLIA relating to delays in the commencement of dewatering or mining activities beyond the specified deadlines contained in the OLIA, could have a material adverse effect on Falco, including the risk that the OLIA may be terminated which would prevent Falco from developing or operating the Project and would have a material adverse effect on Falco.

A material change report dated February 1, 2024 describing the principal terms of the OLIA together with a copy the OLIA is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

*Falco's ability to finance its operations*

The Company's ability to continue its business operations is dependent on Management's ability to secure additional financing. Currently, Falco does not have any producing projects and no sources of revenue and any project it develops will require significant capital expenditures. As a result, the Company may be required to seek additional sources of debt and equity financing in the near future. While the Company has been successful in raising financing in the past, its ability to raise additional financing may be affected by numerous factors beyond its control including adverse market conditions, commodity price changes and economic downturn. There is no assurance that Falco will be able to raise the funds required to continue its operations or that such financing will be sufficient to meet the Company's objective or obtained on terms favourable to it. The development of the Falco Horne 5 Project remains subject to, among other things, Falco securing adequate financing on conditions acceptable to it and the failure to obtain the necessary financing would have a material adverse effect on Falco's development and operations.



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*Permits, licenses and approvals*

The operations of Falco require licenses and permits from various governmental authorities. Such licenses and permits are subject to changes in regulations and in various operating circumstances. As discussed above under the "Environmental Permitting Process" heading, the increase in public and government attention regarding air quality in Rouyn-Noranda in particular as it relates to the Horne Smelter's emissions and public consultation related to the renewal of the Horne Smelter Ministerial Authorization has delayed and impacted the Falco Horne 5 Project's Environmental Permitting Process. In addition, Section 197 of the *Clean Air Regulation* prohibits a project from being authorized if it is likely to add contaminants to the air that are already present in a concentration higher than the standards in force. Currently, arsenic and four other metals are notably present in the ambient air of Rouyn-Noranda beyond the concentration allowed by the standards in force. Based on the results of the air emissions modeling for the Falco Horne 5 Project, Falco is of the view that the contribution of the Falco Horne 5 Project to air emissions will be negligible and therefore complies with the CAR. This is emphasized by Falco's Air Emission Reduction Plan that would ensure a negative mass balance of its air emissions, capturing more contaminants than its estimated contribution. The MEFCCWP has indicated to Falco that it has concerns with respect to compliance of this approach with Section 197 of the CAR. Discussions with the MEFCCWP are ongoing. There is no certainty that the MEFCCWP will agree with Falco regarding the application of the CAR and Falco's contribution, which may further delay or prevent the issuance of the required permits and therefore negatively impact the development of the Falco Horne 5 Project. There can be no guarantee that Falco will be able to obtain all necessary licenses and permits that may be required to develop the Falco Horne 5 Project or to maintain its business operations and mining activities.

In addition, if Falco proceeds to production on any exploration property, it must obtain and comply with permits and licenses, which may contain specific conditions concerning operating procedures, water use, the discharge of various materials into or on land, air or water, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances.

There can be no assurance that Falco will be able to obtain such permits and licenses or that it will be able to comply with any such conditions.

*Third party approvals*

Falco may require the consent or approval of third parties in order to enter into or complete certain agreements or transactions necessary in the course of its operations. There can be no assurance that such third parties, which may include shareholders, regulatory bodies or entities with an interest in the applicable property or others, will provide the required approval or consent in a timely manner, or at all. Failure to obtain such third party approvals may result in a material adverse effect on Falco's operations and financial condition.

*Community relations, social license and land claim*

Maintaining a positive relationship with the communities in which Falco operates is critical to its business operations and the development of the Falco Horne 5 Project.

Falco may come under pressure to demonstrate that other stakeholders (including employees, communities surrounding operations and the countries in which they respectively operate) benefit and will continue to benefit from its commercial activities, and/or that it operates in a manner that will minimize any potential damage or disruption to the interests of those stakeholders.

Erosion of social license or activities of third parties seeking to call into question social license may have the effect of slowing down the development of new projects and potentially may increase the cost of constructing and operating these projects. Productivity may be reduced due to restriction of access, proceedings initiated or delays in permitting and there may also be extra costs associated with improving the relationship with the surrounding communities.

For instance and as discussed above under the "Environmental Permitting Process" heading, the current situation regarding air quality in Rouyn-Noranda in particular as it relates to the Horne Smelter's emissions, could negatively impact Falco community relations and social license. While the Company is committed to operating in a socially responsible manner there is no guarantee that its efforts will meet all of third parties' expectations, which could have a material adverse effect on the Company's business, financial position and operations.

At the present time, to the knowledge of Falco, none of the properties in which Falco has an interest, is the subject of an aboriginal land claim. However, no assurance can be provided that such will not be the case in the future.

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*Falco has significant indebtedness*

The Company has a significant amount of secured debt, including Glencore Canada's Convertible Debenture and Osisko Gold's Convertible Loan, and other secured obligations under the Silver Stream Agreement. In addition, the Company currently intends to continue to seek additional financing in the future, which may include the issuance of additional unsecured or secured debt securities, equity securities and equity-linked securities. There can be no assurance as to the timing of any such financing or that any such additional financing will be completed on favorable terms, or at all. The Company's future liquidity may be negatively affected by the risk factors discussed elsewhere. If the Company's liquidity is materially diminished, the Company might not be able to timely pay or refinance its debt and interest thereon.

*Information systems and cyber security*

Falco relies on its IT infrastructure to meet its business objectives. Falco uses different IT systems, networks, equipment and software and has adopted security measures to prevent and detect cyber threats. However, Falco and third-party service providers and vendors may be vulnerable to cyber threats, which have been evolving in terms of sophistication and new threats are emerging at an increased rate. Unauthorized third parties may be able to penetrate network security and misappropriate or compromise confidential information, create system disruptions or cause shutdowns to Falco or its counterparties. Although Falco has not experienced any losses relating to cyber attacks or other information security breaches, there can be no assurance that there will be no such loss in the future. Significant security breaches or system failures of Falco or its counterparties, especially if such breach goes undetected for a period of time, may result in significant costs, fines or lawsuits and damage to reputation. The significance of any cyber security breach is difficult to quantify, but may in certain circumstances be material and could have a material adverse effect on Falco's business.

*Exploration, development and operations*

The long-term profitability of Falco's operations will be in part directly related to the cost and success of its exploration programs, which may be affected by a number of factors, including the Company's ability to develop the Falco Horne 5 Project into a mine and generate profits from it.

The decision as to whether a property contains a commercially viable mineral deposit and should be brought into production will depend upon the results of exploration programs and/or feasibility studies, and the recommendations of duly qualified engineers and/or geologists, all of which involves significant expense. Major expenditures are required to develop metallurgical processes and to construct mining and processing facilities at a particular site.

While the discovery of an ore body may result in substantial rewards, few properties which are explored are commercially mineable and ultimately developed into producing mines.

*Climate change*

Falco recognizes that climate change is an international and community concern which may affect the business and operations of Falco, directly or indirectly. The continuing rise in global average temperatures has created varying changes to regional climates across the globe, resulting in risks to equipment and personnel. Governments at all levels are moving towards enacting legislation to address climate change by regulating carbon emissions and energy efficiency, among other things. Where legislation has already been enacted, regulation regarding emission levels and energy efficiency are becoming more stringent. The mining industry, as a significant emitter of greenhouse gas emissions, is particularly exposed to these regulations. Costs associated with meeting these requirements may be subject to some offset by increased energy efficiency and technological innovation; however, there is no assurance that compliance with such legislation will not have an adverse effect on Falco's business, results of operations, financial condition and its share price.

Extreme weather events (such as prolonged drought or freezing, increased flooding, increased periods of precipitation and increased frequency and intensity of storms, wildfires and other adverse weather conditions) have the potential to disrupt operations and the transport routes. Extended disruptions could result in interruption to production, which may adversely affect Falco's business, results of operations, financial condition and its share price.

Climate change is perceived as a threat to communities and governments globally. Stakeholders may increase demands for emission reductions and call upon mining companies to better manage their consumption of climate-relevant resources (hydrocarbons, water etc.). This may attract social and reputational attention towards operations, which could have an adverse effect on Falco's business, results of operations, financial condition and its share price.

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*Regulatory matters*

Falco's activities are subject to governmental laws and regulations. These activities can be affected at various levels by governmental regulation governing exploration and development, taxes, labour standards and occupational health, expropriation, mine safety, environment, electrical distribution and other matters. Since 2017, Falco had been party to a pre-project evaluation agreement with Hydro-Québec, which was abandoned in August 2023. Pursuant to the Act regulating the distribution of electricity, an authorization must now be obtained from the MEIE for connection of projects greater than 5,000 kW. On August 28, 2023, the Company submitted a request for hydroelectricity supply to Hydro-Québec in accordance with such Act regulating the distribution of electricity. There is no certainty that such approval will be obtained, or that the required electricity supply for the Falco Horne 5 Project will be available to Falco on appropriate terms, which could have a material adverse effect on the development of the Project.

In addition, exploration and commercialization are subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry, to monitor the discharge of wastewater and report the results of such monitoring to regulatory authorities, to reduce or eliminate certain effects on or into land, water or air, to progressively rehabilitate mine properties, to manage hazardous wastes and materials and to reduce the risk of worker accidents.

Failure to comply with applicable laws and regulations may result in civil or criminal fines or penalties or enforcement actions, including orders issued by regulatory or judicial authorities enjoining or curtailing operations or requiring corrective measures, installation of additional equipment or remedial actions, any of which could result in significant expenditures. Falco may also be required to compensate private parties suffering loss or damage by reason of a breach of such laws, regulations or permitting requirements. It is also possible that future laws and regulations, or more stringent enforcement of current laws and regulations by governmental authorities, could cause additional expense, capital expenditures, restrictions on or suspensions of Falco's activities and delays in the exploration of properties.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on Falco and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

*Environmental risks and hazards*

Mining is capital intensive and subject to a number of risks and hazards, including environmental pollution, accidents or spills, industrial and transportation accidents, labour disputes, changes in the regulatory environment, natural phenomena (such as inclement weather conditions, earthquakes, pit wall failures and cave-ins) and encountering unusual or unexpected geological conditions. Such risk and hazards might impact Falco's business. Consequently, many of the foregoing risks and hazards could result in damage to, or destruction of, Falco's mineral properties or future processing facilities, personal injury or death, environmental damage, delays in or interruption of or cessation of their exploration or development activities, delay in or inability to receive required regulatory approvals, or costs, monetary losses and potential legal liability and adverse governmental action. Falco may be subject to liability or sustain loss for certain risks and hazards against which it does not or cannot insure or against which it may reasonably elect not to insure because of the cost. This lack of insurance coverage could result in material economic harm to Falco.

*Mineral Resource and Mineral Reserve estimates*

Mineral Resource and Mineral Reserve figures are only estimates. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. While Falco believes that the Mineral Resource and Mineral Reserve estimates, as applicable, in respect of properties in which Falco holds a direct interest reflect best estimates, the estimating of Mineral Resources and Mineral Reserve is a subjective process and the accuracy of Mineral Resource and Mineral Reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information.

There is significant uncertainty in any Mineral Resource and Mineral Reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from estimates. Estimated Mineral Resources and Mineral Reserves may have to be re-estimated based on changes in prices of gold or other minerals, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence

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such estimates. In addition, Mineral Resources are not Mineral Reserves and there is no assurance that any Mineral Resource estimate will ultimately be reclassified as Proven or Probable Mineral Reserves. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

*Reliance on historical data*

Although Falco's normal data verification procedures have been employed in connection with the calculations of the Mineral Resource estimation on the Falco Horne 5 Project and sampling, analytical and test data underlying the estimated Mineral Resources have been verified by qualified persons, an extensive amount of historical data and records on the Project was relied on in establishing these calculations. Falco cannot provide any comfort that it can rely upon, verify or necessarily authenticate such historical information in connection with its exploitation of the Falco Horne 5 Project. Falco cannot guarantee that the historical records that are available are free from material errors or inaccuracies. While Falco believes that the Mineral Resource and Mineral Reserve estimates in respect of the Project reflect best estimates, the estimating of Mineral Resources is a subjective process and the accuracy of Mineral Resource estimate is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any Mineral Resource estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from estimates.

*Market price of the Falco Shares*

The market price of Falco Shares is affected by many variables not directly related to the corporate performance of Falco, including the strength of the economy generally, the availability and attractiveness of alternative investments, and the breadth of the public market for the stock. The effect of these and other factors on the market price of the Falco Shares in the future cannot be predicted and may cause decreases in asset values, which may result in impairment losses.

*Mergers, acquisitions or joint ventures*

Falco may evaluate from time to time opportunities to merge, acquire and joint venture assets and businesses or conduct any other type of transaction. Global landscape has changed and there are risks associated to such transaction due to liabilities and evaluations with the aggressive timelines of closing transactions from increased competition.

There is also a risk that the review and examination process might be inadequate and cause material negative outcomes. These transactions may be significant in size, may change the scale of Falco's business and may expose it to new geographic, political, operating, financial and geological risks. Falco's success will depend on its ability to identify suitable partners, conclude a transaction on acceptable terms and integrate operations successfully. Any transactions would be accompanied by risks, such as the difficulty of integrating the operations and personnel; the potential disruption of Falco's ongoing business; the inability of management to maximize the financial and strategic position of Falco; the maintenance of uniform standards, controls, procedures and policies; dilution of Falco's present shareholders or of its interests in its assets or the decision to grant interests to a joint venture partner.

There can be no assurance that Falco would be successful in overcoming these risks or any other problems encountered in connection with such transactions or joint ventures. There may be no right for shareholders to evaluate the merits or risks of any future transaction or joint venture undertaken except as required by applicable laws and regulations.

*Attracting and retaining qualified management*

Falco is dependent on certain members of management, particularly its President and Chief Executive Officer. The loss of his services could adversely affect Falco.

Falco is dependent on the services of key executives and other highly skilled personnel focused on advancing its corporate objectives as well as the identification of new opportunities for growth and funding. The loss of these persons or its inability to attract and retain additional highly skilled employees required for its activities may adversely impact Falco's business. Further, while certain of Falco's officers and directors have experience in the exploration of mineral producing properties, Falco remains highly dependent upon contractors and third parties in the performance of their exploration and development activities. There can be no guarantee that such contractors and third parties will be available to carry out such activities on behalf of Falco or be available upon commercially acceptable terms.

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*Competition*

Falco's activities are directed towards the exploration, evaluation and development of mineral deposits. There is no certainty that the expenditures to be made by Falco will result in discoveries of commercial quantities of mineral deposits. There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. Falco will compete with other interests, many of which have greater financial resources than it will have, for the opportunity to participate in promising projects. Significant capital investment is required to achieve commercial production from successful exploration efforts, and Falco may not be able to successfully raise funds required for any such capital investment.

*Conflicts of interest*

Certain directors and officers of Falco also serve as directors and officers of other companies involved in natural resource exploration and development; consequently, there is a possibility that such directors and officers will be in a position of conflict of interest. Any decision made by such directors and officers involving Falco will be made in accordance with their duties and obligations to deal fairly and in good faith with Falco and such other companies. In addition, such directors and officers will declare, and refrain from voting on, any matter in which such directors and officers may have a material conflict of interest. As applicable, Falco may form a special committee of independent directors on an *ad hoc* basis.

*Factors beyond the control of Falco*

The potential profitability of mineral properties is dependent upon many factors beyond Falco's control. For instance, world prices of and markets for minerals are unpredictable, highly volatile, potentially subject to governmental fixing, pegging and/or controls and respond to changes in domestic, international, political, social and economic environments. Another factor is that rates of recovery of minerals from mined ore (assuming that such mineral deposits are known to exist) may vary from the rate experienced in tests and a reduction in the recovery rate will adversely affect profitability and, possibly, the economic viability of a property. Profitability also depends on the costs of operations, including costs of labour, equipment, electricity, environmental compliance or other production inputs. Such costs will fluctuate in ways Falco cannot predict and are beyond Falco's control, and such fluctuations will impact profitability and may eliminate profitability altogether. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for development and other costs have become increasingly difficult, if not impossible, to project. These changes and events may materially affect the financial performance of Falco and they may also negatively impact the project schedule.

*Infectious Disease Outbreaks*

Falco faces risks related to health epidemics, pandemics and other outbreaks of infectious diseases, which could significantly disrupt, directly or indirectly, its operations and may materially and adversely affect its business and financial conditions.

Falco's business could be adversely impacted by health epidemics, pandemics and other outbreaks of infectious diseases. The extent to which an epidemic or pandemic impacts Falco's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of an outbreak and the actions taken to contain or treat such outbreak. In particular, the continued spread of the coronavirus globally could materially and adversely impact Falco's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, operations and business of third party operators, and other factors that will depend on future developments beyond Falco's control, which may have a material and adverse effect on its business, financial condition and results of operations. There can be no assurance that Falco's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks.

In addition, a significant outbreak of infectious diseases could result in a widespread global health crisis that could adversely affect global economies and financial markets resulting in an economic downturn that could have an adverse effect on the demand for precious metals and Falco's future prospects.

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***Potential fraud and corruption***

Falco is subject to risks related to the potential to benefit from improper transactions and financial reporting to hide operational deficiencies or enhance remuneration. Other risks include the potential for fraud and corruption by suppliers, personnel or government officials and which may implicate Falco, and its ability to comply with applicable anti-corruption laws.

***Reputational risks***

Reputational risk is the risk that an activity undertaken by an organization or its representatives will impair its image in the community or lower public confidence in it, resulting in loss of revenue, legal action or increased regulatory oversight and loss of valuation and share price. Possible sources of reputational risk could come from, but not limited to, operational failures, non-compliance with laws and regulations, or leading an unsuccessful financing. In addition to its risk management policies, controls and procedures, Falco has a formal Code of Ethics to help manage and support Falco's reputation.

**Financial Risks**

The Company's activities expose it to a variety of financial risks: market risks (including foreign currency risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's performance.

A description of the financial risks are included in the Financial Statements, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**Internal Control Disclosure**

In November 2007, the Canadian Securities Administrators exempted issuers on the TSX-V, such as the Company, from certifying disclosure controls and procedures, as well as internal controls over financial reporting as of December 31, 2007, and thereafter. The Company is required to file basic certificates. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under National Instrument 52-109.

**Basis of Presentation of Financial Statements**

The Financial Statements have been prepared in accordance with the IFRS as issued by the IASB applicable to the preparation of interim financial statements, including International Accounting Standard 34, Interim Financial Reporting. The Financial Statements should be read in conjunction with the Financial Statements, which have been prepared in accordance with IFRS as issued by the IASB.

The Board approved the Financial Statements on September 18, 2024. The significant accounting policies of Falco as well as the accounting standards issued but not yet effective are included in the notes to the Financial Statements, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**Critical Accounting Estimates and Judgments**

Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The determination of estimates requires the exercise of judgment based on various assumptions and other factors such as historical experience and current and expected economic conditions. Actual results could differ from those estimates.

The critical judgments in applying the Company's accounting policies are detailed in the Financial Statements, filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**Additional Information**

Additional information relating to the Company has been filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

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**Cautionary Statement Regarding Forward-Looking Statements**

Except for the statements of historical fact contained herein, certain information presented in the MD&A constitutes forward-looking statements concerning the business, operations, plans and financial performance and condition of Falco. Often, but not always, forward-looking statements can be identified by words such as "plans", "expects", "seeks", "may", "should", "could", "will", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes", or variations including negative variations thereof of such words and phrases that refer to certain actions, events or results that may, could, would, might or will occur or be taken or achieved. These statements are made as of the date of this MD&A.

These forward-looking statements include, among others, statements with respect to Falco's objectives for the ensuing years, its medium and long-term goals and strategies to achieve those objectives and goals, as well as statements with respect to its beliefs, plans, objectives, expectations, anticipations, estimates and intentions. Specifically, they may include statements relating to the development, dewatering, operations and mining at the Falco Horne 5 Project, the financing of the dewatering and construction of the Falco Horne 5 Project, the conditions precedent to the ability to conduct dewatering or mining activities under the OLIA, the ability of Falco to provide the required financial assurances and insurance policies in favour of Glencore Canada, the impact and risks to Glencore Canada's Horne Smelter that may arise from the development and operation of the Project, the permitting of the Falco Horne 5 Project and the potential suspension or modification of the operations of the Project to the extent required under the OLIA, may be forward-looking statements within the meaning of applicable securities legislation. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual plans, results, performance or achievements of Falco to differ materially from any future plans, results, performance or achievements expressed or implied by the forward-looking statements. These risks and uncertainties also include: the risk that the conditions precedent to the ability of Falco to conduct dewatering and mining activities under the OLIA may not be satisfied, the risks that Falco may not obtain the required financial assurances or insurance policies to be provided to Glencore Canada, or the financing required to develop or operate the Falco Horne 5 Project, the risks that the required permits and authorizations required from governmental authorities to develop and operate the Falco Horne 5 Project may not be obtained on the terms contemplated or at all, the ability to obtain admissibility of the environmental impact assessment of the Falco Horne 5 Project and to prepare and complete the Falco Horne 5 Project's formal public consultation process, the risk that the OLIA may be terminated in accordance with its terms as a result of an event of default or otherwise, or certain other terminations relating to delays in the commencement of dewatering or mining activities beyond the specified deadlines set forth in the OLIA, the risk that, once commenced, certain operations of the Falco Horne 5 Project may have to be suspended, altered or modified pursuant to the conditions of the OLIA, the risks that Glencore may require modifications to Falco's operations at the Falco Horne 5 Project pursuant to an order issued by Glencore under the OLIA which would render the operations less profitable or not profitable (compared to expectations in the latest feasibility study for the Project), the risk that Falco may incur significant losses and other obligations under its indemnities in favour of Glencore Canada contemplated in the OLIA.

Forward looking statements could also relate to statements among others regarding: (a) projections and assumptions relating to the recovered grade, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the Updated Feasibility Study; (b) assumptions relating to the gross revenues, operating cash flows and other revenue metrics set out in the Updated Feasibility Study (c) the LOM and mineral reserves estimates set out in the Updated Feasibility Study; (d) the ability to repay the convertible instruments at maturity, as well as other risks and uncertainties set forth in Falco's continuous disclosure documents filed on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

Although the Company believes the forward-looking statements in this MD&A are reasonable, it can give no assurance that the expectations and assumptions in such statements will prove to be correct. Consequently, the Company cautions investors that any forward-looking statements by the Company are not guarantees of future results or performance and that actual results may differ materially from those in forward-looking statements.

In addition, statements (including data in tables) relating to Mineral Resources, Mineral Reserves and gold equivalent ounces are forward looking statements, as they involve implied assessment, based on certain estimates and assumptions, and no assurance can be given that the estimates will be realized.

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Although Falco has attempted to identify important factors that could cause actual plans, actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause plans, actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual plans, results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

**(Signed) Luc Lessard**

Luc Lessard

President and Chief Executive Officer

**(Signed) Anthony Glavac**

Anthony Glavac

Chief Financial Officer

**September 18, 2024**



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**Directors**

Mario Caron, Chair

Alex Dann

Paola Farnesi

Luc Lessard

Chantal Sorel

**Officers**

Luc Lessard, President and Chief Executive Officer

Hélène Cartier, Vice President, Environment

Sustainable Development and Community Relations

Anthony Glavac, Chief Financial Officer

Mireille Tremblay, Vice President, Legal Affairs and  
Corporate Secretary**Auditors**

PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

**Transfer Agent**

TSX Trust Company

**Exchange listing**

TSX Venture Exchange: FPC