

**FORM 62-103F1  
EARLY WARNING REPORT**

This report updates information disclosed in a previous early warning report filed by the Acquiror (as defined herein) on July 3, 2018.

**Item 1 – Security and Reporting Issuer**

**1.1 State the designation of securities to which this report relates and the name and address of the head office of the issuer of the securities.**

**Securities:** Units of the Issuer (the "**Units**"), with each unit comprised of one common share of the Issuer (the "**Common Shares**") and one-half Common Share purchase warrant of the Issuer (the "**Warrants**").

**Issuer:** Falco Resources Ltd. (the "**Issuer**").

**Address of the head office of the Issuer:**

1100 avenue des Canadiens-de-Montréal  
Suite 300  
Montréal, Québec  
H3B 2S2

**1.2 State the name of the market in which the transaction or other occurrence that triggered the requirement to file this report took place.**

The transaction that triggered the requirement to file this report was the conversion (the "**Conversion**") on November 29, 2018 of the secured debenture having a principal amount of C\$7,000,000 entered into between the Issuer and the Acquiror on June 29, 2018 (the "**Debenture**"), which Debenture became convertible into the Units upon approval from the disinterested shareholders of the Issuer of, among other things, the creation of a new control person of the Issuer being the Acquiror (the "**Disinterested Shareholders' Approval**").

**Item 2 – Identity of the Acquiror**

**2.1 State the name and address of the acquiror.**

Osisko Gold Royalties Ltd (the "**Acquiror**") is a corporation incorporated under the laws of the Province of Québec.

The address of the Acquiror is as follows:

1100 avenue des Canadiens-de-Montréal, Suite 300  
Montréal, Québec  
H3B 2S2

**2.2 State the date of the transaction or other occurrence that triggered the requirement to file this report and briefly describe the transaction or other occurrence.**

On November 29, 2018, the Debenture was, following the Disinterested Shareholders' Approval, and as contemplated by and in accordance with the Debenture, converted into 12,104,444 Units, with each Unit comprised of one Common Share and one-half Warrant.

Each Warrant entitles the Acquiror to acquire one Common Share at a purchase price of \$0.75 for a period of 36 months following the Conversion.

The Acquiror acquired the Debenture on June 29, 2018 by way of a private placement (the "**Private Placement**").

**2.3 State the names of any joint actors.**

Not applicable.

**Item 3 – Interest in Securities of the Reporting Issuer**

**3.1 State the designation and number or principal amount of securities acquired or disposed of that triggered the requirement to file the report and the change in the acquiror's securityholding percentage in the class of securities.**

The Acquiror acquired the Units and the Common Shares and Warrants underlying the Units through the Conversion. Immediately prior to the Conversion, the Acquiror had beneficial ownership of, or control and direction over, (i) 23,927,005 Common Shares, representing approximately 12.6% of the issued and outstanding Common Shares, and (ii) 1,550,500 Warrants. Immediately following the Conversion, the Acquiror has beneficial ownership of, or control and direction over, (i) 36,031,449 Common Shares, representing approximately 17.8% of the issued and outstanding Common Shares, and (ii) 7,602,722 Warrants. Assuming the exercise of the Warrants, including the Warrants issued upon the Conversion, the Acquiror would have beneficial ownership of, or control and direction over, 43,634,171 Common Shares, representing approximately 20.8% of the Common Shares issued and outstanding.

The Acquiror does not own any other securities of the Issuer.

**3.2 State whether the acquiror acquired or disposed ownership of, or acquired or ceased to have control over, the securities that triggered the requirement to file this report.**

The Acquiror acquired the Units and the Common Shares and Warrants underlying the Units through the Conversion.

See Item 2.2 above.

**3.3 If the transaction involved a securities lending arrangement, state that fact.**

Not applicable.

**3.4 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities, immediately before and after the transaction or other occurrence that triggered the requirement to file this report.**

See Item 3.1 above.

**3.5 State the designation and number or principal amount of securities and the acquiror's securityholding percentage in the class of securities referred to in Item 3.4 over which**

(a) **the acquiror, either alone or together with any joint actors, has ownership and control;**

See Item 3.1 above.

(b) **the acquiror, either alone or together with any joint actors, has ownership but control is held by persons or companies other than the acquiror or any joint actor, and**

Not applicable.

(c) **the acquiror, either alone or together with any joint actors, has exclusive or shared control but does not have ownership.**

Not applicable.

**3.6 If the acquiror or any of its joint actors has an interest in, or right or obligation associated with, a related financial instrument involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the related financial instrument and its impact on the acquiror's securityholdings.**

Not applicable.

**3.7 If the acquiror or any of its joint actors is a party to a securities lending arrangement involving a security of the class of securities in respect of which disclosure is required under this item, describe the material terms of the arrangement including the duration of the arrangement, the number or principal amount of securities involved and any right to recall the securities or identical securities that have been transferred or lent under the arrangement.**

Not applicable.

**3.8 If the acquiror or any of its joint actors is a party to an agreement, arrangement or understanding that has the effect of altering, directly or indirectly, the acquiror's economic exposure to the security of the class of securities to which this report relates, describe the material terms of the agreement, arrangement or understanding.**

Not applicable.

#### **Item 4 – Consideration Paid**

**4.1 State the value, in Canadian dollars, of any consideration paid or received per security and in total.**

The Debenture was sold and issued to the Acquiror by the Issuer for consideration paid at the time of the Private Placement in cash equal to the principal amount of \$7,000,000. No additional consideration was paid by the Acquiror at the time of Conversion.

**4.2 In the case of a transaction or other occurrence that did not take place on a stock exchange or other market that represents a published market for the securities,**

***including an issuance from treasury, disclose the nature and value, in Canadian dollars, of the consideration paid or received by the acquiror.***

The Acquiror paid a cash purchase price of \$7,000,000 for the Debenture at the time of the Private Placement. No additional consideration was paid by the Acquiror at the time of Conversion.

**4.3 *If the securities were acquired or disposed of other than by purchase or sale, describe the method of acquisition or disposition.***

Not applicable.

**Item 5 – Purpose of the Transaction**

**State the purpose or purposes of the acquiror and any joint actors for the acquisition or disposition of securities of the reporting issuer. Describe any plans or future intentions which the acquiror and any joint actors may have which relate to or would result in any of the following:**

- (a) **the acquisition of additional securities of the reporting issuer, or the disposition of securities of the reporting issuer;**
- (b) **a corporate transaction, such as a merger, reorganization or liquidation, involving the reporting issuer or any of its subsidiaries;**
- (c) **a sale or transfer of a material amount of the assets of the reporting issuer or any of its subsidiaries;**
- (d) **a change in the board of directors or management of the reporting issuer, including any plans or intentions to change the number or term of directors or to fill any existing vacancy on the board;**
- (e) **a material change in the present capitalization or dividend policy of the reporting issuer;**
- (f) **a material change in the reporting issuer's business or corporate structure;**
- (g) **a change in the reporting issuer's charter, bylaws or similar instruments or another action which might impede the acquisition of control of the reporting issuer by any person or company;**
- (h) **a class of securities of the reporting issuer being delisted from, or ceasing to be authorized to be quoted on, a marketplace;**
- (i) **the issuer ceasing to be a reporting issuer in any jurisdiction of Canada;**
- (j) **a solicitation of proxies from securityholders;**
- (k) **an action similar to any of those enumerated above.**

The Acquiror acquired the common shares described herein for investment purposes. In accordance with applicable securities laws, the Acquiror may, from time to time and at any time, acquire additional shares and/or other equity, debt or other securities or instruments (collectively, "**Securities**") of the Issuer in the open market or otherwise,

and reserves the right to dispose of any or all of its Securities in the open market or otherwise at any time and from time to time, and to engage in similar transactions with respect to the Securities, the whole depending on market conditions, the business and prospects of the Issuer and other relevant factors.

Pursuant to the Investor Rights Agreement (as defined below), for so long as the Acquiror or any of its affiliates holds a minimum of five percent (5%) of the issued and outstanding Common Shares on a non-diluted basis, the Acquiror will be entitled to designate two individuals for election or appointment to the board of directors of the Issuer, which individuals are, as of the date hereof, Mr. Sean Roosen and Mr. Bryan A. Coates.

Except as otherwise disclosed herein, the Acquiror currently has no plans or proposal which would relate to or would result in any of the matters described in Items 5(a)-(k) of Form 62-103F1; however, as part of its ongoing evaluation of this investment and investment alternatives, the Acquiror may consider such matters and, subject to applicable law, may formulate a plan with respect to such matters and, from time to time, may hold discussions with or make formal proposals to management or the board of directors of the Issuer, other shareholders of the Issuer or other third parties regarding such matters.

#### **Item 6 – Agreements, Arrangements, Commitments or Understandings With Respect to Securities of the Reporting Issuer**

***Describe the material terms of any agreements, arrangements, commitments or understandings between the acquiror and a joint actor and among those persons and any person with respect to securities of the class of securities to which this report relates, including but not limited to the transfer or the voting of any of the securities, finder's fees, joint ventures, loan or option arrangements, guarantees of profits, division of profits or loss, or the giving or withholding of proxies. Include such information for any of the securities that are pledged or otherwise subject to a contingency, the occurrence of which would give another person voting power or investment power over such securities, except that disclosure of standard default and similar provisions contained in loan agreements need not be included.***

In connection with the Private Placement, the Issuer and the Acquiror entered into an investor rights agreement (the "**Investor Rights Agreement**") which provides, amongst other things, for the following:

- (a) **Nomination Rights:** For so long as the Acquiror or any of its affiliates holds a minimum of five percent (5%) of the issued and outstanding Common Shares on a non-diluted basis, (as determined in accordance with the terms of the Investor Rights Agreement), the Acquiror will be entitled to designate two individuals for election or appointment to the board of directors of the Issuer.
- (b) **Participation Rights:** For so long as the Acquiror or any of its affiliates holds a minimum of five percent (5%) of the issued and outstanding Common Shares on a non-diluted basis, (as determined in accordance with the terms of the Investor Rights Agreement), the Acquiror has the right to participate in any future issuances of and to subscribe for and purchase each type, class or series of equity or voting securities, or securities convertible into or exchangeable for equity or voting securities, of the Issuer, up to an amount sufficient to maintain its pro rata ownership of the issued and outstanding common shares at the time of such issuance.

- (c) **Registration Rights:** The Investor Rights Agreement includes demand and piggy-back registration rights in favour of the Acquiror.

**Item 7 – Change in Material Fact**

*If applicable, describe any change in a material fact set out in a previous report filed by the acquiror under the early warning requirements or Part 4 in respect of the reporting issuer's securities.*

Not applicable other than as described in Items 2.1, 3.1 and 6 above.

**Item 8 – Exemption**

*If the acquiror relies on an exemption from requirements in securities legislation applicable to formal bids for the transaction, state the exemption being relied on and describe the facts supporting that reliance.*

Not applicable.

**Item 9 – Certification**

**Certificate**

I, as the Acquiror, certify, or I, as the agent filing this report on behalf of an acquiror, certify to the best of my knowledge, information and belief, that the statements made in this report are true and complete in every respect.

**DATED** this 3<sup>rd</sup> day of December, 2018.

**OSISKO GOLD ROYALTIES LTD**

*(s) Joseph de la Plante*

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Joseph de la Plante  
Vice President, Corporate Development