



**Notice of Annual and Special
Meeting of Shareholders**

Management Information Circular
October 26, 2018



October 26, 2018

Dear Shareholder:

On behalf of the Board of Directors and Management of Falco Resources Ltd., we would like to invite you to attend our annual and special meeting of shareholders:

Date: November 29, 2018
Time: 2:00 p.m. (Montréal Time)
Location: 1, Place Ville Marie, Suite 4000, Montréal, Québec, H3B 4M4

The enclosed Management Information Circular contains information about voting instructions, the business of the meeting, the nominated directors, corporate governance practices and how the Corporation compensates its executives and directors. It also includes information about the proposed conversion of the debenture issued on June 29, 2018, the creation of a new control person of the Corporation being Osisko Gold Royalties Ltd, the proposed silver stream agreement and the termination of the shareholder rights plan. At the meeting, we will also discuss highlights from the past year and some of our plans for the future.

Your participation in the affairs of the Corporation is important to us. Please take this opportunity to exercise your vote, either in person at the meeting or by completing and returning your proxy form.

We look forward to seeing you at the meeting.

“Sean Roosen”

Sean Roosen
Chair of the Board

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**NOTICE OF ANNUAL AND SPECIAL
MEETING OF SHAREHOLDERS**

NOTICE IS HEREBY GIVEN that an Annual and Special Meeting of the shareholders of FALCO RESOURCES LTD. (the “**Corporation**”) will be held in the boardroom of Lavery, de Billy, L.L.P., Suite 4000, 1, Place Ville Marie, Montréal, Québec, H3B 4M4, on Thursday, November 29, 2018 at 2:00 p.m. (Montréal Time), for the following purposes:

1. To receive the audited financial statements of the Corporation for the year ended June 30, 2018, together with the report of the auditor thereon;
2. To elect the directors of the Corporation for the ensuing year;
3. To appoint PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l., a partnership of Chartered Professional Accountants, as the Corporation’s independent auditor for the fiscal year 2019 and to authorize the directors to fix their remuneration;
4. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the Corporation’s existing long term incentive plan (as more particularly described in the management information circular that accompanies this Notice of Annual and Special Meeting (the “**Circular**”));
5. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the conversion of the debenture (as more particularly described in the Circular);
6. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the creation of a new control person of the Corporation being Osisko Gold Royalties Ltd (as more particularly described in the Circular);
7. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the entering into the stream agreement with Osisko Gold Royalties Ltd (as more particularly described in Circular);
8. Alternatively, to consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the entering into the stream agreement with any other arm’s length third party (as more particularly described in the Circular);
9. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the termination of the Amended and Restated Shareholder Rights Plan Agreement dated November 22, 2016 and to terminate all rights issued pursuant to such plan (as more particularly described in the Circular; and
10. To transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

Your participation is important to us. In the event you cannot attend, we urge you to express your support by voting, using your proxy in advance of the meeting, on the various proposals that will be putting forward at our Annual and Special Meeting, which are further described in the Circular.

You are entitled to vote at the meeting and any postponement or adjournment thereof if you owned common shares of the Corporation at the close of business on October 15, 2018. For information on how you may vote, please refer to Part 1 of this Circular.

Montréal, Québec, October 26, 2018

By Order of the Board of Directors,

“Sean Roosen”

Sean Roosen
Chair of the Board

MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Circular**”) is provided in connection with the solicitation of proxies by the management (“**Management**”) of Falco Resources Ltd. (the “**Corporation**” or “**Falco**”) for use at the annual and special meeting (the “**Meeting**”) of the holders of common shares of the Corporation (the “**Common Shares**” and the holders of the Common Shares, the “**Shareholders**”) to be held on November 29, 2018 at the time and place and for the purposes set forth in the accompanying Notice of Meeting and at any adjournment thereof. Unless otherwise noted, information in this Circular is given as at October 24, 2018 and all currency amounts are shown in Canadian dollars.

GLOSSARY OF TERMS

In this Circular, the following capitalized words and terms shall have the following meanings:

“**Acquiring Person**” has the meaning given to it in the Shareholder Rights Plan.

“**Alternative Stream Agreement**” has the meaning given to it under the heading “Alternative Stream Agreement” of this Circular.

“**Alternative Stream Agreement Resolution**” means the ordinary resolution of the Shareholders voting at the Meeting, in person or by proxy, approving the entering into the Alternative Stream Agreement, substantially in the form set out under the heading “Alternative Stream Agreement” of this Circular.

“**Asset Purchase Agreement**” means the asset purchase agreement dated March 28, 2011 between Glencore (as successor to Xstrata Canada Corporation) and Falco (as assignee of Alexis Minerals Corporation), as amended pursuant to a first amending agreement as of July 29, 2011.

“**Beneficial Shareholders**” means the Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name.

“**Board of Directors**” or “**Board**” means the board of directors of Falco.

“**Broadridge**” means Broadridge Financial Solutions Inc.

“**Canadian Guidelines**” means the *Policy Statement 58-201 to Corporate Governance Guidelines*.

“**CEO**” means the Corporation’s chief executive officer.

“**CFO**” means the Corporation’s chief financial officer.

“**Circular**” means this management and information circular dated October 26, 2018.

“**Collateral**” means all present and future undertaking, property and assets of Falco, including without limitation, that charged and intended to be charged by the security documents and comprising all of the movable (personal) and immovable (real) property of Falco, now owned or hereafter acquired, including, but not limited to, Falco’s property, assets, undertaking and rights in and relating to the Horne 5 Property and the Horne 5 Project, whether now owned or existing or hereafter acquired or arising, including immovable (real) property, movable (personal) property and Mineral Interests, and specifically including, but not limited to: (a) the Horne 5 Property and any property, assets or proceeds of the Horne 5 Project;

(b) the contracts relating to the Horne 5 Project; (c) all right, title and interests of Falco in the Glencore Property Documents and the underlying agreements; (d) all claims, accounts, instruments, chattel paper, deposit accounts, documents, intangibles, goods (including inventory, equipment and fixtures), money, letter of credit rights, supporting obligations, claims, causes of action and other legal rights, investment property and financial assets; (e) all products, proceeds (including proceeds of proceeds), rents and profits of the foregoing; (f) all books and records of Falco related to any of the foregoing; and (g) the pledged shares.

“**Common Shares**” means the common shares of Falco.

“**Control Person**” has the meaning given to it in TSXV Policy 1.1 – *Interpretation*.

“**Conversion**” means the conversion of the Debenture into 12,104,444 Units.

“**Conversion of the Debenture Resolution**” means the ordinary resolution of the Disinterested Shareholders voting at the Meeting, in person or by proxy, approving the Conversion of the Debenture, substantially in the form set out under the heading “Conversion of the Debenture” of the Circular.

“**Corporation**” means Falco Resources Ltd.

“**CSA**” means the Canadian Securities Administrators.

“**Debenture**” means the secured debenture dated June 29, 2018 between the Corporation and Osisko having a principal amount of \$7,000,000.

“**Deposit**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Deposit Offset Date**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Disinterested Shareholders**” means all Shareholders, other than the Excluded Parties.

“**DSUs**” means the deferred share units of the Corporation.

“**Effective Date**” means the November 21, 2014 which is the date the Board adopted the LTIP.

“**Engagement Agreement**” means the engagement agreement between Macquarie and Falco dated May 31, 2018.

“**Excluded Parties**” means Osisko as well as its directors and officers and any person holding more than 10% of the voting securities of Osisko representing, as a group, 28,355,908 Common Shares.

“**Falco**” means Falco Resources Ltd.

“**Fifth Instalment**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**First Instalment**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Flip-In Event**” has the meaning given to it in the Shareholder Rights Plan.

“**Fourth Instalment**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Glencore**” means Glencore Canada Corporation, together with its successors and permitted assigns.

“**Glencore Intercreditor Agreement**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Glencore Hypothec**” means the hypothec granted by Falco (as assignee of Alexis Minerals Corporation) in favour of Glencore (as successor to Xstrata Canada Corporation) pursuant to a deed of hypothec dated September 21, 2012 entered into before Mtre Golabi.

“**Glencore Property Documents**” as the meaning ascribed to such term in the Stream Agreement and includes the Asset Purchase Agreement and the Glencore Hypothec.

“**Globex**” means Globex Mining Enterprises Inc.

“**Horne 5 Deposit**” means all of Falco’s rights and interests in the minerals located below 200 meters from the surface of mining concession 156PTB located in Rouyn-Noranda, Province of Quebec, as depicted in the Stream Agreement.

“**Horne 5 Project**” means the Horne 5 Project located in Rouyn-Noranda, Province of Québec, including all or any part of the Horne 5 Property, the Horne 5 Tailing Site, all mining, production, processing, exploration, recovery, sale, transportation, storage, delivery and development operations conducted thereon, and the mines, infrastructure, equipment, inventory, processing facilities and other facilities constructed and operated at or in respect of the Horne 5 Property and/or Horne 5 Tailing Site, including all minerals and approvals related thereto.

“**Horne 5 Property**” means all of Falco’s right, title and interest, movable or immovable, corporeal or incorporeal, in, or in respect of, any mineral claims, mineral leases, surface access rights and other rights, concessions and interests to the extent relating to or in respect of the Horne 5 Property and/or the Horne 5 Tailing Site, whether owned or leased, including any extension, renewal or restaking of, or replacement or substitution for, any of the foregoing, including, but not limited to: (a) all of the purchased assets (as defined in the Asset Purchase Agreement); (b) certain surface rights surrounding the Quemont No. 2 shaft located on mining concession 243 (whether or not the ownership of the relevant mining concessions and leases forming part of the Controlled Properties (as defined in the Asset Purchase Agreement) remains with a third party); (c) any rights granted, renewing, replacing or complementing the Horne 5 Deposit, other minerals located below 200 meters from the surface of any Controlled Properties (as defined in the Asset Purchase Agreement), access and surface rights; (d) all future mineral rights, access rights and surface rights forming part of the foregoing, including any mining concession, mining claims or surface leases related to any proposed tailings site; and (e) all future other mineral rights, access rights and surface rights that have the effect of increasing the size or modifying the foregoing, which Falco now or may hereafter own or have any right, title or interest in.

“**Horne 5 Tailing Site**” means the tailings management facility located approximately 17 kilometers northwest of the Horne 5 Deposit.

“**Hugessen**” means Hugessen Consulting Inc.

“**Informed Person**” has the meaning given to it in *Regulation 51-102 respecting Continuous Disclosure Obligations*.

“**Investor Rights Agreement**” means the investor rights agreement between Falco and Osisko dated June 29, 2018.

“**LTIP**” means the long-term incentive plan of the Corporation, as amended from time to time.

“**Long Term Incentive Plan Resolution**” means the ordinary resolution of the Shareholders voting at the Meeting, in person or by proxy, approving the Long Term Incentive Plan, substantially in the form set out under the heading “Corporation’s Long Term Incentive Plan” of the Circular.

“**Macquarie**” means Macquarie Capital Markets Canada Ltd.

“**Macquarie Fairness Opinion**” means the fairness opinion of Macquarie dated June 18, 2018 in connection with the Stream Agreement.

“**Management**” means the management of Falco.

“**Material Collateral**” means any Collateral with a fair market value in excess of a threshold set forth in the Stream Agreement.

“**MD&A**” means the management’s discussion and analysis.

“**Meeting**” means the annual and special meeting of the Shareholders to be held at 1, Place Ville Marie, Suite 4000, Montréal, Québec, H3B 4M4 on November 29, 2018.

“**Mineral Interests**” means any royalty, stream, participation or production interest, or any agreements that are similar to a royalty, stream, participation or production interest agreement, in each case in respect of any minerals.

“**Minimum Delivery Date**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Minimum Delivery Guarantee**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Named Executives**” has the meaning given to it under the heading “**Executive Compensation**” of the Circular.

“**NEOs**” has the meaning given to it under the heading “**Executive Compensation**” of the Circular.

“**New Control Person Resolution**” means the ordinary resolution of the Disinterested Shareholders voting at the Meeting, in person or by proxy, approving the creation of a new Control Person being Osisko, substantially in the form set out under the heading “Creation of a New Control Person” of the Circular.

“**NOBOs**” means the Beneficial Shareholders who do not object to their identity being made known to the issuers of the securities which they own.

“**OBOs**” means the Beneficial Shareholders who object to their identity being known to the issuers of securities which they own.

“**Options**” means the stock options of the Corporation.

“**Order**” means a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days.

“**Other Transaction Documents**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Osisko**” means Osisko Gold Royalties Ltd.

“**Peer Group**” has the meaning given to it under the heading “**Executive Compensation**” of the Circular.

“**PricewaterhouseCoopers**” means PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l.

“**PSUs**” means the performance share units of the Corporation.

“**Purchasers’ Agent**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Purchaser**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Reference Price**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Regulation 52-110**” means *Regulation 52-110 respecting Audit Committees*.

“**Regulation 54-101**” means *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*.

“**Regulation 58-101**” means *Regulation 58-101 respecting Disclosure of Corporate Governance Practices*.

“**Regulation 61-101**” means *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions*.

“**Related Party**” has the meaning given to it in Regulation 61-101.

“**Rights**” has the meaning given to it under the heading “Termination of Amended and Restated Shareholder Rights Plan Agreement” of the Circular.

“**RSUs**” means the restricted share units of the Corporation.

“**Second Instalment**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Shareholder Rights Plan**” means the Amended and Restated Shareholder Rights Plan Agreement between Falco and TSX Trust Company dated November 22, 2016.

“**Shareholder Rights Plan Resolution**” means the ordinary resolution of the Disinterested Shareholders voting at the Meeting, in person or by proxy, approving the termination of the Shareholder Rights Plan, substantially in the form set out under the heading “Termination of Amended and Restated Shareholder Rights Plan Agreement” of the Circular.

“**Shareholders**” means the holders of Common Shares.

“**Special Committee**” has the meaning given to it under the heading “Background” of the Circular.

“**Stream Agreement**” means the proposed silver purchase agreement between Falco and the Purchasers.

“**Stream Agreement Resolution**” means the ordinary resolution of the Disinterested Shareholders voting at the Meeting, in person or by proxy, approving the entering into the Stream Agreement, substantially in the form set out under the heading “Stream Agreement” of the Circular.

“**Third Instalment**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Transaction Documents**” has the meaning given to it under the heading “Stream Agreement” of the Circular.

“**Transfer Price**” means a cash payment per ounce of refined silver delivered by Falco to the Purchasers equal to the lesser of (i) 20% of the Reference Price, and (ii) US\$6.00.

“**TSXV**” means the TSX Venture Exchange.

“**TSX Policy 5.3**” means the TSXV Policy 5.3-*Acquisitions and Dispositions of Non-Cash Assets*.

“**Uncredited Balance**” means the uncredited balance of the Deposit as determined in accordance with the Stream Agreement.

“**Units**” has the meaning given to it under the heading “Conversion of the Debenture” of the Circular.

“**Unit Warrant**” has the meaning given to it under the heading “Conversion of the Debenture” of the Circular.

“**VIF**” means a voting instruction form prepared by Broadridge.

“**Warrants**” has the meaning given to it under the heading “Creation of a New Control Person” of the Circular.

PART 1: VOTING INFORMATION

1.1. Who can vote?

Registered and beneficial Shareholders

You have the right to vote if you owned Common Shares of the Corporation on October 15, 2018. Each Common Share you own entitles you to one vote.

You are a registered Shareholder if the Common Shares are registered in your name. This means that your name appears in the Shareholders' register maintained by our transfer agent, TSX Trust Company. You are a non-registered (or beneficial) Shareholder if your bank, trust company, securities broker or other financial institution or intermediary (your nominee) holds your Common Shares for you in a nominee account.

Common shares outstanding and principal holders of our Common Shares

On October 15, 2018, the Corporation had 189,265,976 Common Shares issued and outstanding.

To the knowledge of the directors and executive officers of the Corporation, as of October 15, 2018, the following entity beneficially owns, directly or indirectly, or exercises control or direction over, 10% or more of the issued and outstanding Common Shares of the Corporation:

Shareholder	Number of Common Shares	Percentage of Issued Capital
Osisko Gold Royalties Ltd	23,927,005	12.6%

1.2. How to vote?

You can vote in person or by proxy. Voting by proxy means you are giving someone else the authority to attend the Meeting and vote your shares for you (called your proxyholder).

Completing the proxy form

This package includes either a proxy form (for registered holders) or voting instruction form (for beneficial holders) that includes the names of Falco officers or directors who are proxyholders. When you vote by proxy, you are giving them the authority to vote your shares for you according to your instructions. If you return your proxy form or voting instruction form and do not specify how you want to vote your shares, one of these officers will vote your shares FOR the items.

You can also appoint someone else to be your proxyholder. Print his or her name in the space provided on the form, or by completing another proxy form. The person does not need to be a Shareholder. Your vote can only be counted if he or she attends the meeting and votes your shares according to your instructions. If you do not specify how you want to vote your shares, your proxyholder can vote as he or she sees fit.

Your proxyholder will vote according to your instructions on these items and on any ballot that may be called for. If there are changes or new items, your proxyholder has the discretionary authority to vote your shares on these items as he or she sees fit.

Returning your proxy form

To be effective, we must receive your completed proxy form or voting instruction no later than 2:00 p.m. (Montréal time) on November 27, 2018.

If the meeting is postponed or adjourned, we must receive your completed form of proxy by 2:00 p.m. (Montréal time), two (2) full business days before any adjourned or postponed meeting at which the proxy is to be used. Late proxies may be accepted or rejected by the Chair of the Meeting at his discretion and he is under no obligation to accept or reject a late proxy. The Chair of the Meeting may waive or extend the proxy cut-off without notice.

Exercise of discretion

With respect to matters specified in the proxy, if no voting instructions are provided, the nominees named in the accompanying form of proxy will vote the Common Shares represented by the proxy FOR the approval of such matter.

The nominee named in your proxy form will vote or withhold from voting in accordance with your instructions on any ballot that may be called for. The proxy will confer discretionary authority on the nominee with respect to matters identified in the proxy form for which a choice is not specified and any other matter that may properly come before the Meeting or any postponement or adjournment thereof, whether or not the matter is routine and whether or not the matter is contested.

As of the date of this Circular, Management is not aware of any amendment, variation or other matter that may come before the Meeting. If any amendment, variation or other matter properly comes before the Meeting, the nominee intends to vote in accordance with the nominee's best judgment.

Registered Shareholders

Registered Shareholders can vote by proxy or in person in one of the following ways:

Voting by proxy

Internet

Go to www.voteproxyonline.com and follow the instructions on screen. You will need your control number, which appears below your name and address on the proxy form.

Fax

Complete both sides of the proxy form, sign and date it and fax both sides to our transfer agent, TSX Trust Company, Attention: Proxy Department, at 416-595-9593.

Mail

Complete, sign and date the form and return it in the envelope provided, or send it to: TSX Trust Company, Attention: Proxy Department, 100 Adelaide, Suite 301, Toronto, Ontario, M5H 4H1, Canada.

By appointing someone to attend in person

This person does not need to be a Shareholder. Strike out the names that are printed on the form and print the name of the person you are appointing as your proxyholder in the space provided. Complete your voting instructions, sign and date the form. Make sure the person you are appointing is aware that he or she has been appointed and attends the meeting on your behalf. Your proxyholder should see a representative of TSX Trust Company when he or she arrives at the meeting.

Attending the meeting in person

When you arrive at the meeting, see a representative of TSX Trust Company to register your attendance. Voting in person will automatically cancel any completed proxy form you previously submitted.

Beneficial Shareholders

The information set forth in this section is of significant importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to herein as “**Beneficial Shareholders**”) should note that only proxies deposited by Shareholders who appear on the records maintained by the Corporation’s registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, then those Common Shares will, in all likelihood, not be registered in the Shareholder’s name. Such Common Shares will more likely be registered under the name of the Shareholder’s broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co., the registration name for The Depository Trust Company, which acts as nominee for many United States brokerage firms. Common shares held by brokers (or their agents or nominees) on behalf of a broker’s client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker’s clients. Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of Shareholder meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of instrument of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”) in Canada. Broadridge typically prepares a machine-readable voting instruction form (“**VIF**”), mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the VIFs to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge VIF cannot use that form to vote Common Shares directly at the Meeting. The VIFs must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the

Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

The Notice of Meeting, Circular, Proxy and VIF, as applicable, are being provided to both registered Shareholders and Beneficial Shareholders. Beneficial Shareholders fall into two (2) categories - those who object to their identity being known to the issuers of securities which they own (“**OBOs**”) and those who do not object to their identity being made known to the issuers of the securities which they own (“**NOBOs**”). Subject to the provisions of *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**Regulation 54-101**”), issuers may request and obtain a list of their NOBOs from intermediaries directly or via their transfer agent and may obtain and use the NOBO list for the distribution of proxy-related materials directly (not via Broadridge) to such NOBOs. If you are a NOBO and the Corporation or its agent has sent these materials directly to you, your name, address and information about your holdings of Common Shares have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding the Common Shares on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the VIF. As a result, if you are a NOBO, you can expect to receive a scannable VIF from TSX Trust Company. Please complete and return the VIF to TSX Trust Company in the envelope provided or by facsimile. In addition, internet voting instructions can be found on the VIF. TSX Trust Company will tabulate the results of the VIFs received from the Corporation’s Beneficial Shareholders and will provide appropriate instructions at the Meeting with respect to the Common Shares represented by the VIFs they receive.

If you are an OBO, the Corporation will also pay for brokers and intermediaries to send the Notice of Meeting, Circular and VIF directly to you. Please complete and return the VIF to Broadridge in accordance with the instructions provided on such VIF.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. Regulation 54-101 allows a Beneficial Shareholder who is a NOBO to submit to the Corporation or an applicable intermediary any document in writing that requests that the NOBO or a nominee of the NOBO be appointed as proxyholder. If such a request is received, the Corporation or an intermediary, as applicable, must arrange, without expenses to the NOBO, to appoint such NOBO or its nominee as a proxyholder and to deposit that proxy within the time specified in this Circular, provided that the Corporation or the intermediary receives such written instructions from the NOBO at least one business day prior to the time by which proxies are to be submitted at the Meeting, with the result that such a written request must be received by 2:00 p.m. (Montréal time) on the day which is at least three business days prior to the Meeting. A Beneficial Shareholder who wishes to attend the Meeting and to vote their Common Shares as proxyholder for the registered Shareholder, should enter their own name in the blank space on the VIF or such other document in writing that requests that the NOBO or a nominee of the NOBO be appointed as proxyholder and return the same to their broker (or the broker’s agent) in accordance with the instructions provided by such broker.

All references to Shareholders in the Notice of Meeting, Circular and the accompanying Proxy are to registered Shareholders of the Corporation as set forth on the list of registered Shareholders of the Corporation as maintained by the registrar and transfer agent of the Corporation, TSX Trust Company, unless specifically stated otherwise.

1.3. Revoking Your Proxy

Registered Shareholders

You can revoke a vote you made by proxy in one of three ways:

1. Complete a new proxy form that is dated later than the proxy form you want to revoke, and then mailing it to TSX Trust Company, so they receive it by 2:00 p.m. (Montréal time) on November 27, 2018;
2. Send a notice in writing from you or your attorney to our Investor Relations department by 2:00 p.m. (Montréal time) on November 27, 2018; or
3. Provide a notice in writing from you or your attorney to the Chair of the meeting at the meeting or, if it is adjourned, when the meeting resumes.

1.4. Electronic Delivery of Material

You have the option to receive certain disclosure documentation from Falco electronically, by email notification inviting you to access documentation online at www.sedar.com or in the “Investor Information” section of Falco’s website at www.falcores.com. Delivery in electronic format, rather than paper, reduces costs to the Corporation and benefits the environment.

Registered Shareholders can consent to electronic delivery by completing and returning the consent form accompanying this Circular to TSX Trust Company. Non-registered holders can consent to electronic delivery by completing and returning the appropriate form received from their intermediary. If you do not consent to receive documentation through email notification, you will continue to receive documentation by mail.

If you wish to receive (or continue to receive) quarterly financial statements and Management’s Discussion and Analysis (the “**MD&A**”) by mail during the fiscal year 2019, you must check the appropriate box on the form of proxy (if you are a registered Shareholder) or voting instruction form (if you are a non-registered Shareholder). If you do not make this request, quarterly reports will not be sent to you. Financial statements and MD&A are available on the Corporation’s website at www.falcores.com.

PART 2: BUSINESS OF THE MEETING

The Meeting will be held in order to:

1. Receive the audited financial statements of the Corporation for the year ended June 30, 2018, together with the report of the auditor thereon;
2. Elect the directors of the Corporation for the ensuing year;
3. Appoint PricewaterhouseCoopers LLP/s.r.l./s.e.n.c.r.l. (“**PricewaterhouseCoopers**”), a partnership of Chartered Professional Accountants, as the auditor of the Corporation for the fiscal year 2019, and to authorize the directors to fix the remuneration to be paid to the auditor;
4. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the Corporation’s existing long term incentive plan (as more particularly described in this Circular) (the “**Long Term Incentive Plan Resolution**”);
5. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the conversion of the debenture (as more particularly described in this Circular) (the “**Conversion of the Debenture Resolution**”);
6. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the creation of a new control person of the Corporation being Osisko Gold Royalties Ltd (“**Osisko**”) (as more particularly described in this Circular) (the “**New Control Person Resolution**”);
7. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the entering into the stream agreement with Osisko (as more particularly described in this Circular) (the “**Stream Agreement Resolution**”);
8. Alternatively, to consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the entering into the stream agreement with any other arm’s length third party (as more particularly described in this Circular) (the “**Alternative Stream Agreement Resolution**”);
9. To consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the termination of the Amended and Restated Shareholder Rights Plan Agreement dated November 22, 2016 and to terminate all rights issued pursuant to such plan (as more particularly described in the Circular (the “**Shareholder Rights Plan Resolution**”); and
10. Transact such further or other business as may properly come before the meeting or any adjournment or adjournments thereof.

2.1 Receipt of Financial Statements

The audited financial statements of the Corporation for the financial year ended June 30, 2018, and the report of the auditor thereon will be submitted at the Meeting. These audited financial statements and the MD&A were sent to all Shareholders who requested them in conjunction with this Notice of Annual and Special Meeting of Shareholders and Circular. The Corporation’s audited financial statements and related MD&A for the year ended June 30, 2018, are available on SEDAR (www.sedar.com) as well as on the Corporation’s website (www.falcores.com).

2.2 Election of Directors

The Management is supervised by the Board of Directors (hereinafter called the “**Board of Directors**” or “**Board**”) as per the *Canada Business Corporations Act*. The members of the Board are elected annually at each annual meeting of Shareholders to hold office until the next annual meeting unless, prior thereto, he or she resigns, or the office of such director becomes vacant by death, removal, or other cause. Our articles of incorporation, as amended, provide that our Board shall consist of a minimum of one (1) and a maximum of twelve (12) directors. Accordingly, a total of six (6) nominees are being proposed as directors for election by the Shareholders at the Meeting for the current year, each to hold office until the next annual meeting of Shareholders or until such person’s successor is elected or appointed. You can vote for all of these proposed directors, vote for some of them and withhold for others, or withhold for all of them.

The following tables set out information about each director’s summary career profile, their Board Committee memberships, meeting attendance during the most recently completed financial year, principal directorships with other reporting issuers as well as other public and parapublic corporations on whose boards the nominees currently serve or have served in the past five years and the number of securities they hold, either in the form of Common Shares, Stock Options or Warrants of the Corporation.

Unless otherwise directed, the persons named in the enclosed proxy form intend to VOTE FOR the election of each of the proposed nominees whose names are set out below. The proposal requires the approval of a majority of the votes cast at the Meeting.

Messrs. Claude Ferron and John Sabine, currently Directors of the Corporation, are not part of the nominees that are being proposed as Directors for election by the Shareholders at the Meeting, and therefore may not be re-elected as Directors for the ensuing year. The members of the Board of Directors would like to express their appreciation to Messrs. Ferron and Sabine for their services as directors of the Corporation during their respective mandates.

Each of the nominees has provided the information as to the Common Shares of the Corporation he or she beneficially owns or over which he or she exercises control or direction, as at October 15, 2018. All nominees have served continuously as director of the Corporation since their appointment or first election in such capacity.

If any proposed nominee is unable to serve as a director or withdraws his or her name, the individuals named in your form of proxy or voting instruction form reserve the right to nominate and vote for another individual in their discretion.

We expect all of our directors to demonstrate leadership and integrity and to conduct themselves in a manner that reinforces our corporate values and culture of transparency, teamwork and individual accountability.

Above all, we expect that all directors will exercise their good judgment in a manner that keeps the interests of Shareholders at the forefront of decisions and deliberations. Each candidate must have a demonstrated track record in several of the skills and experience requirements deemed important for a balanced and effective Board.

Mario Caron, 64
Toronto, Ontario
Canada



Mr. Mario Caron is a mining executive with over 40 years' experience in the mining industry in senior executive and board positions. His experience was gained nationally and internationally in both underground and open pits operations. He served as Chief Executive Officer and director of Aldridge Mineral Inc. until July 2013. Mr. Caron previously held similar positions, Chief Executive Officer and director with Axmin Inc, a company with a gold project in Central African Republic and Tiberon Minerals Ltd., the developer of a tungsten/fluorspar mine in Vietnam. He is the chairman of Alloycorp Mining Inc., a privatized company since August 2016 with a molybdenum deposit in British Columbia.

Mr. Caron received his Bachelor of Engineering, Mining at McGill University and is a member of the Ordre des ingénieurs du Québec and the Association of Professional Engineers of Ontario.

Lead Director since: November 24, 2015

Independent⁽¹⁾

<u>Member</u>	<u>Meeting Attendance</u>
Board	7 of 7
Audit Committee	4 of 4
Compensation Committee	2 of 2
Nominating and Corporate Governance Committee	3 of 3
Environment and Technical Committee - Chair	2 of 2
Finance Committee	2 of 2
Special Committee ⁽²⁾	8 of 8

Securities Held

Shares: 82,555
Options: 842,833
Warrants: 9,700

Other Directorships

Adventure Gold Inc.
Algold Resources Ltd.
Maya Gold & Silver Inc.
New Millenium Iron Corp.

Duration

August 2014 – June 2016
November 2014 – Present
July 2014 – June 2015
November 2015 – Present

NOTES:

- (1) "Independent" refers to the standards of independence established in *Regulation 52-110 respecting Audit Committees* ("**Regulation 52-110**").
- (2) On May 12, 2018, the Board of Directors established a special committee (as defined below and as more fully described under the heading "Background") and Mr. Caron was appointed member of this committee.

Bryan A. Coates, 60
St-Lambert, Québec
Canada



Director since: March 15, 2017

Independent⁽¹⁾

Securities Held

Shares: 644,330
Options: 189,800
Warrants: 12,500

Mr. Bryan A. Coates has been President of Osisko Gold Royalties Ltd since June 2014. From 2007 to 2014, he was the Vice President, Finance and Chief Financial Officer of Osisko Mining Corporation. Mr. Coates was responsible for all activities related to financing, financial reporting, marketing relating to the gold industry, risk management and government relations. Mr. Coates is a senior executive with more than 35 years of progressive experience within the mining industry from operations to senior leadership.

Mr. Coates holds an Honours Bachelor of Commerce from Laurentian University, is a member of the Chartered Professional Accountants of Ontario and obtained the ICD.D designation from the Institute of Corporate Directors.

Mr. Coates is one of the representative of Osisko on the board of directors of the Corporation under the Investor Rights Agreement.

Member

Board
Finance Committee – Chair

Meeting Attendance

7 of 7
2 of 2

Other Directorships

Alio Gold Inc. (formerly
Timmins Gold Corp.)
Golden Queen Mining Co. Ltd.

Duration

July 2014 – Present
January 2013 – Present

NOTE:

(1) “Independent” refers to the standards of independence established in Regulation 52-110. Refer to section entitled *Director Independence* below.

Paola Farnesi, 51
Montréal, Québec
Canada



Director since: November 22, 2016

Ms. Paola Farnesi is a Chartered Professional Accountant and has 29 years of progressive experience in the financial industry. She is currently Vice President and Treasurer of Domtar Corporation. Ms. Farnesi has held several other leadership positions at Domtar Corporation since February 1994, where she was responsible for financial reporting, financial planning and analysis, as well as internal audit. Prior to February 1994, Ms. Farnesi was a senior accountant at Ernst & Young from July 1989 to February 1994. She serves on the Board of Directors of the Centaur Theatre Company since 2010.

Ms. Farnesi holds a Bachelor of Commerce and a Graduate degree in Public Accountancy from McGill University and is a Chartered Professional Accountant. She obtained the ICD.D designation from the Institute of Corporate Directors.

Ms. Farnesi is a member of the Order of Québec Chartered Professional Accountants.

Independent⁽¹⁾

Securities Held

Shares: Nil
Options: 265,200
Warrants: Nil

Member

Board 7 of 7
Audit Committee 4 of 4
Compensation Committee 3 of 3
Finance Committee 2 of 2
Special Committee⁽²⁾ 8 of 8

Meeting Attendance

Other Directorships

None

Duration

None

NOTES:

- (1) "Independent" refers to the standards of independence established in Regulation 52-110.
(2) On May 12, 2018, the Board of Directors established a special committee (as defined below and as more fully described under the heading "Background") and Ms. Farnesi was appointed member of this committee.

Luc Lessard, 54
St-Bruno-de-Montarville, Québec
Canada



Director since: December 23, 2014

Mr. Luc Lessard has more than 30 years' experience in the mining industry. He is the President and Chief Executive Officer of Falco and since June 2015, Senior Vice President, Technical Services of Osisko Gold Royalties Ltd. Mr. Lessard was previously Chief Operating Officer of the Canadian Malartic Partnership (owned jointly by Agnico Eagle Mines Limited and Yamana Gold Inc.), and prior to that was the Chief Operating Officer and Senior Vice President of Engineering and Construction for Osisko Mining Corporation from 2011 to 2014.

Mr. Lessard holds a bachelor degree in Mining Engineering, from Université Laval and is a member of the Ordre des ingénieurs du Québec.

<u>Member</u>	<u>Meeting Attendance</u>
Board	7 of 7
Environment and Technical Committee	2 of 2

Non Independent⁽¹⁾

Securities Held

Shares: 861,750
Options: 2,001,583
Warrants: 25,000

Other Directorships

Osisko Metals Incorporated (formerly Bowmore Exploration Ltd.)	February 2016 – Present
Highland Copper Company Inc.	November 2015 – Present
Nighthawk Gold Corp.	July 2013 – Present
Alio Gold Inc. (formerly Timmins Gold Corp.)	July 2014 – May 2016

NOTE:

(1) "Independent" refers to the standards of independence established in Regulation 52-110.

Sean Roosen, 55
Montréal, Québec
Canada



Director since September 11, 2014

Independent⁽¹⁾

Mr. Sean Roosen is Chair of the Board of the Corporation since September 2014, and is the Chair of the Board and Chief Executive Officer of Osisko Gold Royalties Ltd. Prior to this, he was President and Chief Executive Officer of Osisko Mining Corporation, which he co-founded. He was a guiding force in transforming Osisko Mining Corporation from a junior exploration company to a leading intermediate gold producer. Over that period, he was responsible for developing the permitting and financing strategy to bring the \$1 billion Canadian Malartic Mine into production. Mr. Roosen has been recognized by several organizations for his entrepreneurial successes in the mining industry and his leadership in innovative sustainability practices.

Mr. Roosen is a graduate of the Haileybury School of Mines.

Mr. Roosen is one of the representatives of Osisko on the board of directors of the Corporation under the Investor Rights Agreement.

Member
Board

Meeting Attendance
5 of 7

Securities Held

Shares: 1,402,832

Options: 805,779

Warrants: 38,750

Other Directorships

Black Dragon Gold Corp.

(formerly Astur Gold Corp.)

Barkerville Gold Mines Ltd.⁽²⁾

Osisko Metals Incorporated⁽²⁾

(formerly Bowmore
Exploration Ltd.)

Condor Petroleum Inc.

Osisko Mining Inc.⁽²⁾ (formerly

Oban Mining Corporation)

Osisko Gold Royalties Ltd

Victoria Gold Corp.⁽²⁾

Duration

August 2010 – December 2013

December 2015 – Present

June 2009 – February 2016

March 2011 – Present

August 2015 – Present

April 2014 – Present

June 2017 – Present

NOTES:

(1) “Independent” refers to the standards of independence established in Regulation 52-110. Refer to the section entitled *Director Independence* below.

(2) As part of Osisko Gold Royalties Ltd’s strategic investments made in other companies, Osisko generally expects from its directors and officers to be actively involved within its investee companies, which may include becoming a member of the board of directors of such investee companies. As part of the duties of the chief executive officer of Osisko, Mr. Roosen has become a member of the board of directors of a number of such investee companies.

Chantal Sorel, 53
Montréal, Québec
Canada



Director since: May 24, 2017

Independent⁽¹⁾

Securities Held

Shares: Nil
Options: 185,700
Warrants: Nil

Ms. Chantal Sorel is Executive Vice President and Managing Director, Capital at SNC-Lavalin. She is responsible for the investment and asset management business capability of SNC-Lavalin, which invests capital in projects and manages the company's multi-billion dollar portfolio of infrastructure investments. Previously, Ms. Sorel was Senior Vice President, Business Development of SNC-Lavalin's Infrastructure sector. Until late 2014, she held the position of Vice President and Project Manager in charge of the McGill University Health Centre Glen Site project. Ms. Sorel has a degree in architecture from Université de Montréal and a Master's degree in Project Management from Université du Québec à Montréal. She also has a Project Management Professional certification from the Project Management Institute and completed the Director Education Program at the Institute of Corporate Directors.

Member

Board
Audit Committee
Nominating and Corporate
Governance Committee – Chair
Finance Committee

Meeting Attendance

7 of 7
4 of 4
3 of 3
2 of 2

Other Directorships

N/A

Duration

N/A

NOTE:

(1) "Independent" refers to the standards of independence established in Regulation 52-110.

Director Independence

A director is not independent if he has a direct or indirect relationship that the Board believes could reasonably be expected to interfere with his ability to exercise independent judgment.

As of the date of this Circular, five (5) of the Corporation's six (6) nominee directors are independent.

Mr. Lessard, President and Chief Executive Officer does not meet the independence standards as an executive of the Corporation. Regarding Messrs. Coates, President of Osisko and Roosen, Chair of the Board of Directors and Chief Executive Officer of Osisko, which owns 12.6% of Falco's issued and outstanding shares; thus making Osisko an insider of the Corporation, the Board concluded that Messrs. Coates and Roosen are independent. At the date hereof, Messrs. Caron, Coates and Roosen and Ms. Farnesi and Ms. Sorel meet the independence standards pursuant to provisions of Regulation 52-110 and Regulation 58-101. If the shareholders approve the resolution creating Osisko as a new control person, Messrs. Roosen and Coates will no longer be independent within the meaning of Regulation 52-110.

The Corporation does not have an executive committee of its Board of Directors.

The information pertaining to the Corporation's cease trade orders and bankruptcies, or penalties or sanctions, not being within the knowledge of the Corporation, has been furnished by the proposed directors.

Corporate Cease Trade Orders

To the knowledge of the Corporation, no proposed director is, as at the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

- (a) was subject to a cease trade order, an order similar to a cease trade order, or an order that denied the relevant company access to any exemption under applicable securities legislation, and which in all cases was in effect for a period of more than 30 consecutive days (an "**Order**"), which Order was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer of such company; or
- (b) was subject to an Order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

Bankruptcies, or Penalties or Sanctions

To the knowledge of the Corporation, no proposed director:

- (a) is, as at the date of this Circular, or has been within ten (10) years before the date of this Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets;
- (b) has, within ten (10) years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any

proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets;

- (c) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (d) has been subject to any penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

2.3 Appointment of Auditor

PricewaterhouseCoopers, a partnership of Chartered Professional Accountants, will be nominated at the Meeting for appointment as auditors of the Corporation and remuneration to be fixed by the Board of Directors.

Accordingly, the Board of Directors and Management are recommending that Shareholders vote FOR of the appointment of PricewaterhouseCoopers, as auditors of the Corporation for the ensuing year, until the close of the next annual general meeting of Shareholders, at a remuneration to be fixed by the directors. Unless contrary instructions are indicated on the proxy form or the voting instruction card, the persons designated in the accompanying form of proxy or voting instructions card intend to vote FOR the appointment of PricewaterhouseCoopers.

2.4 Corporation's Long Term Incentive Plan

At the Meeting, Shareholders will be asked to consider and if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the Corporation's Long Term Incentive Plan (the "LTIP").

On November 21, 2014, the Board of Directors decided on a new LTIP for directors, officers, employees and consultants, which was thereafter ratified by the Shareholders on December 23, 2014 and approved by the TSX Venture Exchange (the "TSXV").

On December 30, 2015, the Corporation announced that it had cancelled the rolling stock provision and had adopted a fixed stock option provision under its LTIP, as approved by the TSXV. Under such new provision, the aggregate number of Common Shares issuable under the LTIP at any one time could not exceed 9.99%, namely representing 9,963,083 of the issued and outstanding Common Shares of the Corporation as of December 29, 2015.

On October 20, 2016, the Board of Directors decided to reinstate the 10% rolling stock provision given the evolution of the Corporation and the need to retain key employees and attract talented candidates which was ratified by the Shareholders at the Corporation's annual and special meeting held on November 22, 2016 and approved by the TSXV.

Pursuant to the policies of the TSXV, a "rolling" evergreen plan is required to be re-approved by Shareholders on an annual basis at the Corporation's annual meeting.

For additional particulars on the terms and conditions of the Corporation's LTIP, please refer to the heading "**Executive Compensation - Stock Option Plans and Other Incentive Plans**" in this Circular.

As of October 15, 2018, 10,240,258 options outstanding under the LTIP, and 8,686,340 additional options may be granted (based on the current issued capital of 189,265,976 Common Shares). Notice of options granted under the LTIP must be given to the TSXV on a monthly basis. Any amendments to the LTIP must also be approved by the TSXV and, if necessary, by the Shareholders, prior to becoming effective. Existing incentive stock options are not affected by the vote at the Meeting with respect to the LTIP. Accordingly, Shareholders will be asked to pass an ordinary resolution, in substantially the following form, to re-approve the LTIP:

“BE IT RESOLVED, AS AN ORDINARY RESOLUTION, THAT:

1. the LTIP, as described in this Circular, be and is hereby ratified and approved; and
2. any director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, including to make any changes to the LTIP if required by the TSXV, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

Accordingly, the Board of Directors and Management are recommending that Shareholders vote FOR of the approval of the Long Term Incentive Plan Resolution. Unless contrary instructions are indicated on the proxy form or the voting instruction card, the persons designated in the accompanying form of proxy or voting instructions card intend to vote FOR the Long Term Incentive Plan Resolution.

A copy of the Corporation’s LTIP may be obtained upon request addressed to the Vice President, Legal Affairs and Corporate Secretary of the Corporation at 1100, Avenue des Canadiens-de-Montreal, Suite 300, Montreal, Québec, H3B 2S2 (facsimile: (514) 940-0669).

2.5 Special Matters

2.5.1 Background

On June 18, 2018, Falco and Osisko entered into two binding indicative term sheets allowing Falco to obtain additional financial resources to advance dewatering, development and construction of the Horne 5 Project and for working capital requirements of the Horne 5 Project. One of the indicative term sheets provides for the issuance of a \$7 million secured debenture (the “**Debenture**”) and the other term sheet provides for the entering into of a senior secured silver stream facility of up to \$180 million (the “**Stream Agreement**”) as more fully described below.

Osisko is an intermediate precious metals royalty company focused on the Americas that commenced activities in June 2014. Osisko holds a North American focused portfolio of over 130 royalties, streams and precious metal offtakes. Osisko’s portfolio is anchored by five cornerstone assets, including a 5% net smelter return royalty on the Canadian Malartic mine, which is the largest gold mine in Canada. Osisko also owns a portfolio of publicly held resource companies, including, besides Falco, a 32.4% interest in Barkerville Gold Mines Ltd., a 17.9% interest in Osisko Mining Inc., a 15.5% interest in Victoria Gold Corp. and a 11.4% interest in Osisko Metals Incorporated.

Related Party Transactions

Osisko is also an important Shareholder of Falco owning 12.6% of its Common Shares. As such, pursuant to Regulation 61-101, Osisko is a “related party” of Falco (the “**Related Party**”) and the issuance of the Debenture and the execution of the Stream Agreement are “related party transactions” under Regulation 61-101. Unless exemptions are available, such transactions are subject to the Disinterested Shareholders’ approval and formal valuation requirements set out in Regulation 61-101.

Regulation 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders (excluding interested or related parties), formal valuations and, in certain circumstances, approval and oversight of the transaction by a special committee of independent directors.

Falco is exempt from the requirements to obtain a formal valuation for the Debenture and the Stream Agreement pursuant to section 5.5(b) of Regulation 61-101, as the Common Shares are not listed on any of the specified markets set out in Regulation 61-101.

The Debenture, as currently issued to Osisko, is a simple loan secured by the assets of Falco, is not convertible into Common Shares and Falco was therefore exempted from the requirement to obtain Disinterested Shareholders’ approval pursuant to section 5.7(f) of Regulation 61-101, as the Debenture was issued on reasonable commercial terms that are not less advantageous to Falco than if the loan was obtained from a person dealing at arm’s length with Falco.

Under the terms of the Debenture, Falco agreed to seek Disinterested Shareholders’ approval in order to render the Debenture convertible into Units (as hereinafter described). In order to enter into the Stream Agreement, Falco is also required under Regulation 61-101 to obtain the Disinterested Shareholders’ approval as the fair market value of the consideration for the Stream Agreement exceeds 25% of the Corporation’s market capitalization.

Falco is further required, pursuant to the rules of the TSXV to obtain Disinterested Shareholders’ approval for the Conversion of the Debenture as it may result in the creation of a new Control Person (as more fully described below) and for the entering into of the Stream Agreement.

Creation of the Special Committee

Since the Debenture and the Stream Agreement involved a Related Party of Falco and since three of the directors of Falco, namely Mr. Luc Lessard, Mr. Sean Roosen and Mr. Bryan A. Coates are also directors and/or officers of Osisko, the Board of Directors created a special committee (the “**Special Committee**”) for the purposes of carrying out the negotiations for these transactions, reviewing and recommending to the Board of Directors the approval of the Debenture and the Stream Agreement with fairness and with the best interest of the Corporation in mind.

The Special Committee was formed on May 12, 2018. The Special Committee was composed of Mr. John Sabine (Chair), Mr. Mario Caron and Ms. Paola Farnesi. The Special Committee also retained the services of legal and financial advisors.

Fairness Opinion

Macquarie Capital Markets Canada Ltd. (“**Macquarie**”) was retained to render financial advisory services to the Special Committee and provide a fairness opinion (the “**Macquarie Fairness Opinion**”). In the Macquarie Fairness Opinion dated June 18, 2018, Macquarie has concluded that, as of the date of the Macquarie Fairness Opinion, and based upon and subject to the assumptions, limitations and qualifications set forth in the opinion, the consideration to be received by Falco pursuant to the Stream Agreement is fair, from a financial point of view, to Falco. The full text of the Macquarie Fairness Opinion is attached as Schedule “A” – “*Fairness Opinion of Macquarie Capital Markets Canada Ltd.*” to this Circular.

Under the engagement agreement (the “**Engagement Agreement**”) dated May 31, 2018 with Macquarie, Falco has agreed to pay Macquarie : (i) a fee that is not contingent upon the entering into of the Stream Agreement; and (ii) a separate fee that is contingent upon the entering into of the Stream Agreement and to reimburse Macquarie for its reasonable expenses, including expenses in connection with the financial advisory and other professional services provided under the Engagement Agreement.

Under the Engagement Agreement, Falco has also agreed to indemnify Macquarie and certain related parties against certain liabilities in connection with their professional services rendered to the Corporation and the Special Committee.

The Macquarie Fairness Opinion is not a recommendation to any Shareholder as to how to vote or act on any matter relating to the Stream Agreement. The Macquarie Fairness Opinion was one of a number of factors taken into consideration by the Special Committee in its recommendation to the Board and by the disinterested directors in making their unanimous determination to recommend that Shareholders vote in favour of the Stream Agreement Resolution.

The Board urges the Shareholders to read the Macquarie Fairness Opinion carefully and in its entirety. See Schedule “A” – “*Fairness Opinion of Macquarie Capital Markets Canada Ltd.*” to this Circular.

Special Committee and Board of Directors Recommendations

The Special Committee has reviewed the terms of the Debenture and the Stream Agreement, as well as the grant of security thereunder to Osisko, and has also taken into consideration the Macquarie Fairness Opinion relating to the Stream Agreement and all other relevant matters, including those discussed below, and has unanimously determined that the Debenture and the Stream Agreement with Osisko are in the best interests of Falco and its Disinterested Shareholders.

After considering the recommendation of the Special Committee, the disinterested members of the Board of Directors have approved the issuance of the Debenture, including, subject to the Shareholders’ approval, the Conversion of the Debenture and the entering into of the Stream Agreement. Messrs. Luc Lessard, Sean Roosen and Bryan A. Coates declared a conflict of interest and abstained from voting on the resolutions to approve the Debenture and the Stream Agreement since they are also directors and/or officers of Osisko.

Reasons for the Special Committee and the Board of Directors Recommendations

The benefits Falco expects to receive from the Debenture and the Stream Agreement include the following:

- The provision of significant funding in the short-term to advance dewatering, development and construction of the Horne 5 Project;
- Access to Osisko’s extensive capital market network for additional financing opportunities;

- Participation in Osisko’s “accelerator” model, with the ability to leverage Osisko’s extensive experience in exploration, engineering, construction and financing for the advancement of the Horne 5 Project; and
- Osisko, as Falco’s largest Shareholder and holder of a Stream on the Horne 5 Project, has a vested interest in the development of the project.

In addition, the disinterested member of the Board of Directors of Falco believe that the additional financing to be received from entering into the Stream Agreement will materially improve Falco’s financial position, particularly in the context of its current market capitalization. Given that there are a number of key milestones to reach to further de-risk and ultimately achieve commercial production at the Horne 5 Project, the disinterested member of the Board of Directors of Falco believe that the terms of the Debenture and the Stream Agreement are reasonable.

At the Meeting, the Corporation will be seeking Disinterested Shareholders’ approval (as defined herein) for (i) the Conversion of the Debenture, (ii) the entering into of the Stream Agreement and (iii) the creation of a new Control Person (as more fully described below). In determining Disinterested Shareholders’ approval, the Corporation is required to exclude the votes attached to the Common Shares that, to the knowledge of the Corporation, or any interested party or their respective directors or senior officers, after reasonable inquiry, are beneficially owned or over which control or direction is exercised by “interested parties”, and their “related parties” or “joint actors”, as such terms are defined in Regulation 61-101 or the rules of the TSXV, as applicable. Thus, at the Meeting, the Common Shares held by Osisko and any of its related parties (collectively, the “**Excluded Parties**”) will be excluded for the purposes of determining the Disinterested Shareholders’ approval.

2.5.2 Conversion of the Debenture

At the Meeting, Shareholders will be asked to consider and if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the Conversion of the Debenture.

On June 29, 2018, Falco closed its previously announced private placement with Osisko. Under the terms of this financing, Osisko purchased the secured Debenture having a principal amount of \$7,000,000. The Debenture is secured by a movable hypothec and an immovable hypothec in favor of Osisko on all of the movable and immovable assets of Falco, subject to certain exceptions.

Falco agreed to seek the approval of the Shareholders other than the Excluded Parties (the “**Disinterested Shareholders**”) for the Conversion of the Debenture. **The Debenture will only become convertible if the Disinterested Shareholders approve the Conversion.**

Thus, upon receipt of Disinterested Shareholders’ approval (meaning the approval of all the Shareholders, excluding the Excluded Parties), the Debenture will be converted (the “**Conversion**”) into 12,104,444 Units of Falco (the “**Units**”). Each Unit will consist of one Common Share and one-half of one common share purchase warrant. Each whole warrant (the “**Unit Warrant**”) will entitle the holder to purchase one Common Share, subject to customary anti-dilution clauses, at a price of \$0.75 for a period of thirty-six (36) months from the date the Units are issued. The Units will be subject to a hold period of four months from the date of Conversion in accordance with applicable Canadian securities laws.

Concurrently with the signing of the Debenture, on June 29, 2018, Falco and Osisko entered into an investor rights agreement (the “**Investor Rights Agreement**”) in order to, among other things, confer on Osisko nomination, participation and registration rights in accordance with the terms and condition of this agreement. Under the Investor Rights Agreement, Falco granted to Osisko, so long as Osisko holds a minimum of 5% of the issued and outstanding Common Shares, i) a contractual right to participate in future

equity or equity-linked offerings by Falco to maintain its pro rata ownership interest in Falco at the time of Conversion and ii) a right to designate two (2) individuals for election to the Board of Directors. In addition, the Investor Rights Agreement provides that, so long as Osisko holds a minimum of 10% of the issued and outstanding Common Shares, Osisko shall have customary demand and piggyback registration rights with respect to the registration of sales of Common Shares owned by Osisko. Osisko's initial representatives on the Board of Directors under the Investor Rights Agreement are current directors Sean Roosen and Bryan A. Coates.

The Debenture does not currently accrue interest. If the Disinterested Shareholders do not approve the Conversion, the interest will accrue retroactively from June 29, 2018, at a rate per annum that is equal to 7%, compounded quarterly and be payable at the repayment of the principal when due, as per the terms of the Debenture. The maturity date of the Debenture is the earlier of: (i) the date of the Meeting; and (ii) December 31, 2018, subject to extension in accordance with the terms of the Debenture.

The Debenture provides that the conversion of the Debenture and the approval by the Shareholders of the Stream Agreement are cross-conditional. Therefore, in the event that the Shareholders approve the Conversion of the Debentures Resolution but do not approve each of the Stream Agreement Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, the Debenture will not be convertible into Units unless Osisko waives such conditions (in its sole discretion) and the Debenture will mature on the date of the Meeting. In the event that the Shareholders approve the Stream Agreement Resolution but do not approve each of the Conversion of the Debentures Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, Osisko will not be required to enter into the Stream Agreement and provide related financing for the Horne 5 Project unless Osisko waives such condition (in its sole discretion), and the Debenture will mature on the date of the Meeting.

The text of the Debenture is available under Falco's profile at www.sedar.com.

The Board recommends the Conversion of the Debenture.

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the Corporation be authorized to convert the Debenture into 12,104,444 Units;
2. any director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

To be effective, the Conversion of the Debenture Resolution must be approved by a majority of the votes cast by Disinterested Shareholders present in person or represented by proxy at the Meeting excluding 28,355,908 Common Shares owned by the Excluded Parties. Accordingly, the disinterested members of the Board are recommending that the Disinterested Shareholders vote FOR such resolution. Unless contrary instructions are indicated on the proxy form or the voting instruction card, the persons designated in the accompanying form of proxy or voting instruction card intend to vote FOR the approval of the Conversion of the Debenture Resolution.

2.5.3 Creation of a New Control Person

At the Meeting, Disinterested Shareholders will be asked to consider and if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the creation of a new Control Person of the Corporation.

Under the rules of the TSXV, a Control Person is created when:

- a person holds or is one of a combination of persons that holds a sufficient number of any of the securities of an issuer so as to affect materially the control of that issuer; or
- a person holds more than 20% of the outstanding voting shares of an issuer except where there is evidence showing that the holder of those securities does not materially affect the control of the issuer.

On June 29, 2018, Falco entered into a financing transaction with Osisko under which Osisko purchased the Debenture, as more fully described under the heading “Conversion of the Debenture” in this Circular. At the Meeting, if the Disinterested Shareholders approve the Conversion, the Debenture will be converted into 12,104,444 Units, and each Unit will consist of one Common Share and one-half of a Unit Warrant.

Osisko now currently owns 23,927,005 Common Shares representing approximately 12.6% of the issued and outstanding Common Shares. Osisko is also the owner of 1,550,500 warrants (the “Warrants”) each entitling Osisko to purchase one Common Share.

Assuming the exercise of the Warrants and the Conversion of the Debenture, including the exercise of the 6,052,222 Unit Warrants, Osisko will own 43,634,171 Common Shares representing approximately 20.8% of the issued and outstanding Common Shares. In such circumstances, Osisko will become a Control Person of Falco.

The Board recommends the creation of the new Control Person of the Corporation.

The Debenture provides that the conversion of the Debenture and the approval by the Shareholders of the Stream Agreement are cross-conditional. Therefore, in the event that the Shareholders approve the Conversion of the Debentures Resolution but do not approve each of the Stream Agreement Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, the Debenture will not be convertible into Units unless Osisko waives such conditions (in its sole discretion) and the Debenture will mature on the date of the Meeting. In the event that the Shareholders approve the Stream Agreement Resolution but do not approve each of the Conversion of the Debentures Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, Osisko will not be required to enter into the Stream Agreement and provide related financing for the Horne 5 Project unless Osisko waives such condition (in its sole discretion), and the Debenture will mature on the date of the Meeting.

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the creation of a new Control Person being Osisko be authorized;

2. any director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

To be effective, the Creation of a New Control Person Resolution must be approved by a majority of the votes cast by Disinterested Shareholders present in person or represented by proxy at the Meeting excluding 28,355,908 Common Shares owned by the Excluded Parties. Accordingly, the disinterested members of the Board are recommending that the Disinterested Shareholders vote FOR such resolution. Unless contrary instructions are indicated on the proxy form or the voting instruction card, the persons designated in the accompanying form of proxy or voting instructions card intend to vote FOR the approval of the Creation of a New Control Person Resolution.

2.5.4 Stream Agreement

At the Meeting, Disinterested Shareholders will be asked to consider and if deemed advisable, to pass, with or without amendments, an ordinary resolution to approve the execution of the Stream Agreement.

Falco, as seller, is proposing to enter into the Stream Agreement with Osisko either as sole purchaser or as one of a potential consortium of purchasers (individually, a “**Purchaser**” and collectively, the “**Purchasers**”) and as the Purchasers’ agent (the “**Purchasers’ Agent**”) and collateral agent with respect to silver production from the Corporation’s Horne 5 Property. Except for Osisko, each member of the potential consortium, as the case may be, will be dealing at arm’s length with Falco.

Set forth below is a summary of certain of the material terms and conditions of the Stream Agreement.

The Horne 5 Property consists of the Horne 5 Deposit, which comprises all of the Corporation’s right and interest in the minerals located below 200 meters from the surface of mining concession 156PTB, located in Rouyn-Noranda, Province of Québec, with the registered owner thereof being Glencore Canada Corporation (“**Glencore**”); as and when acquired, the surface rights surrounding the Quemont No. 2 shaft located on mining concession 243; any future mineral rights, access rights and surface rights which may be granted to Falco in replacement of or as an adjunct to the Horne 5 Deposit; the proposed tailings management facility located approximately 17 kilometers northwest of the Horne 5 Deposit; and an area of interest comprised within a 5 kilometer radius of the Horne 5 Deposit.

The Stream Agreement provides that in exchange for an upfront deposit of up to \$180 million (the “**Deposit**”), which is to be advanced by the Purchasers to the Corporation in up to five instalments as more particularly set forth below, the Corporation will sell to the Purchasers refined silver equal to: (i) initially, 90% of the number of ounces of payable silver received by the Corporation pursuant to an offtaker settlement; and (ii) if the fifth instalment of the Deposit is advanced, 100% of the number of ounces of such payable silver.

The Deposit is to be used for advancing the dewatering, development and construction of the Horne 5 Property in accordance with the then current construction budget and schedule and for working capital requirements for the Horne 5 Project. The amount of refined silver will not be reduced by any refining charges, treatment charges, penalties, insurance charges, transportation charges, settlement charges, financing charges or price participation charges or other similar charges or deductions.

The Stream Agreement is for an initial 40-year term, subject to additional 10-year extensions at the option of the Purchasers.

The Stream Agreement contains a minimum delivery guarantee (the “**Minimum Delivery Guarantee**”) which provides that the Corporation shall deliver at least 6.0 million ounces of refined silver to the Purchasers within 60 months following the commencement of commercial production of the Horne 5 Property (the “**Minimum Delivery Date**”), failing which the Corporation will owe the difference to the Purchasers together with interest thereon at the rate specified in the Stream Agreement. The payment due date is 90 days after the Minimum Delivery Date. The minimum delivery true up and interest thereon will be payable in refined silver.

The Stream Agreement is subject to the laws of the Province of Québec and the federal laws of Canada applicable therein.

Instalments

The instalments and the conditions for the advance of the instalments are described below:

- (a) The first instalment is in the amount of \$25 million (the “**First Instalment**”) and is payable on closing. The First Instalment is to be used to repay amounts owing to Osisko under the senior note dated May 30, 2016 in the principal amount of \$10 million (as amended on November 29, 2017 and on May 31, 2018), under the Senior Secured Loan Agreement dated September 10, 2018 in the principal amount of \$10 million and under accounts payable owing to Osisko, as well as all legal fees and expenses owing by the Corporation to Osisko in connection with the transactions contemplated by the Stream Agreement and the other transaction documents (the “**Other Transaction Documents**”), which for clarity, include all stream security and an intercreditor agreement with among others, Glencore (the “**Glencore Intercreditor Agreement**”). The Other Transaction Documents and the Stream Agreement are sometimes collectively referred to in this Circular as the “**Transaction Documents**”. The payment of the First Instalment is conditional upon the delivery of customary corporate and enforceability legal opinions as well as a title opinion; the approval by Shareholders of the transactions contemplated by the Stream Agreement in accordance with the rules of the TSXV and Regulation 61-101; approval by Disinterested Shareholders of the Conversion of Debenture, execution of, among other documents, the Glencore Intercreditor Agreement; registration of all encumbrances against all Collateral; and the Corporation obtaining the consent of Glencore in connection with certain matters relating to the granting of encumbrances over Collateral in which Glencore has an interest, comprising the Horne 5 Property, the Glencore Property Documents and certain previously obtained approvals from Glencore.
- (b) The second instalment is in the amount of \$20 million (the “**Second Instalment**”) and is payable on or before January 31, 2020. The payment of the Second Instalment is conditional upon receipt by the Purchasers’ Agent of an updated title opinion as well as the proof of receipt by the Corporation of certain project third party approvals, which include certain Glencore Property Documents and additional approvals required from Glencore in order to develop, construct and operate the Horne 5 Project.
- (c) The third instalment is in the amount of \$35 million (the “**Third Instalment**”) and is payable on or before January 31, 2021. The payment of the Third Instalment is conditional upon receipt by the Purchasers’ Agent of an updated title opinion as well as the proof of receipt by the Corporation of certain additional project approvals; the payment by the Corporation to Osisko of cash in the amount of \$2.0 million in respect of an agreed upon capital commitment fee with respect to the Stream; the Board of Directors approving and announcing by way of press release a positive construction decision

for the Horne 5 Property; and proof that the Corporation has completed a financing for no less than \$100 million in unrestricted gross proceeds.

- (d) The fourth instalment is in the amount of \$60 million (the “**Fourth Instalment**”) and is payable on or before January 31, 2022, but to be disbursed on a *pro rata* basis with each drawdown of a debt facility to fund the Horne 5 Project, subject to early drawdowns by the Corporation for the acquisition of long lead items and as consented to by the Purchasers’ Agent, acting on the direction of the majority Purchasers. The majority Purchasers may in their discretion elect that all or any portion of the Fourth Instalment be funded by the Purchasers on a more accelerated basis than *pro rata* with drawdowns under the project debt facility. The payment of the Fourth Instalment is conditional upon receipt by the Purchasers’ Agent of an updated title opinion as well as the Corporation’s financial completion of a project debt facility.
- (e) The fifth instalment is in the amount of \$40 million (the “**Fifth Instalment**”). The payment of the Fifth Instalment is solely discretionary at the option of the Purchasers, is payable on or before January 31, 2022, and is to be disbursed on a *pro rata* basis with each drawdown of the Fourth Instalment. All of the Purchasers may elect in their discretion that all or any portion of the Fifth Instalment be funded on a more accelerated basis than *pro rata*.

Additionally, for each draw down of an instalment, the Corporation must deliver to the Purchasers’ Agent a deposit request which has attached thereto, among other things, a certificate of a schedule of works for development of the Horne 5 Project including a reconciliation of works then completed against the construction budget and schedule; a schedule of the project costs, including a reconciliation of project costs then incurred against the construction budget and schedule and a reconciliation of the previous Deposit against the use of such Deposit; a statement that no material adverse effect has occurred; a statement that there has been no event of default; a statement that all material project governmental approvals and all material project third party approvals have been obtained; a statement that the development of the Horne 5 Project and the associated project costs at its then current stage of completion is, in all material respects, in compliance with all material project governmental approvals and all material project third party approvals; and a statement as to cash on hand.

If a Purchaser defaults in contributing its *pro rata* share of any of the instalments, then the other Purchasers may elect to contribute any portion of such *pro rata* share, and step into the shoes of the defaulting Purchaser with respect to the amount which was in default. If the defaulted amount is not taken up in full by any of the other Purchasers, then there will be a *pro rata* reduction of the Stream Percentage as well as the Minimum Delivery obligations.

Deliveries of and Payments for Refined Silver

Within a specified delay after the Corporation receives an offtaker settlement, the Corporation must sell to each Purchaser refined silver in an amount equal to its applicable stream percentage of payable silver in respect of the lot, as supported by reasonable documentation. The sale will be by way of silver credit or physical allocation to the metal account or accounts of the Purchasers in London or any other location approved in accordance with the Stream Agreement.

For each ounce of refined silver sold to a Purchaser, the Purchaser will pay, until the Deposit has been reduced to zero, the “**Reference Price**” (i.e. spot price) payable in cash and after the Deposit has been reduced to zero, the “**Transfer Price**” (i.e. the lesser of US\$6.00 per ounce and 20% of the Reference Price). Until the Deposit has been reduced to zero, for each delivery of refined silver, the Purchaser will remit a cash amount equal to the Transfer Price and credit the difference between the Reference Price and the Transfer Price against the then Uncredited Balance.

Reporting and Other Rights of the Purchasers

The Stream Agreement provides that the Corporation must deliver certain specified monthly and annual operational reporting to the Purchasers as well as quarterly and annual fiscal reporting to the Purchasers and reporting on the occurrence of positive and negative milestone events. The Purchasers' Agent has the right to perform audits or other reviews of the books and records of the Corporation and to conduct site visits of the Horne 5 Property.

Covenants of the Corporation

The Stream Agreement also contains a number of covenants made on the part of the Corporation. These include covenants as to the conduct of operations; preservation of corporate existence; and no encumbrances on the Horne 5 Property or the Collateral; no commingling; content of offtake agreements to be on commercially reasonable arms' length terms; maintenance by the Corporation of customary insurance; restrictions on the business which may be carried on by the Corporation and its affiliates; restrictions in entering into non arms' length transactions; restrictions on the incurrence of indebtedness; restrictions on the making of distributions that are not "Permitted Distributions"; compliance by the Corporation with anti-corruption laws; and stockpiling by the Corporation.

The Stream Agreement also contains representations and warranties to be made by the Corporation in favour of the Purchasers. Subject to certain exceptions, the representations and warranties must be reiterated prior to the drawdown of each of the Instalments and on an annual basis.

Transfer Restrictions

The Stream Agreement contains restrictions on transfers by the Corporation of Material Collateral; sales by the Corporation of Mineral Interests; changes in control of the Corporation; and restrictions on intercorporate transfers transacted by the Corporation. The provisions regarding change of control of the Corporation do not apply to transfers of Common Shares by Osisko.

Subject to pre-existing rights of first refusal in favour of Glencore more particularly described below, the Purchasers have a right of first refusal in the event the Corporation seeks to offer a Mineral Interest for sale to a third party.

Any change of control of the Corporation that is implemented prior to the date on which the Deposit has been reduced to zero through deliveries of Refined Silver (the "**Deposit Offset Date**") will require the consent of the Purchasers in accordance with the terms of the Stream Agreement. After the Deposit Offset Date, the Stream Agreement will not prohibit a change of control if, among other things, there is no existing event of default; the transferee and its affiliates grant to the Purchasers' Agent the same types of charges and encumbrances on the Collateral as are then in existence; the Purchasers' Agent is satisfied the transfer will not result in a material adverse effect; and the acquiring person shall: (i) have sufficient financial resources to perform the obligations of Falco under the Stream Agreement; (ii) satisfy certain financial capacity tests; and (iii) have sufficient mining, engineering, operational and technical capability to continue the development and operation of the Horne 5 Project and in a manner that provides reasonable assurance that the Horne 5 Project will be developed and operated in a commercially reasonable manner and in accordance with Good Industry Practice, the operating plan and the Stream Agreement.

Security

As security for the obligations of the Corporation under the Transaction Documents, the Corporation has agreed to grant to the Purchasers' Agent, first ranking encumbrances on the Collateral, subject only to existing permitted encumbrances which have prior ranking by operation of law and the existing National Bank Hypothec, being a hypothec granted by the Corporation in favour of National Bank of Canada and a credit agreement dated June 27, 2017 with respect to a \$5.0 million letter of credit facility.

Falco's Events of Default

The Stream Agreement includes events of default, which give rise to termination rights and other remedies (including liquidated damages as are customary for a streaming facility of this nature) in and to the Purchasers, including without limitation, the enforcement of the encumbrances on the Collateral.

Falco's events of default include failure to deliver refined silver; breach of security; breach of covenants or other agreements in the Stream Agreement; non-compliance with the transfer restrictions set forth in the Stream Agreement; inaccuracy of representations and warranties; failure to pay certain other indebtedness or failure to comply with a covenant in any agreement creating any such indebtedness; occurrence of an event of default under any project debt facility; breach of obligations in favour of Glencore; ceasing or threatening to cease to carry on business; the occurrence of an insolvency event; the occurrence of a material adverse effect; if any security becomes invalid or unenforceable; all or any material portion of the Collateral is sold or encumbered other than in compliance with the terms of the Stream Agreement; expropriation or condemnation by a governmental authority of a material part of the Horne 5 Property, the Horne 5 Project or the Material Collateral; failure to obtain and maintain certain material project governmental approvals and material project third party approvals or cancellation of the same; failure to achieve commencement of commercial production by a specified date; failure to achieve completion by a specified date; prior to commencement of commercial production, the Corporation shall take no steps toward securing the project debt facility for a continuous period of at least three months; the abandonment, loss or forfeiture or a material portion of the Horne 5 Project or the Horne 5 Property; it shall become unlawful for the Corporation to perform its obligations under the Transaction Documents; a final judgment, order, writ of execution, garnishment or attachment or similar process for an amount in excess of a specified amount is issued against the Corporation or its affiliates; the Corporation or its affiliates repudiate or contest any of the Transaction Documents; or the Corporation shall be in breach of anti-corruption laws.

The closing of the Stream Agreement shall be subject to customary closing conditions.

Glencore's Right of First Refusal

The Corporation is a party to an asset purchase agreement dated March 28, 2011 (the "**Asset Purchase Agreement**") originally entered into between Xstrata Canada Corporation – Xstrata Copper Canada Division and Alexis Minerals Corporation, the Corporation having acceded into the position of Alexis Minerals Corporation and Glencore being a successor of Xstrata Canada Corporation – Xstrata Copper Canada Division.

Section 6.02 of the Asset Purchase Agreement contains a right of first refusal in favour of Glencore that may be triggered by the offer by the Purchasers to enter into a Stream Agreement secured by a security interest over the Horne 5 Property. If the Corporation receives a *bona fide* cash offer for its transfer of the "**Offered Interest**" (i.e. here, the stream and security interest provided under the Stream Agreement) which the Corporation is willing to accept, the offer must state the consideration and all material terms and conditions upon which the transfer shall take place. The Corporation must first offer to sell the Offered Interest to Glencore in lieu of the Purchasers at a price and on the same terms and conditions as are contained

in the offer. The offer and the offer terms must be sent to Glencore, who will have a period of 60 days to notify the Corporation that it shall purchase the Offered Interest in accordance with the offer terms, in which case the Corporation shall sell the Offered Interest to Glencore. If Glencore does not give such notice within the said 60-day period, then the Corporation may sell the Offered Interest to the Purchasers in accordance with the offer terms provided that the Purchasers must sign an instrument to and in favour of Glencore, as required by the Asset Purchase Agreement.

The Corporation expects to send to Glencore a copy of an offer from the Purchasers with respect to the Stream Agreement with a copy of the settled form Stream Agreement attached thereto. The Corporation anticipates that if Glencore exercises its right of first refusal as set out in Section 6.02 of the Asset Purchase Agreement and as described above, Glencore and the Corporation will enter into the Stream Agreement that the Corporation has negotiated with the Purchasers, as summarized in this Circular.

The Board recommends the entering into the Stream Agreement.

The Debenture provides that the conversion of the Debenture and the approval by the Shareholders of the Stream Agreement are cross-conditional. Therefore, in the event that the Shareholders approve the Conversion of the Debentures Resolution but do not approve each of the Stream Agreement Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, the Debenture will not be convertible into Units unless Osisko waives such conditions (in its sole discretion) and the Debenture will mature on the date of the Meeting. In the event that the Shareholders approve the Stream Agreement Resolution but do not approve each of the Conversion of the Debentures Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, Osisko will not be required to enter into the Stream Agreement and provide related financing for the Horne 5 Project unless Osisko waives such condition (in its sole discretion), and the Debenture will mature on the date of the Meeting.

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the Corporation be authorized to enter into the Stream Agreement with the Purchasers substantially in accordance with the terms summarized in this Circular;
2. any director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

To be effective, the Stream Agreement Resolution must be approved by a majority of the votes cast by Disinterested Shareholders present in person or represented by proxy at the Meeting. Accordingly, the disinterested members of the Board are recommending that the Disinterested Shareholders vote FOR the approval such resolution. Unless contrary instructions are indicated on the proxy form or the voting instruction card, the persons designated in the accompanying form of proxy or voting instructions card intend to vote FOR the approval of the Stream Agreement Resolution.

2.5.5 Alternative Stream Agreement

Pursuant to TSXV Policy 5.3 should the Corporation enter into a stream agreement substantially equivalent to the Stream Agreement with any other arm's length third party (the "**Alternative Stream Agreement**"), such Alternative Stream Agreement would constitute a "Reviewable Disposition" of a nature which could require shareholder approval.

At the Meeting, Shareholders will be asked to consider and if deemed advisable, to pass, with or without amendments, an ordinary resolution to authorize the Corporation to enter into the Alternative Stream Agreement.

In order to obtain additional financial resources to advance dewatering, development and construction of the Horne 5 Project and for working capital requirements should the Corporation be unable to conclude the Stream Agreement, the Corporation would have to consider entering into the Alternative Stream Agreement. Considering that the Alternative Stream Agreement would be a Reviewable Disposition under the TSXV rules and policies and represent a significant portion of the Corporation's assets, the TSXV would require Shareholders' approval of the Alternative Stream Agreement.

The Alternative Stream Agreement would also provide significant funding to Falco in the short-term to advance dewatering, development and construction of the Horne 5 Project.

The Alternative Stream Agreement is an alternative to the Stream Agreement that the Corporation will consider only if the Stream Agreement cannot be concluded with the Purchasers. See the heading "Background" of this Circular for more details on the benefits to Falco of the Stream Agreement.

The Board recommends the entering into the Alternative Stream Agreement as an alternative to the Stream Agreement should the Corporation be unable to conclude the Stream Agreement with the Purchasers.

"BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT:

1. the Corporation be authorized to enter into the Alternative Stream Agreement;
2. any director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing."

To be effective, the Alternative Stream Agreement Resolution must be approved by a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting. The disinterested members of the Board are recommending that the Shareholders vote FOR the approval such resolution. Unless contrary instructions are indicated on the proxy form or the voting instruction card, the persons designated in the accompanying form of proxy or voting instructions card intend to vote FOR the approval of the Alternative Stream Agreement Resolution.

2.5.6 Termination of Amended and Restated Shareholder Rights Plan Agreement

At the Meeting, Disinterested Shareholders will be asked to consider and, if deemed advisable, to pass, with or without amendments, an ordinary resolution to terminate the Corporation's Rights Plan (as defined below). On November 22, 2016, the Corporation entered into an amended and restated shareholder rights plan agreement (the "**Rights Plan**") with TSX Trust Company, as rights agent (the "**Rights Agent**").

Certain Reasons for Terminating the Rights Plan

The Board believes that the time has come to terminate the Rights Plan. The Corporation is currently evaluating various alternatives to accelerate the growth of its activities, including accessing additional capital, and the Rights Plan may constitute an impediment to accessing additional capital. Some of the financial alternatives being considered involve the participation of existing shareholders. Participation in such capital raising could trigger a Flip-In-Event under the Rights Plan, even though permitted under existing Canadian legislation applicable to take-over bids. In this context, the Board has determined that the Rights Plan could adversely affect the Corporation's ability to support its growth and believes that it is in the best interests of the Corporation and its shareholders to terminate the Rights Plan, effective at the close of the Meeting.

The Board continues to be committed to achieving the objectives for which the Rights Plan was initially adopted but believes that the objectives of the Rights Plan could be achieved otherwise. The proposed termination of the Rights Plan does not restrict the Corporation's ability to adopt a rights plan in the future. If the Corporation becomes aware of a take-over bid being made or contemplated for the Corporation by an offeror, the Board will be able to achieve the objective by adopting a limited duration shareholder rights plan in response to the particular take-over bid.

Approval

The Rights Plan provides that the Corporation may, before the Separation Time (as such term is defined in, and which event has not yet been triggered under the terms of, the Rights Plan) amend, vary or rescind any of the provisions of the Rights Plan with the prior consent of the holders of a majority of the votes cast by holders of Voting Shares (as such term is defined in the Rights Plan), other than any such holder who is an Offeror pursuant to a Take Over Bid that is not a Permitted Bid, a Competing Permitted Bid or an Exempt Acquisition (as such terms are defined in the Rights Plan) with respect to all Voting Shares beneficially owned by such person.

The proposed resolution to terminate the Rights Plan (the "**Shareholder Rights Plan Resolution**") is set out below and requires approval by at least a majority of the votes cast thereon by Disinterested Shareholders, and if such approval is not received, the Rights Plan and the rights issued pursuant to such plan cannot be terminated.

If the Shareholder Rights Plan Resolution is approved, the Rights Plan and the rights issued pursuant to such plan will terminate and the Corporation will rely on the requirements of legislation in the event of a take-over bid.

The Debenture provides that the conversion of the Debenture and the approval by the Shareholders of the Stream Agreement are cross-conditional. Therefore, in the event that the Shareholders approve the Conversion of the Debentures Resolution but do not approve each of the Stream Agreement Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, the Debenture will not be convertible into Units unless Osisko waives such conditions (in its sole discretion) and the Debenture will mature on the date of the Meeting. In the event that the

Shareholders approve the Stream Agreement Resolution but do not approve each of the Conversion of the Debentures Resolution, the New Control Person Resolution and the Shareholder Rights Plan Resolution, Osisko will not be required to enter into the Stream Agreement and provide related financing for the Horne 5 Project unless Osisko waives such condition (in its sole discretion), and the Debenture will mature on the date of the Meeting.

“BE IT RESOLVED AS AN ORDINARY RESOLUTION THAT

1. The termination by the Corporation of the Rights Plan between the Corporation and TSX Trust Company and the termination of Rights (as defined in the Rights Plan) issued pursuant to the Rights Plan, all as more particularly described in the Corporation’s Circular, are hereby approved.
2. any director or officer of the Corporation be and the same is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute or cause to be executed, whether under corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such documents, and to do or cause to be done all such acts and things, as in the opinion of such director or officer may be necessary or desirable in order to carry out the terms of this resolution, such determination to be conclusively evidenced by the execution and delivery of such documents or the doing of any such act or thing.”

To be effective, the Shareholder Rights Plan Resolution must be approved by a majority of the votes cast by Disinterested Shareholders present in person or represented by proxy at the Meeting excluding 28,355,908 Common Shares owned by the Excluded Parties. The disinterested members of the Board are recommending that the Shareholders vote FOR the approval such resolution. Unless contrary instructions are indicated on the proxy form or the voting instruction card, the persons designated in the accompanying form of proxy or voting instructions card intend to vote FOR the approval of the Shareholder Rights Plan Resolution.

PART 3: ABOUT FALCO

3.1 Corporate Governance Practices

Falco believes in the importance of a strong Board of Directors and sound corporate governance policies and practices to direct and manage our business affairs. Good corporate governance is essential to retaining the trust of our Shareholders, attracting the right people to the organization and maintaining our social license in the communities where we work and operate. Falco also believes that good governance enhances its performance.

The Corporation’s governance framework is evolving as the Corporation continues to grow. Its governance policies also respect the rights of Shareholders and comply with the rules of the Canadian Securities Administrators (“CSA”) and the Exchange.

The Board has adopted board and committee charters as well as other policies and practices. Independent directors are expected to hold in-camera meetings at each quarter-end board and committee meeting. A copy of the Corporation’s Code of Ethics, as well as Board and Committee charters, are posted on Falco’s website at www.falcores.com and can be requested via email at info@falcores.com.

The following discussion outlines some of Falco’s current corporate governance practices, particularly with respect to the matters addressed by *Policy Statement 58-201 to Corporate Governance Guidelines* (the “**Canadian Guidelines**”) and Regulation 58-101 adopted by the CSA.

Code of Ethics

The Board has adopted a Code of Ethics applicable to all of its directors, officers and employees, including the Chair of the Board, the President and Chief Executive Officer, the Chief Financial Officer and other person performing financial reporting functions.

The Code of Ethics communicates to directors, officers and employees standards for business conduct in the use of Falco time, resources and assets, and identifies and clarifies proper conduct in areas of potential conflict of interest. Each director, officer and employee is provided with a copy of the Code of Ethics and is asked to sign an acknowledgement that the standards and principles of the Code of Ethics will be maintained at all times on Falco business. The Code of Ethics is designed to deter wrongdoing and promote: (a) honest and ethical conduct; (b) compliance with laws, rules and regulations; (c) prompt internal reporting of Code of Ethics violations; and (d) accountability for adherence to the Code of Ethics. Violations from standards established in the Code of Ethics, and specifically under internal accounting controls, are reported to the Chief Financial Officer or Vice President, Legal Affairs and Corporate Secretary and can be reported anonymously. The Chief Financial Officer or Vice President, Legal Affairs and Corporate Secretary will report to the Audit Committee which will report to the Board any reported violations at least quarterly, or more frequently depending on the specifics of the reported violation.

The President and Chief Executive Officer and the Nominating and Corporate Governance Committee are responsible for promoting a corporate culture which supports the highest of ethical standards, encourages personal integrity and assumes social responsibility.

The Corporation will adopt, from time to time, policies and guidelines relating to ethics that apply to all directors, officers and employees of the Corporation. The Corporation's Code of Ethics will be reviewed on an annual basis as well as adherence thereto.

The Code of Ethics is distributed to and signed by each of the Corporation's employees when they are hired. Directors, officers and designated employees are required, on an annual basis, to declare their commitment to abide by the Corporation's Code of Ethics. Management of the Corporation reports annually to the Nominating and Corporate Governance Committee all non-compliance statements so disclosed by directors, officers and designated employees.

The Corporation's Code of Ethics provides that directors, officers and employees must avoid conflicts of interests, both real and perceived. In practice, should a director have a material interest or be otherwise in conflict of interest as regards a transaction or agreement considered by the Board, he must disclose his conflict of interest and withdraw from any discussions, assessment or decision related to the particular transaction or agreement.

In the event any transactions or agreements are contemplated in respect of which a director or executive officer has a material interest, the matter must be initially reviewed by the Audit Committee and is then submitted to the Board of Directors. The Board may implement any measures that it finds necessary in order to ensure the exercise of independent judgment. In the event a director has a material interest in any transaction or agreement, such director will abstain from voting in that regard.

In addition, the Board has established under the Corporation's Internal Whistle Blowing Policy, a process for the receipt and treatment of all complaints concerning accounting, internal accounting controls, auditing or any other wrongdoing, including in connection with the Corporation's Code of Ethics submitted by any employee, including procedures for the confidential anonymous submissions by employees of concerns

regarding said matters. To help in this process, the Corporation established an Ethics Line, which is a phone and Internet-based reporting system (1-855-940-2004 or ethics@falcores.com).

There have been no reports filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code of Ethics.

Through the above-noted methods, the Board encourages and promotes a culture of ethical business conduct. In addition, the directors, officers and employees of the Corporation are expected to act and to hold their office within the best interests of the Corporation. The Corporation expects that all directors shall act in compliance of all laws and regulations applicable to their office as director of the Corporation.

A copy of the Code of Ethics is available on the Corporation's website at www.falcores.com.

3.2 Role of the Board of Directors

The primary responsibility of the Board is to supervise the management of the business and affairs of the Corporation. In discharging its fiduciary duties, Board members are expected to use their experience and expertise to guide Management and ensure good governance practices are adhered to. The Board oversees the Corporation's systems of corporate governance and financial reporting and controls to ensure that the Corporation reports adequate and reliable financial and other information to Shareholders and engages in ethical and legal conduct.

The Corporation expects each member of its Board to act honestly and in good faith and to exercise business judgment that is in the best interests of the Corporation and its stakeholders. The Chair does not have a second or casting vote in the case of equality of votes in any matter brought before the Board.

In addition to possessing the requisite skill and experience required to carry out their functions, directors must demonstrate a track record of honesty, integrity, ethical behaviour, fairness and responsibility and a commitment to representing the long-term interests of Falco's stakeholders. They must also be able to devote the time required to discharge their duties and responsibilities effectively.

In addition to the foregoing, each director is expected to:

- Develop an understanding of Falco's strategy, business environment, the market in which the Corporation operates and its financial position and performance;
- Be willing to share expertise and experience with Management and fellow directors, and to use a respectful, collegial approach in challenging the views of others;
- Diligently prepare for each Board and committee meeting by reviewing all of the meeting materials in advance of the meeting date;
- Actively and constructively participate in each meeting and seek clarification when necessary to fully understand the issues being considered;
- Leverage experience and wisdom in making sound strategic and operational business decisions; and
- Demonstrate business acumen and a mindset for risk oversight.

A copy of the Charter of the Board of Directors is attached in this Circular as Schedule "B".

Committees of the Board

The Board has established four standing committees, namely: the Audit Committee, the Compensation Committee, the Environment and Technical Committee and the Nominating and Corporate Governance

Committee. On February 21, 2017, the Board established an *ad hoc* Finance Committee. Following is a description of the authority, responsibilities, duties and function of such committees.

Audit Committee

The Audit Committee meets regularly in order to assist the Board of Directors in fulfilling its oversight responsibilities with respect to the following: (i) in its oversight of the Corporation's accounting and financial reporting principles and policies and internal audit controls and procedures; (ii) in its oversight of the integrity and transparency of the Corporation's financial statements and the independent audit thereof; (iii) in selecting, evaluating and, where deemed appropriate, replacing the external auditors; (iv) in evaluating the independence of the external auditors; (v) in its oversight of the Corporation's risk identification, assessment and management program; and (vi) in the Corporation's compliance with legal and regulatory requirements in respect of the above.

The function of the Audit Committee is to provide independent and objective oversight. Management of the Corporation is responsible for the preparation, presentation and integrity of the Corporation's financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out a proper audit of the Corporation's annual financial statements and other procedures. In fulfilling their responsibilities thereunder, it is recognized that members of the Audit Committee are not full-time employees of the Corporation and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing including in respect of auditor independence. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and external to the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors) and (iii) representations made by Management as to non-audit services provided by the auditors to the Corporation.

The Audit Committee met four (4) times during the most recently completed financial year. The Audit Committee is composed of the following three (3) directors:

- Ms. Paola Farnesi (Chair) (Independent)
- Mr. Mario Caron (Independent)
- Ms. Chantal Sorel (Independent)

All members of the Audit Committee are "financially literate" and/or "financial experts", within the meaning of applicable regulations. In considering criteria for determination of financial literacy, the Board assesses the ability to understand financial statements of the Corporation. In determining accounting or related financial expertise, the Board considers familiarity with accounting issues pertinent to Falco, past employment experience in finance or accounting, requisite professional certification in accounting, and any other comparable experience or background which results in the individuals' financial sophistication.

A copy of the Charter of the Audit Committee is attached in this Circular as Schedule "C".

Relevant Education and Experience

The following sets out the Audit Committee members' education and experience that is relevant to the performance of his responsibilities as an audit committee member.

Paola Farnesi: Ms. Farnesi is a Chartered Professional Accountant and has 29 years of progressive experience in the financial industry. She is currently Vice President and Treasurer of Domtar Corporation. Ms. Farnesi has held several other leadership positions at Domtar Corporation since February 1994, where she was responsible for financial reporting, financial planning and analysis, as well as internal audit. Prior to February 1994, Ms. Farnesi was a senior accountant at Ernst & Young from July 1989 to February 1994. Ms. Farnesi holds a Bachelor of Commerce and a Graduate degree in Public Accountancy from McGill University and is a Chartered Professional Accountant. She obtained the ICD.D designation from the Institute of Corporate Directors. Ms. Farnesi is a member of the Order of Québec Chartered Professional Accountants.

Mario Caron: Mr. Caron has over 40 years' experience in the mining industry and held chief executive officer and senior executive and board positions in mining companies. His experience was gained nationally and internationally in both underground and open pit operations. Mr. Caron holds a Bachelor of Engineering, Mining at McGill University and is a member of the Ordre des ingénieurs du Québec and the Association of Professional Engineers of Ontario.

Chantal Sorel: Ms. Sorel is Executive Vice President and Managing Director, Capital at SNC-Lavalin. She is responsible for the investment and asset management business capability of SNC-Lavalin, which invests capital in projects and manages the company's multi-billion-dollar portfolio of infrastructure investments. Previously, Ms. Sorel was Senior Vice President, Business Development of SNC-Lavalin's Infrastructure sector. Until late 2014, she held the position of Vice President and Project Manager in charge of the McGill University Health Centre Glen Site project. Ms. Sorel has a degree in architecture from Université de Montréal and a Master's degree in Project Management from Université du Québec à Montréal. She also has a Project Management Professional certification from the Project Management Institute and completed the Director Education Program at the Institute of Corporate Directors.

Audit Committee Oversight

At no time since the commencement of the Corporation's most recent completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

Reliance on Certain Exemptions

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemptions in Sections 2.4 and 6.1.1 of Regulation 52-110 or an exemption from Regulation 52-110, in whole or in part, granted under Part 8 of Regulation 52-110.

Pre-Approval Policies and Procedures

The Audit Committee has not adopted any specific policies and procedures for the engagement of non-audit services. However, any non-audit service shall be submitted to the Audit Committee for approval.

External Auditor Service Fees (By Category)

The aggregate fees billed by the Corporation's external auditor in each of the last two (2) fiscal years are as follows:

	2018 ⁽¹⁾	2017 ⁽¹⁾
Audit fees ⁽²⁾	\$139,650	\$68,250
Audit-related fees ⁽³⁾	Nil	\$101,808
Tax fees ⁽⁴⁾	\$2,100	\$2,625
All other fees	Nil	Nil
Total	\$141,750	\$172,683

NOTES:

- (1) For the years ended June 30, 2018 and June 30, 2017, none of the Corporation's audit-related fees, tax fees or all other fees described in the table above made use of the *de minimis* exception to pre-approval provisions contained in Section 2.4 of Regulation 52-110.
- (2) This represents the aggregate fees billed for audit services, including fees relating to the review of quarterly financial statements and statutory audits of the Corporation.
- (3) This represents the aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the "Audit Fees" row. Audit related fees also included services related to the short-form prospectus dated May 31, 2017, and the non-brokered private placement with Ressources Québec inc., Capital Croissance PME II, s.e.c. and SIDEX completed on January 26, 2017.
- (4) This represents the aggregate fees billed for tax compliance, tax advice and tax planning services.

Compensation Committee

The Compensation Committee is responsible for approving compensation objectives and the specific compensation programs for policies and practices of the Corporation on matters of remuneration, succession planning, compensation recruitment, development, retention and performance evaluations, which policies are developed and implemented in conformity with the Corporation's objectives with the view to attracting and retaining the best qualified members of Management and employees. The Compensation Committee is responsible for recommending, monitoring and reviewing compensation programs for senior executives.

The Compensation Committee met three (3) times during the most recently completed financial year. The Compensation Committee is composed of the following three (3) directors:

- Mr. Claude Ferron (Chair) (Independent)
- Mr. John Sabine (Independent)
- Ms. Paola Farnesi (Independent)

Environment and Technical Committee

The Environment and Technical Committee is a committee of the Board of Directors of the Corporation to which the Board delegates its responsibility to oversee various aspects of the activities of the Corporation in respect of the work environment (occupational health and safety), the human environment (corporate social responsibility matters) and the physical environment (environmental matters) and any technical matters that may arise.

The Environment and Technical Committee has the general mandate (i) to consider and evaluate all aspects of the Corporation's occupational health and safety, corporate social responsibility and environmental matters; (ii) to recommend to the Board the steps to be taken in connection with these three (3) areas of activity; and (iii) to oversee the implementation and administration of corporate policies and guidelines adopted by regulatory authorities and the Board with respect to occupation health and safety, corporate social responsibility and environmental matters.

The Environment and Technical Committee has met two (2) times during the most recently completed financial year. Since November 10, 2017, the Environment and Technical Committee is composed of the following three (3) directors:

- Mr. Mario Caron (Chair) (Independent)
- Mr. Claude Ferron (Independent)
- Mr. Luc Lessard (Non Independent)

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee is responsible for the monitoring of the Corporation's corporate governance and nomination matters.

The Nominating and Corporate Governance Committee has the general mandate to (i) consider and assess all issues that may affect the Corporation in the areas of corporate governance and nomination generally; (ii) recommend actions or measures to the Board to be taken in connection with these two (2) areas; and (iii) monitor the implementation and administration of such actions or measures, or of corporate policies and guidelines adopted by regulatory authorities or the Board with respect to said two (2) areas.

Corporate governance practices determine the process and structure used to manage and run the internal and commercial business of the Corporation with a view to preserving its financial and operational integrity, complying with all applicable rules in general and increasing its value to Shareholders.

As regards corporate governance matters, the Nominating and Corporate Governance Committee is responsible for establishing practices which must be followed and should be in line with corporate governance rules and guidelines in effect from time to time as adopted by relevant authorities. The Nominating and Corporate Governance Committee is also responsible for recommending to the Board new candidates for directors and to assist the Board in the assessment of the performance of senior officers, of the Board and its committees and of individual directors.

The Nominating and Corporate Governance Committee met three (3) times during the most recently completed financial year. Since November 10, 2017, the Nominating and Corporate Governance Committee is composed of the following four (4) directors:

- Ms. Chantal Sorel (Chair) (Independent)
- Mr. Mario Caron (Independent)
- Mr. Claude Ferron (Independent)
- Mr. John Sabine (Independent)

Technical Committee

Since the feasibility study for the Horne 5 Project was completed and filed on October 16, 2017, and given the commencement of phase two for the development of the Horne 5 Project, the Board of Directors and Management concluded that the Technical Committee had completed its assigned mission. Accordingly, the Board of Directors terminated the mandate of the Technical Committee.

Finance Committee

The Finance Committee was formed in February 2017. The mandate of the Finance Committee is to assist the Board in fulfilling its oversight responsibilities with respect to the Corporation's financing strategies, capital structure, corporate structure, and financial risk management practices, including the utilization of financial instruments, and make recommendations to the Board relating to financing the development and construction of the Horne 5 project and corporate working capital.

The Finance Committee met two (2) times during the most recently completed financial year. The Finance Committee is composed of the following five (5) directors:

- Mr. Bryan A. Coates (Chair) (Independent)
- Mr. Mario Caron (Independent)
- Ms. Paola Farnesi (Independent)
- Ms. Chantal Sorel (Independent)
- Mr. John Sabine (Independent)

Risk Oversight

The Board oversees an enterprise-wide approach to risk management designed to support the achievement of organizational objectives, including strategic objectives, to improve long-term organizational performance and enhance Shareholder value. A fundamental part of risk management is not only understanding the risks a company faces and what steps Management is taking to manage those risks, but also understanding what level of risk is appropriate for the Corporation. The involvement of the full Board in setting the Corporation's business strategy is a key part of its assessment of the Board's tolerance to risk and also a determination of what constitutes an appropriate level of risk for the Corporation.

Board Effectiveness Assessment

Following the implementation of a formal procedure for assessing the performance of the Board and its Committee members in June 2016, a detailed questionnaire is distributed annually to each member of the Board in order to enable individual directors to provide feedback on the effectiveness of the Board and its standing Committees as well as the contribution of each member. In addition, the results of the questionnaires are compiled by the Vice President, Legal Affairs and Corporate Secretary and sent to the lead director as well as the Chair of the Nominating and Corporate Governance Committee. Thereafter, the Chair of the Nominating and Corporate Governance Committee discusses the results and any issues arising from the performance assessments with the members of the Nominating and Corporate Governance Committee in the presence of the lead director. The Chair of the Nominating and Corporate Governance Committee also reports to the full Board on the Board's performance assessment.

The Nominating and Corporate Governance Committee assesses the operation of the Board and its standing Committees, the adequacy of information given to directors, communication between the Board and Management, the Board size and overall skills. The Nominating and Corporate Governance Committee also recommends changes to the Board in order to enhance its performance based on the survey feedback.

Board's Skills Matrix

The Nominating and Corporate Governance Committee, together with the Board Chair, is responsible for determining the needs of the Board in the long term and identifying new candidates to stand as nominees for election or appointment as directors.

The Board ensures that the skill set developed by directors, through their business expertise and experience, meets the needs of the Board.

The Nominating and Corporate Governance Committee reviews annually the credentials of the members of the Board. The following table exemplifies the current skills that each nominee possesses:

Directors	SKILLS									
	Months of Directorship	Financial ⁽¹⁾	M&A ⁽²⁾	Industry Knowledge ⁽³⁾	Technical /Mining ⁽⁴⁾	Government Relations ⁽⁵⁾	Governance ⁽⁶⁾	Human Resources ⁽⁷⁾	Sustainability ⁽⁸⁾	Management ⁽⁹⁾
Mario Caron	33	✓	✓	✓	✓		✓	✓	✓	✓
Bryan A. Coates	18	✓	✓	✓		✓	✓	✓	✓	✓
Paola Farnesi	21	✓	✓	✓			✓	✓		✓
Luc Lessard	44			✓	✓	✓		✓	✓	✓
Chantal Sorel	15	✓		✓			✓	✓	✓	✓
Sean Roosen	48	✓	✓	✓	✓	✓	✓	✓	✓	✓

NOTES:

- (1) **Financial:** Ability to understand: (i) financial statements; (ii) financial controls and measures; (iii) capital markets; and (iv) financing options.
- (2) **Mergers and Acquisitions:** Understanding of: (i) capital markets in friendly and unfriendly transactions; (ii) complexity of integration post-business continuation; and (iii) general legal requirements in mergers and acquisitions ("M&A").
- (3) **Industry Knowledge:** Understanding of the mining industry globally and the associated risks (including price and currency volatility, future growth, global supply, capital access, social license to operate and productivity).
- (4) **Technical/Mining:** Understanding of: (i) exploration activities; (ii) mine operations, including risks/challenges/opportunities (mining, milling); (iii) ability to have knowledge of construction/development/planning/scheduling/monitoring of construction/contract administration/forecasting; and (iv) understanding of marketing of metals.
- (5) **Government Relations:** Understanding of: (i) legislative and decision-making process of governments; and (ii) experience in dealing with governments (policy making, lobbying, etc.).
- (6) **Governance:** Understanding of (i) the requirements/process for oversight of Management; (ii) ethical conduct and responsibilities; (iii) various stakeholder requirements; (iv) commitment of directorship; and (v) evolving trends with respect to governance of public companies.
- (7) **Human Resources:** Ability to: (i) review management structure for large organization; (ii) develop/assess/monitor remuneration packages (salary, benefits, long-term and short-term incentives); and (iii) understand how to motivate people.
- (8) **Sustainability:** Understanding of (i) environmental risks in the mining industry; (ii) government regulations with respect to environmental, health & safety; and (iii) understanding of and experience in community relations and stakeholder involvement.
- (9) **Management:** Ability to (i) plan, operate and control various activities of a business; (ii) experience as a senior officer; (iii) lead growth.

Director Orientation and Education

In May 2017, the Corporation implemented a formal program for orientation of new directors and to provide easy access to documentation for current directors. The orientation program includes a new director's handbook and the opportunity to visit an operating mine and the Horne 5 site. This reference guide provides information related to:

- i. Board and Committee Charters;
- ii. Corporate Policies and Procedures;
- iii. Description of Role and Responsibilities of the Chair of the Board, the Lead Director, Committee Chair and President and Chief Executive Officer;
- iv. Information on the Board and Committees Composition;
- v. Compensation structure;
- vi. Board assessment results;
- vii. Budget and financing information; and
- viii. Various publications on governance matters, risk management, compensation issues, capital markets, gold and precious metals market information are also provided on an ongoing basis.

Throughout the year, Management provided to the Board of Directors monthly progress reports on Horne 5 Project. The Board and Committee members also receive formal presentations by Management and external advisors, and are provided documentation from various advisors and consultants on various topics in

relation to the mining industry. In addition, new directors are briefed on the Corporation’s current property holdings and assets, ongoing exploration programs, overall strategic plans, short, medium and long-term corporate objectives, financials status, general business risks and mitigation strategies, site visits and existing company policies.

The skills and knowledge of the Board as a whole is such that no formal continuing education process is currently deemed necessary. The Board is comprised of individuals with varying backgrounds, who have, both collectively and individually, extensive experience in running and managing public companies, particularly in the natural resource sector. Board members are encouraged to communicate with Management, auditors and technical consultants to keep themselves current with industry trends and developments and changes in legislation, with Management’s assistance.

PART 4: NAMED EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

4.1 Executive Compensation

The information contained below is provided as required under Form 51-102F6V for Venture Issuers, as such term is defined in *Regulation 51-102 respecting Continuous Disclosure Obligations*.

Director and Named Executive Officer Compensation

For purposes of this Circular, Named Executive Officer (“NEOs”) of the Corporation means, at any time during the most recently completed financial year:

- (i) The Corporation’s chief executive officer (“CEO”);
- (ii) The Corporation’s chief financial officer (“CFO”);
- (iii) The most highly compensated executive officer other than the CEO and CFO at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year; and
- (iv) Each individual who would be a named executive officer under paragraph (iii) but for the fact that the individual was not an executive officer of the Corporation, and was not acting in a similar capacity, at the end of the most recently completed financial year.

During the Corporation’s fiscal year ended June 30, 2018, the following individuals were NEOs of the Corporation:

- Luc Lessard, President and Chief Executive Officer;
- Vincent Metcalfe, Chief Financial Officer; and
- François Vezina, Vice President, Technical Services.

Compensation Advisory Fees

The following table illustrates in detail the components of the advisory fees incurred by the Corporation for compensation consultants for the fiscal years ended June 30, 2018 and 2017:

	Fees incurred in 2018 (\$)	Fees incurred in 2017 (\$)
Hugessen Consulting Inc. Compensation consulting services	26,493	Nil

Compensation Comparator Group

In order to perform its analysis, Hugessen Consulting Inc. (“**Hugessen**”) studied the compensation offered by the following companies in order to provide an adequate basis for comparison. The thirteen companies selected to form part of the peer group (the “**Peer Group**”) were selected based on their main industry, asset value, enterprise value and market capitalisation.

The Peer Group is composed of publicly-traded, North American-based companies conducting business in the mining industry. The Corporation’s positioning within the Peer Group is summarized as follows:

- total assets ranked between market P25 (25th percentile) and the median of the Peer Group;
- the Corporation’s 2017 total enterprise value is positioned slightly above market P25 (25th percentile); and
- the market capitalization of the Corporation ranks between market P25 (25th percentile) and the median of the Peer Group.

The report prepared by Hugessen was presented to the Compensation Committee in the fall of 2017 and used by it to recommend the President and Chief Executive Officer’s and Chief Financial Officer’s (the “**Named Executives**”) compensation for 2018 in order to establish adequate compensation to ensure a strong leadership role of the Named Executives in the growth of the Corporation and the creation and maximization of value for the Shareholders.

Company	Sector	Head Office	Assets ⁽¹⁾ in (\$ M)	Enterprise Value ⁽¹⁾ in (\$ M)	Market Cap ⁽¹⁾ in (\$ M)
Almaden Minerals Ltd.	Diversified Metals & Mining	Canada	66	123	143
Ascot Resources Ltd. ⁽²⁾	Gold	Canada	89	222	246
Barkerville Gold Mines Ltd. ⁽³⁾	Gold	Canada	81	291	340
Belo Sun Mining Corp.	Gold	Canada	87	208	279
Continental Gold Inc.	Gold	Canada	609	437	577
Dalradian Resources Inc. ⁽⁴⁾	Precious Metals & Minerals	Canada	168	403	437
Midas Gold Corp.	Gold	Canada	134	119	132
Nemaska Lithium Inc.	Diversified Metals & Mining	Canada	159	527	558
NewCastle Gold Ltd. ⁽²⁾	Gold	Canada	35	181	170
Noront Resources Ltd.	Diversified Metals & Mining	Canada	34	157	116
Sabina Gold & Silver Corp.	Diversified Metals & Mining	Canada	380	478	514
Victoria Gold Corp.	Gold	Canada	202	190	253
Western Copper and Gold Corporation	Diversified Metals & Mining	Canada	46	144	150
25 th Percentile			168	403	437
Median			89	208	253
75 th Percentile			66	157	150
Falco Resources	Gold	Canada	83	168	194
Percentile Rank			36%	29%	36%

Notes:

- (1) All peer financial data sourced from S&P Capital IQ as available as of September 19, 2017.
(2) Data on Ascot Resources Ltd. and NewCastle Gold Ltd. was excluded from the director benchmarking due to insufficient disclosure.
(3) Data on Barkerville Gold Mines Ltd. was excluded from the executive pay benchmarking due to insufficient disclosure.
(4) Dalradian Resources Inc. was privatized on September 10, 2018 as a result of an arrangement completed on September 7, 2018 under Section 182 of the *Business Corporations Act* (Ontario), whereby all of the issued and outstanding common shares of Dalradian Resources Inc., other than those held by certain shareholders, were acquired.

There were no changes to the NEOs compensation package since 2014. As there have been significant changes in the Corporation's valuation and progress on the Horne 5 Project since 2014, the Compensation Committee considered that it was appropriate to proceed with a review of the compensation package for the Named Executives. The methodology used by Hugessen to select the Peer Group included peer valuation ranging from 1/3 to 3 times the Corporation's valuation and interviews with directors and officers of the Corporation.

Hugessen's findings included the following:

- (a) the Named Executives compensation is approximately at the 37th percentile in terms of market value;
- (b) the President and Chief Executive Officer's base salary is between the 25th percentile and the median; the short term incentive plan and the target long term incentive plan being are slightly below the 25th percentile of the Peer Group;
- (c) the Chief Financial Officer's base salary is lower than the 25th percentile; the short term incentive plan and the target long term incentive plan are between the 25th percentile and the median of the Peer Group;
- (d) the Named Executives have a *de facto* "target" short term incentive plan of 50% of base salary and receive annual stock options grants from the Corporation;
- (e) the Corporation is targeting the 75th percentile given the Named Executives skills set and project complexity; and

(f) approximately 55% of the total direct compensation is “at risk”.

In November 2017, the Compensation Committee reviewed the findings of Hugessen’s study on the salary levels and on the short term incentive levels versus the time allocated by the Named Executives to the Corporation. Given that the Corporation is at a crucial time in terms of the development of the Horne 5 Project, the Compensation Committee recommended to approve the adoption of a policy targeting the 75th percentile level for base salary, total target cash compensation, and total direct compensation, including a short-term incentive target of 50% (of base salary) and a long-term incentive target of 75% (of base salary) provided that any adjustment to the cash compensation be deferred for the beginning of calendar year 2018. In February 2018, the Compensation Committee reviewed the time allocation to the Corporation by the Named Executives, the advancement of the Horne 5 project, the access to such high level professionals for a small mining company and took into consideration the value of the Horne 5 Project. Accordingly, the Compensation Committee recommended that the total target cash compensation, and total direct compensation of the Named Executives be set at the 75th percentile, including a short-term incentive target of 50% (of base salary) and a long-term incentive target of 75% (of base salary), the whole as approved by the Board in November 2017.

The Compensation Committee reviews and recommends the form and level of compensation for Named Executives, including the granting of stock options in such amounts and upon such terms as may be approved by the directors of the Corporation from time to time.

NAMED EXECUTIVE OFFICER AND DIRECTOR COMPENSATION, EXCLUDING COMPENSATION SECURITIES

The following table details all compensation paid to the Corporation’s NEOs and directors for the fiscal years ended June 30, 2017, and June 30, 2018:

Table of Compensation Excluding Compensation Securities							
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total Compensation (\$)
Luc Lessard ⁽¹⁾ President, CEO and Director	2017	262,500	148,300	Nil	Nil	Nil	410,800
	2018	332,543	182,153	Nil	Nil	Nil	514,696
Vincent Metcalfe ⁽¹⁾⁽²⁾ CFO	2017	114,750	64,800	Nil	Nil	Nil	179,550
	2018	174,329	93,885	Nil	Nil	Nil	268,214
François Vezina ⁽¹⁾ Vice President, Technical Services	2017	83,333	Nil	Nil	Nil	Nil	83,333
	2018	208,779	102,831	Nil	Nil	Nil	311,610
Mario Caron Lead Director	2017	27,820	Nil	Nil	Nil	Nil	27,820
	2018	33,210	Nil	Nil	Nil	Nil	33,210

Table of Compensation Excluding Compensation Securities							
Name and Position	Year	Salary, Consulting Fee, Retainer or Commission (\$)	Bonus (\$)	Committee or Meeting Fees (\$)	Value of Perquisites (\$)	Value of all Other Compensation (\$)	Total Compensation (\$)
Bryan A. Coates Director	2017	6,540	Nil	Nil	Nil	Nil	6,540
	2018	22,000	Nil	Nil	Nil	Nil	22,000
Paola Farnesi Director	2017	14,710	Nil	Nil	Nil	Nil	14,710
	2018	27,896	Nil	Nil	Nil	Nil	27,896
Claude Ferron Director ⁽³⁾	2017	24,510	Nil	Nil	Nil	Nil	24,510
	2018	24,000	Nil	Nil	Nil	Nil	24,000
Sean Roosen Chair of the Board	2017	35,000	Nil	Nil	Nil	Nil	35,000
	2018	35,000	Nil	Nil	Nil	Nil	35,000
John Sabine ⁽⁴⁾ Director	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2018	14,750	Nil	Nil	Nil	Nil	14,750
Chantal Sorel Director	2017	2,510	Nil	Nil	Nil	Nil	2,510
	2018	24,000	Nil	Nil	Nil	Nil	24,000

NOTES:

- (1) As per the terms and conditions of the Management and Technical Services Agreement entered into between the Corporation and Osisko, Mr Lessard's, Mr. Metcalfe's and Mr. Vezina's compensation is originally paid by Osisko and thereafter invoiced to Falco on a monthly basis.
- (2) Mr. Metcalfe ceased to be the CFO of the Corporation on October 9, 2018. On such date, Mr. Anthony Glavac was appointed CFO on an interim basis.
- (3) Mr. Ferron will not stand for re-election at this Meeting.
- (4) Mr. Sabine was elected to the Board of Directors on November 10, 2017. Mr. Sabine will not stand for re-election at this Meeting.

STOCK OPTIONS AND OTHER COMPENSATION SECURITIES

The following table lays out all compensation securities granted or issued to the Corporation's NEOs and directors by the Corporation or one of its subsidiaries during the fiscal year ended June 30, 2018, for services provided or to be provided, directly or indirectly, to the Corporation or any of its subsidiaries:

Compensation Securities							
Name and Position	Type of Compensation Security	Number of Compensation Securities, number of Underlying Securities and Percentage of Class ⁽¹⁾⁽²⁾⁽³⁾	Date of Issue or Grant (m-d-y)	Issue Conversion or Exercise Price (\$)	Closing Price of Security or Underlying Security on Date of Grant (\$)	Closing Price of Security or Underlying Security at Year End (\$)	Expiry Date (m-d-y)
Luc Lessard President, CEO and Director	Options	428,600	11-15-2017	0.96	0.96	0.54	11-15-2022
Vincent Metcalfe ⁽⁴⁾ CFO	Options	257,200	11-15-2017	0.96	0.96	0.54	11-15-2022
François Vezina Vice President, Technical Services	Options	142,900	11-15-2017	0.96	0.96	0.54	11-15-2022
Mario Caron Lead Director	Options	114,300	11-15-2017	0.96	0.96	0.54	11-15-2022
Bryan A. Coates Director	Options	114,300	11-15-2017	0.96	0.96	0.54	11-15-2022
Paola Farnesi Director	Options	114,300	11-15-2017	0.96	0.96	0.54	11-15-2022
Claude Ferron ⁽⁵⁾ Director	Options	114,300	11-15-2017	0.96	0.96	0.54	11-15-2022
Sean Roosen Chair of the Board	Options	171,400	11-15-2017	0.96	0.96	0.54	11-15-2022
John Sabine ⁽⁶⁾ Director	Options	185,700	11-15-2017	0.96	0.96	0.54	11-15-2022
Chantal Sorel Director	Options	185,700	11-15-2017	0.96	0.96	0.54	11-15-2022

NOTES:

- (1) None of the compensation securities have been re-priced, cancelled and replaced, had its term extended, or otherwise been materially modified, in the most recently completed financial year.
- (2) Vesting terms of the Options for NEOs and directors vest as to one third on each of the first, second and third anniversary of the date of grant and expire within five years from the date of grant. As of the date of this Circular, none of the Options granted during the most recently completed financial year have vested and such Options represent approximately 1% of the Corporation's issued and outstanding common shares.
- (3) As at June 30, 2018, the following persons held the following number of Options to acquire as much Common Shares: Luc Lessard: 2,001,583 Options; Vincent Metcalfe: 782,354 Options; François Vezina: 280,100 Options; Mario Caron: 937,833 Options; Bryan A. Coates: 189,800 Options; Paola Farnesi: 265,200 Options; Claude Ferron: 537,185 Options; Sean Roosen: 805,779 Options; John Sabine: 185,700 Options; and Chantal Sorel: 185,700 Options.
- (4) Mr. Metcalfe ceased to be the CFO of the Corporation on October 9, 2018. On such date, Mr. Anthony Glavac was appointed CFO on an interim basis.
- (5) Mr. Ferron will not stand for re-election at this Meeting.
- (6) Mr. Sabine will not stand for re-election at this Meeting.

The following table lays out all compensation securities that were exercised by the Corporation's NEOs and directors during the fiscal year ended June 30, 2018:

Exercise of Compensation Securities by Directors and NEOs							
Name and Position	Type of Compensation Security	Number of Underlying Securities Exercised	Exercise Price per Security (\$)	Date of Exercise (m-d-y)	Closing Price per Security on Date of Exercise (\$)	Difference between Exercise Price and Closing Price on Date of Exercise (\$)	Total Value on Exercise Date (\$)
Luc Lessard President, CEO and Director	Options	260,000	0.45	12-01-2017	0.98	0.53	137,800
Claude Ferron ⁽¹⁾ Director	Options	50,000	0.45	11-27-2017	0.97	0.52	26,000
		20,000	0.45	11-27-2017	0.97	0.52	10,400
		25,000	0.45	12-01-2017	0.98	0.53	13,250
		30,000	0.45	12-01-2017	0.98	0.53	15,900
		25,000	0.45	12-01-2017	0.98	0.53	13,250
		30,000	0.45	12-01-2017	0.98	0.53	15,900
		30,000	0.45	12-01-2017	0.98	0.53	15,900
		25,000	0.45	12-01-2017	0.98	0.53	13,250
25,000	0.45	12-04-2017	0.98	0.53	13,250		
Sean Roosen Chair of the Board	Options	418,889	0.45	12-19-2017	0.85	0.40	167,556

NOTE:

(1) Mr. Ferron will not stand for re-election at this Meeting.

STOCK OPTION PLANS AND OTHER INCENTIVE PLANS

On November 21, 2014 (the “**Effective Date**”), the Board adopted a new long-term incentive plan (the “**LTIP**”) for directors, officers, employees and consultants, which was thereafter ratified by the Shareholders on December 23, 2014, and approved by the Exchange. The LTIP was subsequently amended in November 2016 and in November 2017.

In accordance with the LTIP, the securities issuable are:

- Deferred share units (“**DSUs**”) and restricted share units (“**RSUs**”), which can be settled in cash or in Common Shares;
- Performance share units (“**PSUs**”), which can be settled in cash or in Common Shares; and
- Stock options (“**Options**”), which are settled in Common Shares.

The purpose of the DSUs, RSUs, PSUs and Options is to assist the Corporation in attracting and retaining individuals with experience and ability, to allow certain employees of the Corporation designated at the Compensation Committee's discretion, to participate in the long-term success of the Corporation and to promote a greater alignment of interests between the grantees designated under the LTIP and those of Shareholders.

Under the LTIP, the aggregate number of Common Shares to be reserved and set aside for issue upon the exercise or redemption and settlement for all awards granted under the LTIP, shall not exceed 10% of the issued and outstanding Common Shares, outstanding at the time of the granting of the award (on a non-diluted basis), of which up to a maximum of 2,500,000 Shares may be set aside for issue upon the exercise or redemption and settlement of DSUs, PSUs and RSUs. In respect of PSUs, the maximum number of Common Shares issuable under the grant shall be included in the calculation for such purposes.

Deferred Share Units

A DSU is a notional security that entitles the recipient to receive cash or shares upon resignation from the Board (in the case of directors) or at the end of employment. The terms applicable to DSUs under the LTIP (including whether dividend equivalents will be credited to a participant's DSU account) are determined by the Board at the time of the grant.

Typically, DSUs have been granted (i) as a component of a director's annual retainer, or (ii) as a component of an officer's annual incentive grant. The deferral feature strengthens alignment with the long-term interests of Shareholders.

As dividends are declared, additional DSUs may be credited to DSU holders in an amount equal to the greatest whole number which may be obtained by dividing (i) the value of such dividend or distribution on the record date established therefore by (ii) the Market Price (as defined in the LTIP) of one share on such record date. DSUs are fully vested upon grant.

Restricted Share Units

An RSU is a notional security that entitles the recipient to receive cash or shares at the end of a vesting period. The terms applicable to RSUs under the LTIP (including the vesting schedule and whether dividend equivalents will be credited to a participant's RSU account) are determined by the Board at the time of the grant.

RSUs vest upon lapse of the applicable restricted period. For employees, vesting generally occurs in three equal instalments on the first three anniversaries of the grant date. For directors, one third of the award may be immediately vesting, with the balance vesting equally over the first two anniversaries of the grant date.

As dividends are declared, additional RSUs may be credited to RSU holders in an amount equal to the greatest whole number which may be obtained by dividing (i) the value of such dividend or distribution on the record date established therefore by (ii) the Market Price (as defined in the LTIP) of one share on such record date.

Performance Share Units

A PSU is a notional security but, unlike other equity based incentives, vesting is contingent upon achieving certain performance criteria, thus ensuring greater alignment with the long-term interests of Shareholders. The terms applicable to PSUs under the LTIP (including the performance cycle, performance criteria for vesting and whether dividend equivalents will be credited to a participant's PSU account) are determined by the Board at the time of the grant.

PSUs do not vest, and cannot be paid out (settled), until the completion of the performance cycle. For Canadian holders, the performance cycle shall in no case end later than December 31 of the calendar year that is three years after the grant date.

No RSUs, PSUs or DSUs have been awarded during the most recently completed financial year.

Stock Options

Option Terms and Exercise Price	The number of shares subject to each Option grant, exercise price, vesting, expiry date and other terms and conditions are determined by the Board. The exercise price shall in no event be lower than the Market Price (as defined in the Exchange Corporate Finance Manual) of the Common Shares at the date of grant, less any allowable discounts.		
Term	Options shall be for a fixed term and exercisable as determined by the Board, provided that no Option shall have a term exceeding ten years.		
Vesting	All Options granted pursuant to the LTIP will be subject to such vesting requirements as may be imposed by the Board, with all Options issued to consultants performing investor relations activities vesting in stages over at least 12 months with no more than 1/4 of the Options vesting in any three month period.		
Exercise of Option	The participant may exercise Options by payment of the exercise price per share subject to each Option.		
Circumstances Involving Cessation of Entitlement to Participate	Reasons for Termination	Vesting	Expiry of Options
	<i>Death</i>	Unvested Options automatically vest as of the date of death	Options expire on the earlier of the scheduled expiry date of the Option and one year following the date of death
	<i>Disability</i>	Options continue to vest in accordance with the terms of the Option	Options expire on the scheduled expiry date of the Option, unless the participant ceases to qualify as an Eligible person under the Plan, in which case the option shall expire on the earlier of the scheduled expiry date and up to one year following the date cessation
	<i>Retirement</i>	Options continue to vest in accordance with the terms of the Option	Options expire on the earlier of the scheduled expiry date of the option and up to one year following the date of retirement
	<i>Resignation</i>	Unvested Options as of the date of resignation automatically terminate and shall be forfeited	Options expire on the earlier of the scheduled expiry date of the Option and three months following the date of resignation Options granted to persons engaged primarily to provide investor relations activities expire on the scheduled expiry date of the Option and 30 days following the date of resignation

	<p>Termination without Cause / Constructive Dismissal (No Change in Control)</p>	<p>Unvested Options granted prior to the Effective Date automatically vest as of the termination date</p> <p>Unvested Options granted from and after the Effective Date continue to vest in accordance with the terms of the Option</p>	<p>Options expire on the earlier of scheduled expiry date of the Option and one year following the termination date</p>
	<p>Change in Control</p>	<p>Options granted prior to the Effective Date shall vest and become immediately exercisable, subject to any required approvals of the Exchange</p> <p>Options from and after the Effective Date do not vest and become immediately exercisable upon a change in control, unless:</p> <ul style="list-style-type: none"> • the successor fails to continue or assume the obligations under the LTIP or fails to provide for a substitute award, or • if the Option is continued, assumed or substituted, the participant is terminated without cause (or constructively dismissed) within two (2) years following the change in control, subject to any required approvals of the Exchange 	<p>Options expire on the scheduled expiry date of the Option</p>
	<p>Termination with Cause</p>	<p>Options granted prior to the Effective Date that are unvested as of the termination date automatically terminate and shall be forfeited</p> <p>Options granted from and after the Effective Date, whether vested or unvested as of the termination date, automatically terminate and shall be forfeited</p>	<p>Vested Options granted prior to the Effective Date shall expire on the earlier of the scheduled expiry date of the option and three months following the termination date</p> <p>Options granted from and after the Effective Date, whether vested or unvested as of the termination date, automatically terminate and shall be forfeited</p>

A copy of the Corporation's LTIP may be obtained upon request addressed to the Vice President, Legal Affairs and Corporate Secretary of the Corporation at 1100, des Canadiens-de-Montréal Avenue, Suite 300, Montréal, Québec, H3B 2S2 (facsimile: 514-940-0669).

The Compensation Committee and the Board believe that equity-based compensation plans are the most effective way to align the interests of Management with those of Shareholders. Long-term incentives must also be competitive with the Peer Group and align with the Corporation's compensation philosophy to target the market median.

In determining the number of Options to be granted to the executive officers and directors, the Board or the Compensation Committee, as the case may be, takes into account the number of stock options, if any, previously granted to each executive officer and director and the exercise price of any outstanding options to ensure that such grants are in accordance with the policies of the TSXV.

4.2 Oversight and Description of Director and Named Executive Compensation

Executive Officers

The Corporation's executive compensation philosophy is based on pay for performance and prudent risk management to motivate the senior leadership to execute corporate strategy in a manner that delivers strong results for Shareholders.

During the 2018 financial year, the Corporation achieved significant milestones and the Board believes that the Corporation is well positioned to deliver on its strategic objectives in the year ahead. Below are some highlights of Management's 2018 accomplishments:

i) Result of Feasibility Study for the Horne 5 Project

On October 16, 2017, Falco announced the results of the Feasibility Study for the Horne 5 Project. The Feasibility Study indicates that the Horne 5 Project represents a robust, high margin, fifteen-year underground mining project with attractive economics in the current gold price environment.

ii) Development of the Horne 5 Project

Community Relations

Falco continued its community outreach program and held, on November 16, 2017, its initial project presentation and session in Rouyn-Noranda, which was attended by approximately 140 individuals.

Pavillon Quemont School

The Pavillon Quemont School construction program was completed and Falco delivered it to the local school board of Rouyn-Noranda in August 2018. The Pavillon was delivered in exchange for existing infrastructure assets that will be used by Falco during development and mine operations. The total relocation and construction costs of the Pavillon were approximately \$22.5 million.

Acquisition Program

During the 2018 financial year, Falco acquired land, surface rights and strategic buildings near the Horne 5 Project footprint. As such, Falco acquired specific infrastructure and buildings from third parties, exercised its existing option to acquire land from the city of Rouyn-Noranda, and signed several other agreements for a total purchase price of these acquisitions of \$9M.

iii) *Acquisition of the Donalda Property*

On October 5, 2017, Falco closed the acquisition of the Donalda property from Globex Mining Enterprises Inc. (“**Globex**”). The Donalda property consists of seven (7) mining claims, covering approximately 146 hectares in the Rouyn Township. In consideration for this acquisition, Falco has agreed to pay \$300,000 in cash and issue 350,000 units to Globex, each unit consisting of one (1) Common Shares and one (1) Warrant. Each Warrant will entitle the holder thereof to purchase one (1) Common Share at a price of \$1.15 per Common Share, for a period of five (5) years. Additionally, Falco has agreed to grant Globex a 2.5% gross metal royalty on all mineral production from the Donalda property and to transfer a 100% ownership of Falco’s Dickenson property.

iv) *Financing*

\$8.5M Flow-Through Financing

On December 21, 2017, Falco closed a private placement financing of flow-through common shares at an issue price of \$1.18 per share to raise aggregate proceeds of approximately \$8.5M. The proceeds from this offering has been spent on exploration expenditures on the Donalda property and surrounding properties located near Horne 5 Project Properties.

\$7M Debenture

On June 29, 2018, Falco closed a financing transaction with Osisko. As more fully described under the heading “Conversion of the Debenture”, under the terms of this financing, Osisko purchased the Debenture having a principal amount of \$7,000,000. Upon receipt of Disinterested Shareholder approval, the Debenture will be converted into 12,104,444 Units.

The current compensation plan adopts a balanced approach between shorter-term results and longer-term strategic objectives and is designed with the following considerations in mind:

- Linking compensation to the Corporation’s performance;
- Emphasizing variable compensation that is contingent upon achievement of key business objectives;
- Compensating executives at a level and in a manner that ensures Falco is capable of attracting, motivating and retaining superior talent; and
- Aligning the interests of executive officers with the short and long-term interests of Shareholders.

To strengthen the alignment between pay and performance, a significant percentage of the senior executive officers’ compensation is variable in nature, in the form of cash bonuses and stock options. As provided in the LTIP, variable compensation could include RSUs, PSUs or DSUs in the future. This would provide further flexibility in the design of executive compensation programs, including vesting criterion contingent on future performance. However, no RSUs, PSUs or DSUs have been awarded during the most recently completed financial year.

Objectives of the Executive Compensation Program

The Corporation's executive compensation practices underpin a number of objectives:

- Attract, motivate and retain highly qualified and experienced executives;
- Recognize and reward contributions to the success of the Corporation as measured by the accomplishment of performance objectives;
- Ensure that a significant proportion of compensation is directly linked to the success of the Corporation while not encouraging excessive or inappropriate risk-taking;
- Promote adherence to the high standards and values reflected in the Corporation's Code of Ethics;
- Ensure retention by setting total direct compensation targets at a level that is competitive with the markets in which the Corporation competes; and
- Protect long-term Shareholder interests by ensuring NEOs and other interests are aligned with those of Shareholders.

Fundamentally, the Corporation's compensation practices are intended to promote value-creation actions for the benefit of Shareholders, and to reward individual and team efforts for meeting short-term and long-term objectives.

Executive Compensation Strategy

NEOs cannot control a number of significant factors that impact financial results, including commodity prices, foreign exchange rates, and regulatory uncertainty. Compensation program design thus considers factors over which the executive officers can exercise control, such as meeting budget targets established by the Board of Directors at the beginning of each year, controlling costs, mitigating risks, taking successful advantage of business opportunities and enhancing the competitive and business prospects of the Corporation.

Total Compensation Components

The Compensation Committee believes that the objective of NEO compensation practices should be to align the Total Direct Compensation (as hereinafter defined) with that of similar sized companies. Total Direct Compensation is the total of base salary (or consulting fees), annual incentive bonus and the value of equity-linked long-term incentive compensation.

Elements	Description	Objectives
Base Salary	Base salary is determined through an analysis of a comparator group. It reflects the capability of the individual as demonstrated over an extended period of time.	Attraction, retention and motivation; Annual salary adjustments as appropriate.
Annual Incentive Bonus	Annual cash incentive bonus is a portion of variable compensation that is designed to reward executives on an annual basis for achievement of corporate and business objectives, relative to corporate and individual performance.	Pay for performance; Align with business strategy; Attraction, retention and motivation.
Long-Term Incentives	Equity compensation is a portion of variable compensation that is designed to align executive and Shareholder interests, focus executives on long-term value creation, and also support the retention of key executives.	Align to Shareholder interests; Pay for performance; Attraction, retention and motivation.
Benefits	Executives who are employees participate in standard corporate medical, extended health and dental insurance.	Attraction and retention.

Total Direct Compensation

The Corporation's executive officer total compensation is composed of three major components: base salary, short-term incentives and long-term incentives.

Base Salary

Base salaries (or consulting fees) of the Corporation's executive officers are determined through an analysis of salaries paid by companies in a comparator group, as well as individual performance measured against the achievement of business objectives. Base salaries are normally reviewed at the beginning of each calendar year. The Chief Executive Officer recommends base salary adjustments to the Compensation Committee for the NEOs, other than himself, and other officers. The Compensation Committee determines the base salary adjustment for the Chief Executive Officer taking into consideration the performance of the Chief Executive Officer, market conditions and the Corporation's ability to pay.

Short-Term Incentives

The short-term incentive program is a variable element of compensation and consists of an annual cash bonus. Annual bonuses may be awarded at the sole discretion of the Board, based on recommendations of the Compensation Committee, for individual achievements, contributions or efforts that the Compensation Committee has determined can reasonably be expected to have a positive impact on Shareholder value.

The short-term incentive program for the NEO is based on their performance as a team against corporate objectives approved by the Board of Directors and bonuses are paid in full following award approved by the Board of Directors, at its full discretion, based on recommendation of the Compensation Committee. The annual incentive compensation for each of the NEO has been established at 109% of their respective target, which is 50% of base salary. The 2017 Corporate Objectives were approved by the Board of Directors, upon recommendation of the Compensation Committee. Furthermore, the Compensation Committee monitored the progress made in reaching of such objectives. As part of its duties and responsibilities and in conjunction with year-end assessment, the Compensation Committee reviewed the realization of the Corporation's objectives and thereafter met with Management for discussion and consideration of each element contained in the 2017 Corporate Objectives. Based on its review, the Compensation Committee provided a recommendation to the Board and, accordingly, the Board approved the following assessment of the 2017 Corporate Objectives set forth below:

2017 CORPORATE OBJECTIVES			
Performance Commitment	Description	Allocation %	Achievement %
Health & Safety	<ul style="list-style-type: none"> ▪ Health & Safety statistics performance below the 3 year rolling average of the mining industry. 	10	2.5
Environment & Community	<ul style="list-style-type: none"> ▪ Implement Environmental Management System for exploration drilling and project development. ▪ Continue relationship with Glencore and develop relationships with other project stakeholders ▪ Conduct project information sessions ▪ Monitor compliance of activities ▪ Monitor evolving legislation and regulations. 	10	3.5
Exploration	<ul style="list-style-type: none"> ▪ Pursue growth profile of Falco's resources by pursuing the following exploration priorities: <ul style="list-style-type: none"> ○ Horne 5 South West zone; ○ Central camp exploration targets; ○ Regional exploration targets. 	5	5.0
Feasibility Study	<ul style="list-style-type: none"> ▪ Positive Feasibility Study report released by the middle of 2017. 	25	37.5
Environmental Impact Assessment & Permitting	<ul style="list-style-type: none"> ▪ Initiate project permitting process including dewatering program authorization ▪ EIA report to be released and submitted to the Government by the middle of 2017. ▪ Hold public presentations of the project 	15	25.0
Project Pre-construction	<ul style="list-style-type: none"> ▪ Advance relocation program for surface infrastructure. ▪ Initiate the project dewatering program. ▪ Initiate site pre-construction phase. 	10	7.5
Investor Relations	<ul style="list-style-type: none"> ▪ Continue to develop relationships with banking institutions and key Shareholders. ▪ Increase research coverage on the Corporation. ▪ Attend a minimum of three (3) investor conferences and three (3) investor roadshows. 	10	12.5
Finances	<ul style="list-style-type: none"> ▪ Execute the 2017 budget. ▪ Raise a minimum of \$50M to complete the 2017 program. ▪ Advance project financing discussions with key partners to receive preliminary indications of terms. 	15	15.0
TOTAL:		100.0	108.5

Reviewing Performance

The President and Chief Executive Officer and senior Management, in consultation with the Board, are responsible for developing the Corporation's overall strategic plan. On the basis of the strategic plan, annual business plans and budgets are prepared, which are reviewed and approved by the Board.

Risk management is a consideration of the Board when implementing its compensation program. The Board and the Compensation Committee does not believe that the compensation program results in unnecessary or inappropriate risk taking including risks that are likely to have a material adverse effect on the Corporation.

Directors

The Corporation recognizes the contribution that its directors make to the Corporation and seeks to compensate them accordingly. The Compensation Committee is responsible for making recommendations as to director compensation for the Board's consideration and ultimate approval.

On August 10, 2017, the Compensation Committee of the Board of Directors mandated Hugessen to assist the Compensation Committee in reviewing the directors' total compensation. Such compensation was last changed in 2014 and, given the significant change in Falco's valuation and progress on the Horne 5 Project, the Compensation Committee considered that such review was appropriate.

The review performed by Hugessen used data sourced from the most recent public proxy filings of the Peer Group of companies listed on page 51 of this Circular.

Hugessen studied the Board and committee retainer, meeting fees and equity compensation. The two committees used for the review were those of compensation and audit committees, as these are most prevalent within the Peer Group for data purposes. Accordingly, the Corporation's director compensation levels generally positioned between 25th percentile and median relative to the Peer Group.

Hugessen's findings included the following:

- (a) the Corporation's cash retainer of \$20,000 is slightly below the median of \$22,500, while the value of equity retainer of \$60,000 is approximately \$20,000 below median;
- (b) the Corporation's committee Chair retainers are significantly lower than the peers;
- (c) 7 out of 10 peers have a non-executive chair compensation disclosed at the median total annual retainer of \$187,000, which is approximately 1.7 times the regular director retainer for those same companies;
- (d) the Corporation's Chair of the Board total compensation is \$125,000, placing the Corporation at the 31st percentile;
- (e) the Corporation only uses a "flat fee" structure, whereby directors do not receive fees for meeting attendance, which is consistent with 7 of the 10 peers;
- (f) the Corporation use of committee member retainer is minority practice within the Peer Group, however this is relatively common in the broader market if no meeting fees are paid;

- (g) the Corporation denominates its annual equity grants as a fixed value, versus a number of stock options; while no peers explicitly disclose the size of initial equity grants for directors, as per Hugessen’s review, several peers appear to pay an outsized amount to new directors, indicative of an on boarding grant;
- (h) the practice of granting stock options to directors annually is consistent with the majority of the Peer Group; and
- (i) only one company from the Peer Group uses deferred share units to compensate directors and only one uses both options and restricted share units.

The Compensation Committee reviewed the findings of Hugessen’s study and concluded that the existing retainers for the Audit Committee Chair and Lead Director, should be increased in light of the peer data and criticality of the respective roles. Accordingly, the Compensation Committee recommended changes be made to increase the retainer for the Audit Committee Chair from \$3,000 to \$7,500 and to increase the retainer of the Lead Director from \$5,000 to \$10,000. The Compensation Committee also recommended to increase the annual equity retainer for non-executive directors from \$60,000 to \$80,000 and the annual equity retainer for the Chair of the Board from \$90,000 to \$120,000. The Board approved such recommendations.

The Compensation Committee reviews and recommends the form and level of compensation for directors for their services. The Compensation Committee recommends the granting of stock options in such amounts and upon such terms as may be approved by the Board of Directors of the Corporation from time to time.

Annual retainers for the Board and its Committees are paid on a quarterly basis to non-executive directors only.

During the fiscal year ended June 30, 2018, the Directors’ Compensation Policy consisted of the following components:

Annual Retainers – Board	
Chair of the Board	\$35,000
Lead Director	\$30,000
Non-Executive Director	\$20,000
Annual Retainers – Committees/Members and Chairs	
Chair of the Audit Committee	\$7,500
Chair of all other Committees	\$2,000
Non-Executive Member of a Committee	\$1,000
Incentives (Options) – Initial and Annual (\$ Value)	
Annual Grant to Chair of the Board	\$120,000
Annual Grant to Lead Director	\$80,000
Annual Grant to a Non-Executive Director	\$80,000
Initial one-time Grant to Chair of the Board	\$85,000
Initial one-time Grant to Lead Director	\$60,000
Initial one-time Grant to a Non-Executive Director	\$50,000

Directors are entitled to participate in security-based compensation arrangements or other plans adopted by the Corporation from time to time with the approval of the Board.

NEOs who also act as directors of the Corporation do not receive any additional compensation for services rendered in such capacity, other than as paid by the Corporation to such NEOs in their capacity as executive officers.

Proportion of Common Shares Held by Directors and Executive Officers

Collectively, as of the date hereof, the directors and executive officers of the Corporation, as a group, own directly or indirectly, 3,133,837 Common Shares representing approximately 1.7% of the issued and outstanding Common Shares. In addition, Osisko owns or exercises control over 23,927,005 Common Shares representing approximately 12.6% of the issued and outstanding Common Shares. Mr. Sean Roosen, a director of the Corporation is an officer, director and shareholder of Osisko, Mr. Bryan A. Coates, director of the Corporation, is an officer and shareholder of Osisko and Mr. Luc Lessard, Chief Executive Officer, President and director of the Corporation is also officer and shareholder of Osisko.

Pension Benefits

The Corporation does not have a pension plan that provides for payments or benefits to the NEOs, nor to the directors.

4.3 Termination and Change of Control Benefits

Mr. Luc Lessard has an employment agreement as the Corporation's President and Chief Executive Officer that outlines base salary and other elements of total compensation which was put into place upon his appointment. The Corporation is entitled to terminate its employment agreement with Mr. Lessard at any time for cause which would entitle Mr. Lessard to receive his base salary and the Corporation would also continue his benefits up to and including the date of termination. The Corporation would reimburse Mr. Lessard for any business expenses reasonably incurred by the latter up to and including the termination date in accordance with the Corporation's normal expenses policy.

In the event of a termination by the Corporation without cause, Mr. Lessard shall be entitled to: (i) his base salary accrued and unpaid up to and including the date of termination; (ii) a lump sum payment equal to one (1) year base salary and (iii) a one (1) year bonus, provided that where the executive has been employed for two (2) years or more, the bonus for purposes of such shall be the average of the bonus paid by the Corporation to the executive for each of the two (2) calendar years immediately preceding the termination date. If employed less than two (2) years, the bonus for such purposes shall be 50% of the executive's base salary; (iv) continuation in the benefits plan until the date that is eight (8) weeks from the termination date; (v) any stock options or other equity compensation awards which have been awarded shall vest and be exercisable in accordance with the applicable plan; and (vi) the Corporation will pay the executive an amount equal to all accrued but unused vacation time determined as of the termination date. The amount of such payment will be determined based upon the executive's base salary on the termination date.

Should the executive's employment with the Corporation be terminated within 12 months following a change of control, Mr. Lessard shall be entitled to: (i) his base salary accrued and unpaid up to and including the date of termination; (ii) a lump sum payment equal to one (1) year base salary; (iii) a one (1) year bonus, provided that where the executive has been employed for two (2) years or more, the bonus for purposes of such shall be the average of the bonus paid by the Corporation to the executive for each of the two (2) calendar years immediately preceding the termination date. If employed less than two (2) years, the bonus for such purposes shall be the maximum bonus; (iv) continuation in the benefits plan until the date that is

eight (8) weeks from the termination date; (v) any stock options or other equity compensation awards which have been awarded shall vest and be exercisable in accordance with the applicable plan; and (vi) the Corporation will pay the executive an amount equal to all accrued but unused vacation time determined as of the termination date. The amount of such payment will be determined based upon the executive's base salary on the termination date.

The employment agreement described above also provides for non-compete and non-solicitation restrictions upon termination of employment.

In 2017, Messrs. Vincent Metcalfe, Chief Financial Officer, and François Vezina, Vice President, Technical Services, entered into employment agreements with the Corporation as executives of the Corporation, substantially upon the same terms and conditions contained in the employment agreement of Mr. Lessard. These employment agreements also provide for non-compete and non-solicitation restrictions upon termination of employment.

Mr. Metcalfe ceased to be the Chief Financial Officer of the Corporation on October 9, 2018. On such date, Mr. Anthony Glavac was appointed CFO on an interim basis.

4.4 Securities Authorized For Issuance Under Equity Compensation Plans

The following table provides information regarding the number of Common Shares to be issued upon the exercise of outstanding options and the weighted-average exercise price of the outstanding options in connection with the LTIP as at June 30, 2018:

Plan Category	Number of Common Shares to be issued upon exercise of outstanding options	Weighted-average exercise price of outstanding options	Number of Common Shares remaining available for future issuance under equity compensation plans ⁽¹⁾
Equity compensation plans approved by securityholders	10,348,371	\$0.65	8,567,415
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
Total	10,348,371	N/A	8,567,415

NOTE:

(1) Based on the total number of shares authorized for issuance under the Corporation's LTIP, less the number of stock options outstanding as at June 30, 2018.

PART 5: OTHER INFORMATION

5.1 Indebtedness of Directors and Executive Officers

As of October 26, 2018, no director, officer, employee, proposed nominee for election as a director of the Corporation or any of their respective associates, nor any former executive officer, director and employee of the Corporation, has been indebted, or is presently indebted, to the Corporation or any of its subsidiaries, or to another entity if the indebtedness is the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries. During the year ended June 30, 2018, the Corporation did not grant any loan to such persons.

5.2 Interest of Informed Persons in Material Transactions

Since the commencement of Falco's most recently completed fiscal year and, with the exception of Osisko who i) purchased the Debenture; (ii) entered into a \$10 million senior secured loan agreement dated September 10, 2018 with the Corporation as well as its participation in the proposed Stream Agreement, no director or executive officer of Falco, no director or executive officer of an entity that is itself an Informed Person or a subsidiary of the Corporation or Shareholder who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares, or any known associates or affiliates of such persons, has or has had any material interest, direct or indirect, in any transaction or in any proposed transaction that has materially affected or is reasonably expected to materially affect the Corporation.

5.3 Management Contracts

A Management and Technical Service Agreement was concluded on July 1, 2016, with effect as of January 1, 2016, between the Corporation and Osisko with respect to technical, corporate, administrative and clerical and office, and other additional services that may be requested. The management functions of the Corporation are not performed to any substantial degree by any person or company other than the directors and executive officers of the Corporation.

5.4 Other Matters

Management knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matter properly comes before the Meeting, the accompanying proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the proxy.

Other than as specifically discussed under Part 2 – *Business of the Meeting* of this Circular, no director, executive officer or proposed nominees for election as a director of the Corporation, past, present or nominated hereunder, or any associate or affiliate of such persons, or any person on behalf of whom this solicitation is made, has any interest, direct or indirect, by way of beneficial ownership of shares or otherwise, in any matter to be acted upon at the Meeting, except that such persons may be directly involved in the normal business of the Meeting or the general affairs of the Corporation.

5.5 Shareholder Proposals for the 2019 Annual Meeting

The final date for submitting Shareholder proposals to the Corporation for the next Annual Meeting of the Shareholders is July 29, 2019.

5.6 Additional Information

Additional information regarding the Corporation and its business activities is available on SEDAR at www.sedar.com. A copy of the Corporation's audited financial statements and management discussion and analysis (MD&A) for the financial year ended June 30, 2018, may be obtained upon request from Anthony Glavac, interim Chief Financial Officer, 1100, Avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, H3B 2S2 or by e-mail to info@falcores.com.

5.7 Approval of Directors

The Board of Directors of the Corporation has approved the contents of the Circular and its sending to the Shareholders.

DATED at Montréal, Québec, the 26th day of October, 2018.

ON BEHALF OF THE BOARD
OF FALCO RESOURCES LTD.

“Luc Lessard”
Luc Lessard
President, Chief Executive Officer
and Director

CONSENT OF MACQUARIE CAPITAL MARKETS CANADA LTD.

To: The Directors of Falco Resources Ltd.

We refer to the written fairness opinion dated June 18, 2018 (the "Fairness Opinion"), which we prepared for the Special Committee of the Board of Directors of Falco Resources Ltd. ("Falco"), in connection with the Stream Agreement (as defined in Falco's management information circular dated October 26, 2018 (the "Circular")).

We consent to the inclusion in the Circular of the Fairness Opinion, a summary of the Fairness Opinion and references to our firm name and the Fairness Opinion in the Circular.

In providing such consent, we do not intend that any person other than the Special Committee of the Board of Directors of Falco shall rely upon the Fairness Opinion.

(signed) " **Macquarie Capital Markets Canada Ltd.** "

Toronto, October 26, 2018

SCHEDULE "A"
FAIRNESS OPINION OF MACQUARIE CAPITAL MARKETS CANADA LTD.

June 18, 2018

STRICTLY CONFIDENTIAL

The Special Committee of the Board of Directors
of Falco Resources Ltd.
1100, avenue des Canadiens-de-Montreal,
Suite 300, Montreal, QC
H3B 2S2

To the Special Committee of the Board of Directors of Falco Resources Ltd. (the “Special Committee”):

Introduction

The Advisory and Capital Markets division of Macquarie Capital Markets Canada Ltd. (“**Macquarie Capital**” or “**we**”) understands that Falco Resources Ltd. (the “**Company**”) and Osisko Gold Royalties Ltd (the “**Acquiror**”) propose to enter into a purchase agreement (the “**Purchase Agreement**”), whereby the Acquiror will, directly or indirectly, purchase from the Company a senior secured silver stream (the “**Silver Stream**”) on the Company’s Home 5 Project (the “**Project**”) (the “**Transaction**”).

1 THE TRANSACTION

Pursuant to the Transaction, the Company will receive a total of up to C\$180,000,000 in staged payments as follows:

- A first deposit of C\$25,000,000 on closing of the Transaction, net of any amounts owing by the Company to the Acquiror, and subject to certain additional conditions precedent;
- A second deposit of C\$20,000,000, upon the Company receiving all necessary material third-party approvals, licenses, rights of way, and surface rights, and subject to certain additional conditions precedent;
- A third deposit of C\$35,000,000, following receipt of all material permits required for the construction of a mine on the Project, a positive construction decision for the Project, and raising a minimum of C\$100,000,000 in equity, joint venture or any other non-debt financing for the construction of the mine, and subject to certain additional conditions precedent;
- A fourth deposit of C\$60,000,000, upon the Company achieving financial close in respect of an approved project loan facility of not less than C\$200,000,000, and subject to certain additional conditions precedent; and
- An optional fifth deposit of C\$40,000,000 at the election of the Acquiror to increase the stream percentage, payable concurrently with the fourth deposit.

Under the terms of the Purchase Agreement, the Acquiror 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 deposit is paid. In exchange for the silver delivered under the Purchase Agreement, the Acquiror will pay the Company ongoing payments equal to 20% of the reference spot price of silver on the day of delivery, subject to a maximum payment of US\$6.00 per silver ounce. The silver to be delivered to the Acquiror under the Purchase Agreement will include silver produced from the Project and properties within a 5 km

area of interest. Pursuant to the Purchase Agreement, the Company has agreed to pay the Acquiror a C\$2,000,000 capital commitment fee payable upon the Acquiror funding the third deposit under the Purchase Agreement.

Completion of the Transaction is subject to approval from disinterested shareholders of the Company in accordance with requisite laws and rules of stock exchanges, a right of first refusal in favour of Glencore Canada Corporation (“**Glencore**”), and various conditions, including, without limitation, receipt of all required regulatory approvals and other customary conditions. The terms of, and conditions necessary to complete, the Transaction are set forth in the Purchase Agreement and will be described in the Company’s management information circular (the “**Circular**”) to be mailed to the shareholders in connection with the annual and special meeting of the shareholders to be held to consider and, if deemed advisable, to among other things, approve the Transaction.

2 MACQUARIE CAPITAL’S ROLE

The Company initially contacted Macquarie Capital on May 13, 2018 and formally engaged Macquarie Capital pursuant to an engagement agreement dated May 31, 2018 (the “**Engagement Agreement**”) to provide financial advisory services in connection with the Transaction, including Macquarie Capital’s opinion to the Special Committee as to the fairness to the Company, from a financial point of view, of the consideration to be received by the Company pursuant to the Transaction (the “**Opinion**”). In consideration for the preparation and delivery of the Opinion, the Company will pay Macquarie Capital a fee that is not contingent upon the conclusions reached herein or completion of the Transaction and will reimburse Macquarie Capital for its reasonable expenses. Macquarie Capital will also be entitled to a separate fee contingent upon completion of the Transaction and is to be reimbursed for reasonable expenses in connection with the other financial advisory and professional services provided under the Engagement Agreement. In addition, pursuant to the Engagement Agreement, Macquarie Capital and its affiliates and their respective directors, officers, employees, agents and consultants are to be indemnified by the Company under certain circumstances from and against certain liabilities arising in connection with the Opinion and the financial advisory and professional services rendered to the Company and the Special Committee.

3 CREDENTIALS OF MACQUARIE CAPITAL

Macquarie Capital is a wholly owned subsidiary of the Macquarie Group which is a diversified international provider of specialist investment, advisory, trading and financial services in select markets around the world. Macquarie Capital is a member of the Investment Industry Regulatory Organization of Canada and a member of the Toronto Stock Exchange and the TSX Venture Exchange. Macquarie Capital’s advisory services include the areas of mergers, acquisitions, divestments, restructurings, fairness opinions and valuations. The Opinion expressed herein is Macquarie Capital’s and has been approved by senior corporate and financial advisory professionals of Macquarie Capital who have been involved in a number of transactions involving the merger, acquisition, divestiture and valuation of publicly traded and private Canadian issuers and in providing fairness opinions in respect of such transactions.

4 INDEPENDENCE OF MACQUARIE CAPITAL

None of Macquarie Capital, its affiliates or associates, is an insider, associate or affiliate (within the meanings attributed to those terms in the *Securities Act* (Ontario)), or a related entity, of the Company, the Acquiror or any of their respective associates or affiliates (collectively, the “**Interested Parties**”). Macquarie Capital is not acting as an advisor, financial or otherwise, to any Interested Party in connection with the Transaction other than to the Company pursuant to the Engagement Agreement, or in connection with any other transaction. Macquarie Capital has acted as an underwriter to the Company in the past two years. Macquarie Capital has acted as an underwriter to the Acquiror in the past two years.

There are no understandings, agreements or commitments between Macquarie Capital and any Interested Party with respect to any future business dealings, however, Macquarie Capital may in the future in the ordinary course of business seek to perform financial advisory services for any one or more of them from time to time.

Macquarie Capital acts as a trader and dealer, both as principal and agent, in Canadian financial markets and, as such, may have, today, or in the future, positions in the securities of any Interested Party, and from time to time, may have executed or may execute transactions on behalf of any Interested Party or other clients for which it received or may receive compensation. In addition, as an investment dealer, Macquarie Capital conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on issues and investment matters, including with respect to an Interested Party or the Transaction.

5 SCOPE OF REVIEW

In connection with rendering this Opinion, Macquarie Capital has reviewed and relied upon, or carried out, among other things, the following:

- (a) audited annual financial statements of the Company as at and for the years ended June 30, 2017 and June 30, 2016, together with management's discussion & analysis of financial condition and operating results for each such financial period;
- (b) the NI 43-101 Technical Report for the Horne 5 Gold Project Feasibility Study prepared for the Company issued on October 30, 2017 (the "**Technical Report**") and effective October 5, 2017;
- (c) unaudited financial statements of the Company as at and for the interim periods ended March 31, 2018, December 31, 2017, and September 30, 2017, together with management's discussion & analysis of financial condition and operating results for each such interim period;
- (d) the management information circular of the Company in respect of the annual and special meeting of shareholders held on November 10, 2017;
- (e) the annual information form of the Company dated February 2, 2018 for the year ended June 30, 2017;
- (f) the short form base shelf prospectus of the Company dated March 16, 2018;
- (g) certain internal financial information, and financial and operational analysis, projections and models prepared by, or on behalf of the Company, relating to its business;
- (h) a certificate of representation as to certain factual matters dated the date hereof, addressed to Macquarie Capital provided by senior officers of the Company;
- (i) historical and forecast commodity prices and foreign exchange rates, and considered the impact of various commodity pricing and foreign exchange rate assumptions on the business, prospects and financial forecasts of the Company;
- (j) held discussions with management of the Company with regard to, among other things, the business, past and current operations, quality of assets, financial projections, current financial condition, future potential and environmental matters of the Company;

- (k) various reports published by equity research analysts and industry sources with respect to the Company that we considered relevant; and
- (l) other information relating to the business and financial condition of the Company and other selected mining companies Macquarie Capital considered relevant.

In addition to the information detailed above, Macquarie Capital has further reviewed, considered and relied upon, among other things, the following:

- a) a letter of intent dated June 11, 2018 with respect to the purchase from the Company of the Silver Stream by the Acquiror;
- b) information with respect to selected precedent streaming transactions Macquarie Capital considered relevant; and
- c) other information, analysis, investigations and discussions as Macquarie Capital considered relevant and appropriate in the circumstances.

Macquarie Capital did not meet with the auditors of the Company and has assumed the accuracy and fair presentation of the audited and unaudited financial statements of the Company, and, as applicable, the reports of the auditor thereon. Macquarie Capital did not meet with the authors of the Technical Report and has assumed the accuracy and fair presentation of the Technical Report.

Macquarie Capital has not, to its knowledge, been denied access to any information requested.

6 PRIOR VALUATIONS

Certain senior officers of the Company have represented to Macquarie Capital that, to the best of their knowledge, there have been no valuations or appraisals of the Company or any material property of the Company or any of its subsidiaries or affiliates, made in the preceding 24 months.

7 ASSUMPTIONS AND LIMITATIONS

We have relied upon and have assumed the completeness, accuracy and fair representation of all financial and other information, data, documents, materials, advice, opinions and representations obtained by us, including information relating to the Company provided to us by or on behalf of the Company and its affiliates or otherwise pursuant to the Engagement Agreement, and this Opinion is conditional upon such completeness, accuracy, and fairness. We have not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions or representations. Senior officers of the Company have represented to Macquarie Capital, in a certificate dated as at the date hereof, among other things, that to the best of their knowledge after due inquiry, with the exception of certain forecasts, projections or estimates, (i) the information, data, opinions, representations and other materials (oral or written) (collectively referred to as the “**Information**”) provided to Macquarie Capital by or on behalf of the Company was at the dates the Information was provided and is at the date hereof true, complete and correct and not misleading in light of the circumstances under which they were made or presented and did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the Information not misleading in light of the circumstances under which the Information was provided; and (ii) since the dates on which the Information was provided, there has been no material change (as such term is defined in the *Securities Act* (Ontario) or new material fact, financial or otherwise, relating to the Transaction, the financial condition, assets, liabilities (contingent or otherwise), business, affairs,

operations or prospects of the Company or any of its subsidiaries, associates or affiliates or any change in any material fact or in any material element of any of the Information, or new material fact, any of which is of a nature as to render any portion of the Information untrue or misleading in any material respect or which could reasonably be expected to have a material effect on this Opinion.

We have also assumed that the transaction process undertaken by the Company was appropriate. With respect to the operating and financial projections of the Company which were furnished to us, we have assumed that such projections have been reasonably prepared by the Company on bases reflecting the best currently available estimates and good faith judgments by management of the Company of the future competitive, operating and regulatory environments and related financial performance of the Company. We express no view as to any such financial projections or the assumptions on which any of them are based.

For purposes of rendering this Opinion, we have assumed that the representations and warranties of each party contained in the Purchase Agreement are true and correct and that each party will perform all of the covenants and agreements required to be performed by it under the Purchase Agreement without waiver or amendment. The Transaction is subject to a number of conditions outside the control of any party involved in Transaction and Macquarie Capital has assumed all conditions precedent to the completion of the Transaction can be satisfied in due course and all consents, permissions, exemptions or orders of relevant regulatory authorities will be obtained, without adverse conditions or qualification. In rendering this Opinion, we express no view as to the likelihood that the conditions respecting the Transaction will be satisfied or waived or that the Transaction will be implemented within the time frame indicated in the Circular.

In addition, we have assumed that Company will not incur any material liability or obligation, or lose any material rights, as a result of completion of the Transaction and that the procedures being followed to implement the Transaction are valid and effective, and in accordance with applicable laws and that the disclosure of the Company, the Acquiror and the Transaction in any disclosure documents will be accurate and will comply with the requirements of applicable laws.

This Opinion is rendered as at the date hereof on the basis of market, economic, financial and general business and other conditions prevailing, and the Information made available to Macquarie Capital, as at the date hereof. In rendering this Opinion, Macquarie Capital has assumed that there are no undisclosed material facts relating to the Company or the Acquiror, or their respective businesses, operations, capital or future prospects. Any changes therein may affect this Opinion and, although we reserve the right to change, withdraw or supplement this Opinion in such event or in the event that subsequent developments affect this Opinion, we disclaim any obligation to advise any person of any change that may come to our attention or to update, revise or reaffirm this Opinion after the date hereof.

In its analyses and in connection with the preparation of this Opinion, Macquarie Capital made numerous assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of any party involved in the Transaction. While, in the opinion of Macquarie Capital, our assumptions used in preparing this Opinion are reasonable in the current circumstances, some or all of these assumptions may prove to be incorrect.

Macquarie Capital believes that the analyses and factors considered in arriving at this Opinion must be considered as a whole and are not amenable to partial analyses or summary description and that selecting portions of the analyses and the factors considered, without considering all factors and analyses together, could create a misleading view of the process employed and the conclusions reached. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. In arriving at this Opinion, Macquarie Capital has not attributed any particular weight to any specific analyses or factor but rather based this

Opinion on a number of qualitative and quantitative factors deemed appropriate by Macquarie Capital based on Macquarie Capital's experience in rendering such opinions.

Macquarie Capital has not been asked to pass upon, and expresses no opinion with respect to, any matter other than whether, as of the date hereof, the consideration to be received by the Company pursuant to the Transaction is fair, from a financial point of view, to the Company. Macquarie Capital has not been engaged to prepare, and has not prepared, a valuation or appraisal of the Company or any of its assets, securities or liabilities (contingent or otherwise), nor have we been furnished with any such valuations appraisals, nor have we evaluated the solvency or fair value of the Company under any applicable laws relating to bankruptcy, insolvency or similar matters, and this Opinion should not be construed as such. Furthermore, this Opinion is not, and should not be construed as, advice as to the price at which the common shares of the Company (the "**Shares**") may trade at any date (whether before or after the completion of the Transaction) or to the future financial viability or prospects of the Company. In addition, this Opinion does not address the overall fairness of the Transaction to the holders of any class of securities (only the fairness of the consideration to be received by the Company as expressly set out in the Opinion), creditors or other constituencies of the Company, or the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors, consultants or employees of the Company in their capacities as such and in connection with the Transaction. This Opinion does not address the relative merits of the Transaction as compared to other business strategies or transactions that might be available to the Company or any other party to the Transaction, nor does it address the underlying business decision of the Company, or any other party to the Transaction, to engage in the Transaction. We were not engaged to review any legal, regulatory, tax or accounting aspects of the Transaction and, accordingly, express no view thereon and have assumed the accuracy and completeness of assessments by the Company and its advisors with respect to legal, regulatory, tax and accounting matters. We were not requested to solicit, and did not solicit, interest from other parties with respect any other alternative transaction and did not consider or develop any potential alternatives to the Transaction.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of Investment Industry Regulatory Organization of Canada ("**IIROC**") but IIROC has not been involved in the preparation or review of this Opinion.

8 OVERVIEW OF THE COMPANY

The Company is one of the largest mineral claim holders in the Province of Québec, with extensive land holdings in the Abitibi Greenstone Belt. The Company holds rights to approximately 67,000 hectares of land in the Rouyn-Noranda mining camp, which represents approximately 70% of the entire camp and includes 13 former gold and base metal mine sites. The Company's principal asset is the Horne 5 Project located in the former Horne mine that was operated by Noranda Inc. from 1927 to 1976 and produced 11.6 million ounces of gold and 2.5 billion pounds of copper. The Acquiror is the largest shareholder of the Company and currently owns 12.6% of the issued and outstanding shares of the Company.

9 SUMMARY OF ANALYSIS

In support of the Opinion, Macquarie Capital has performed certain financial analyses with respect to the Company, based on those methodologies and assumptions that Macquarie Capital considered appropriate in the circumstances for the purposes of providing the Opinion. In the context of the Opinion, Macquarie Capital has considered the following principal methodologies (as each such term is defined below):

- a. Net Asset Value; and
- b. Precedent Transactions Analysis.

Net Asset Value

The Net Asset Value (“NAV”) approach separately considers each mining and financial asset relating to the Project for which individual values are estimated through the application of the methodology viewed as most appropriate in the circumstances, net of obligations and liabilities. Under the NAV approach, the NPV (as defined below) for the Silver Stream on the Project produces a total operating asset value, which is compared against the present value of the proposed consideration payable by the Acquiror, net of financial obligations attributable to the Company in relation to the Silver Stream.

For the NAV analysis, Macquarie Capital relied on a discounted cash flow (“DCF”) analysis whereby it discounted the unlevered, after-tax, future free cash flows of the Silver Stream over the life of the asset at a prescribed discount rate to generate a present value (the “NPV”). Macquarie Capital also relied on a DCF analysis to estimate the Internal Rate of Return (“IRR”) from the perspective of the Acquiror on the proposed consideration payable by the Acquiror with respect to the Transaction. All forecasts of future free cash flow for the Silver Stream were based on Company operating estimates. The NAV approach also requires that certain assumptions be made to derive the NPV including, among other things, commodity pricing, mining operations, Project development timelines, and discount rates.

As part of the NAV analysis, Macquarie Capital performed a range of sensitivity analyses on a variety of factors.

Precedent Transactions Analysis

The precedent transactions analysis considers transaction multiples in the context of the purchase or sale of assets similar to the Silver Stream as contemplated in the Transaction. Macquarie Capital reviewed publicly available information in connection with selected transactions involving precious metals streaming agreements on development-stage assets in the Americas and Europe that we considered relevant (the “**Precedent Transactions Analysis**”). Macquarie Capital considered the multiples of price to NAV and IRR to be the most relevant metrics for the Company in consideration of precedent transactions.

10 FAIRNESS CONSIDERATIONS

The assessment of fairness of the consideration, from a financial point of view, must be determined in the context of the particular transaction. Macquarie Capital based its conclusion in the Opinion upon a number of quantitative and qualitative factors including, but not limited to, our analysis using the NAV approach, the consideration payable for the Silver Stream pursuant to the Purchase Agreement compares favourably with the multiples ranges derived from our analyses using the Precedent Transactions Analysis, and other factors or analyses, which we have judged, based on our experience in rendering such opinions, to be relevant in circumstances.

11 CONCLUSION

Based upon and subject to the foregoing and such other matters as Macquarie Capital considers relevant, it is Macquarie Capital’s opinion that, as of the date hereof, the consideration to be received by the Company pursuant to the Transaction is fair, from a financial point of view, to the Company.

This Opinion is not, and is not intended to be, a recommendation to shareholders as to how to vote at the Meeting. This Opinion has been provided solely for the use of the Special Committee for the purposes of its consideration of the Transaction and may not be used or relied upon by any other person or for any other purpose without the express prior written consent of Macquarie Capital. This Opinion shall not be reproduced, disseminated, quoted from or referred to (in whole or in part) and no public reference to

Macquarie Capital Markets Canada Ltd. or its affiliates relating to the Transaction or this Opinion shall be made without the express prior written consent of Macquarie Capital, except that we consent to the inclusion of the complete text of this Opinion and to appropriate references to, or summaries of, this Opinion, subject to our review to our satisfaction of the final form and context of such disclosures, in the Circular, or other form of document(s) required to be mailed to shareholders in connection with the Transaction.

Yours sincerely,

Macquarie Capital Markets Canada Ltd.

Macquarie Capital Markets Canada Ltd.

**SCHEDULE “B”
BOARD OF DIRECTORS CHARTER**

I. OVERALL ROLE AND RESPONSIBILITY

The Board of Directors (the “**Board**”) of Falco Resources Ltd. (the “**Corporation**”) is elected by the Corporation’s shareholders to supervise the management of the business and affairs of the Corporation.

The Board monitors the manner in which the Corporation conducts its business as well as the senior management responsible for the day-to-day operations of the Corporation. It sets the Corporation’s policies, assesses their implementation by management and reviews the results.

The prime stewardship responsibility of the Board is to ensure the viability of the Corporation and to ensure that it is managed in the best interest of its shareholders as a whole while taking into account the interests of other stakeholders.

The Board’s main expectations of the Corporation’s management are to protect the Corporation’s interests and ensure the long-term growth of shareholder value.

II. MEMBERSHIP AND QUORUM

The Board shall be composed of a minimum of 3 and a maximum of 12 members. The Board shall also be constituted with a majority of individuals who qualify as independent directors, as per the standards of independence established in the Regulation 58-101 *respecting Disclosure of Corporate Governance Practices*.

The quorum at any meeting of the Board is a majority of directors in office.

III. STRUCTURE AND OPERATIONS

Proceedings and meetings of the Board are governed by the provisions of By-law No. 1 of the Corporation relating to the regulation of the meetings and proceedings of the Board insofar as they are applicable and not inconsistent with this Charter and the other provisions adopted by the Board in regards to committee composition and organization.

IV. DUTIES AND RESPONSIBILITIES OF THE BOARD

In addition to statutory responsibilities, the Board, either directly or through one of its committees, assumes responsibility for:

- (a) **satisfying itself**, to the extent feasible, as to the integrity of the Chief Executive Officer (“CEO”), the President and other senior officers, and that the CEO and other senior officers maintain a culture of integrity throughout the Corporation;
- (b) **ensuring** that the Corporation is operated so as to preserve its financial integrity and in accordance with policies approved by the Board;

- (c) **ensuring**, through the Nominating and Corporate Governance Committee, that appropriate structures and procedures are in place so that the Board and its committees can function independently of management and in accordance with sound corporate governance practices;
- (d) **reviewing and approving** key policy statements developed by management on various issues such as ethics, regulatory compliance and communications with shareholders, other stakeholders and the general public;
- (e) **adopting** a strategic planning process and thereafter reviewing and, where appropriate, **approving**, annually, a strategic plan and a budget which takes into account, among other things, the opportunities and risks of the business (all of which are developed at first by management), and **monitoring** the Corporation's performance with reference to the adopted budget and strategic plan;
- (f) **appointing** the President and CEO, **setting forth** the position description, as well as **planning** for the succession of the President and CEO with the recommendation of the Nominating and Corporate Governance Committee and the Compensation Committee respectively;
- (g) **evaluating** the performance and **reviewing** the compensation of the President and CEO with the Compensation Committee, and **ensuring** that such compensation is competitive and measured according to appropriate benchmarks which reward contribution to shareholder value;
- (h) **appointing, training, evaluating and monitoring** officers as well as planning for their succession with the recommendations of the Nominating and Corporate Governance Committee; **determining** management compensation with the recommendations of the Nominating and Corporate Governance Committee and the Compensation Committee, respectively and **ensuring** that such compensation is competitive and measured according to appropriate industry benchmarks;
- (i) **overseeing**, through the Audit Committee, the quality and integrity of the Corporation's accounting and financial reporting systems, and disclosure controls and procedures;
- (j) **ensuring**, through the Audit Committee, the integrity of the Corporation's internal controls and management information systems;
- (k) **overseeing**, through the Audit Committee, the process for evaluating the adequacy of internal control structures and procedures of financial reporting;
- (l) **advising** management on critical and sensitive issues;
- (m) **ensuring** that the Board's expectations of management are understood, that all appropriate matters come before the Board in a timely and effective manner and that the Board is kept informed of shareholder feedback;
- (n) **conducting** annually, through the Nominating and Corporate Governance Committee, a review of Board practices and the Board's and committees' performance (including director's individual contributions), to ascertain that the Board, its committees and the directors are capable of carrying out and do carry out their roles effectively;

- (o) **ensuring** with the Compensation Committee, the adequacy and form of the compensation of non-executive directors taking into account the responsibilities and risks involved in being an effective director;
- (p) **determining**, with the Nominating and Corporate Governance Committee, in light of the opportunities and risks facing the Corporation, what competencies, skills and personal qualities the Board should seek in recruiting new Board members, and the appropriate size of the Board to facilitate effective decision-making;
- (q) **determining**, annually, with the Nominating and Corporate Governance Committee, the independence of each member of the Board as such term is defined by applicable laws and regulations including, rules and guidelines of stock exchanges to which the Corporation is subject;
- (r) **setting forth**, with the recommendation of the Nominating and Corporate Governance Committee, the position description for the Chair of the Board and the Chair of the committees of the Board;
- (s) **determining** annually, with the Audit Committee, if each member of the Audit Committee is “financially literate” as such terms are defined under applicable laws and regulations including rules and guidelines of stock exchanges to which the Corporation is subject;
- (t) **selecting**, upon the recommendation of the Nominating and Corporate Governance Committee, nominees for election as directors;
- (u) **selecting** the Chair of the Board;
- (v) **selecting** the Lead Director of the Board and ensure the director appointed as Lead Director is and remains independent;
- (w) **ensuring**, through the Nominating and Corporate Governance Committee, that new directors have a good understanding of their role and responsibilities and of the contribution expected of them (including as regards attendance at, and preparation for, meetings), and that they are provided with adequate education and orientation as regards the Corporation, its business and activities;
- (x) **approving** unbudgeted capital expenditures, or significant divestiture, as well as acquisitions where environmental or other liabilities exist and which could result in significant exposure to the Corporation;
- (y) **discussing and developing** the Corporation’s approach to corporate governance issues in general, with the involvement of the Nominating and Corporate Governance Committee;
- (z) **reviewing and approving**, with the involvement of the Disclosure Committee, the content of the principal communications by the Corporation to its shareholders and the public, including, as applicable, quarterly and annual financial statements and management’s discussion and analysis, annual information form, information circulars, prospectuses and other similar documents which may be issued and distributed;
- (aa) **ensuring** ethical behavior and compliance with laws;

- (bb) **monitoring**, directly or through one of its committees, compliance with the Code of Ethics;
and
- (cc) **consider** the means by which stakeholders can communicate with the members of the Board
(including independent directors).

Directors are expected to make reasonable efforts to attend all Board meetings and to review materials distributed to them in advance of Board meetings.

V. CHARTER

The Nominating and Corporate Governance Committee shall periodically review this Charter and recommend appropriate changes to the Board.

**SCHEDULE “C”
AUDIT COMMITTEE CHARTER**

I. PURPOSES OF THE AUDIT COMMITTEE

The purposes of the Audit Committee are to assist the Board of Directors:

1. in its oversight of the Corporation’s accounting and financial reporting principles and policies and internal audit controls and procedures;
2. in its oversight of the integrity, transparency and quality of the Corporation’s financial statements and the independent audit thereof;
3. in selecting, evaluating and, where deemed appropriate, replacing the external auditors;
4. in evaluating the qualification, independence and performance of the external auditors;
5. in its oversight of the Corporation’s risk identification, assessment and management program; and
6. in the Corporation’s compliance with legal and regulatory requirements in respect of the above.

The function of the Audit Committee is to provide independent and objective oversight. The Corporation’s management team is responsible for the preparation, presentation and integrity of the Corporation’s financial statements. Management is responsible for maintaining appropriate accounting and financial reporting principles and policies and internal controls and procedures that provide for compliance with accounting standards and applicable laws and regulations. The external auditors are responsible for planning and carrying out a proper audit of the Corporation’s annual financial statements and other procedures. In fulfilling their responsibilities hereunder, it is recognized that members of the Audit Committee are not full-time employees of the Corporation and are not, and do not represent themselves to be, accountants or auditors by profession or experts in the fields of accounting or auditing including in respect of auditor independence. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct “field work” or other types of auditing or accounting reviews or procedures or to set auditor independence standards, and each member of the Audit Committee shall be entitled to rely on (i) the integrity of those persons and organizations within and external to the Corporation from which it receives information, (ii) the accuracy of the financial and other information provided to the Audit Committee by such persons or organizations absent actual knowledge to the contrary (which shall be promptly reported to the Board of Directors) and (iii) representations made by management as to non-audit services provided by the auditors to the Corporation.

The external auditors are ultimately accountable to the Board of Directors and the Audit Committee as representatives of shareholders. The Audit Committee is directly responsible (subject to the Board of Directors’ approval) for the appointment, compensation, retention (including termination), scope and oversight of the work of the external auditors engaged by the Corporation (including for the purpose of preparing or issuing an audit report or performing other audit, review or attestation services or other work of the Corporation), and is also directly responsible for the resolution of any disagreements between management and any such firm regarding financial reporting.

The external auditors shall submit annually, to the Corporation and the Audit Committee:

- as representatives of the shareholders of the Corporation, a formal written statement delineating all relationships between the external auditors and the Corporation (“Statement as to Independence”); and
- A formal written statement of the fees billed in compliance with the disclosure requirements of Form 52-110F1 of National Instrument 52-110.

II. COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee shall be comprised of two or more independent directors as defined under applicable legislation and stock exchange rules and guidelines and are appointed (and may be replaced) by the Board of Directors. Determination as to whether a particular director satisfies the requirements for membership on the Audit Committee shall be made by the Board of Directors.

All members of the Committee shall be financially literate (able to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements), and at least one member of the Committee shall have accounting or related financial expertise or sophistication as such qualifications are interpreted by the Board of Directors in light of applicable laws and stock exchange rules. The later criteria may be satisfied by past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer of an entity with financial oversight responsibilities.

III. MEMBERSHIP, MEETINGS AND QUORUM

The Audit Committee shall meet at least four times annually or more frequently if circumstances dictate, to discuss with management the annual audited financial statements and quarterly financial statements, and all other related matters. The Audit Committee may request any officer or employee of the Corporation or the Corporation’s external counsel or external auditors to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee.

Proceedings and meetings of the Audit Committee are governed by the provisions of By-Law No. 1 relating to the regulation of the meetings and proceedings of the Board of Directors as they are applicable and not inconsistent with this Charter and the other provisions adopted by the Board of Directors in regards to committee composition and organization.

The quorum at any meeting of the Committee is a majority of members in office. All members of the Audit Committee should strive to be at all meetings.

IV. DUTIES AND POWERS OF THE AUDIT COMMITTEE

To carry out its purposes, the Audit Committee shall have unrestricted access to information and shall have the following duties and powers:

1. with respect to the external auditor,
 - (i) to review and assess, annually, the performance of the external auditors, and recommend to the Board of Directors the nomination of the external auditors for appointment by the shareholders, or if required, the revocation of appointment of the external auditors;
 - (ii) to review and approve the fees charged by the external auditors for audit services;
 - (iii) to review and pre-approve all services other than audit services, to be provided by the Corporation's external auditors to the Corporation or to its subsidiaries, and associated fees and to ensure that such services will not have an impact on the auditor's independence. The Audit Committee may delegate such authority to one or more of its members, which member(s) shall report thereon to the committee;
 - (iv) to ensure that the external auditors prepare and deliver annually a Statement as to Independence (it being understood that the external auditors are responsible for the accuracy and completeness of such statement), to discuss with the external auditors any relationships or services disclosed in the Statement as to Independence that may impact the objectivity and independence of the Corporation's external auditors and to recommend that the Board of Directors take appropriate action in response to the Statement as to Independence to satisfy itself of the external auditors' independence; and
 - (v) to instruct the external auditors that the external auditors are ultimately accountable to the Audit Committee and the Board of Directors, as representatives of the shareholders;
2. with respect to financial reporting principles and policies and internal controls,
 - (i) to advise management that they are expected to provide to the Audit Committee a timely analysis of significant financial reporting issues and practices;
 - (ii) to ensure that the external auditors prepare and deliver as applicable a detailed report covering 1) critical accounting policies and practices to be used; 2) material alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the external auditors; 3) other material written communications between the external auditors and management such as any management letter or schedule of unadjusted differences; and 4) such other aspects as may be required by the Audit Committee or legal or regulatory requirements;
 - (iii) to consider any reports or communications (and management's responses thereto) submitted to the Audit Committee by the external auditors, including reports and communications related to:
 - deficiencies noted following the audit of the design and operation of internal controls;
 - consideration of fraud in the audit of the financial statements;
 - detection of illegal acts;

- the external auditors' responsibilities under generally accepted auditing standards;
- significant accounting policies;
- management judgements and accounting estimates;
- adjustments arising from the audit;
- the responsibility of the external auditors for other information in documents containing audited financial statements;
- disagreements with management;
- consultation by management with other accountants;
- major issues discussed with management prior to retention of the external auditors;
- difficulties encountered with management in performing the audit;
- the external auditor's judgements about the quality of the entity's accounting principles; and
- reviews of interim financial information conducted by the external auditors.

(iv) to meet with management and external auditors:

- to discuss the scope of the annual audit and to review and approve the audit plan;
- to discuss the audited financial statements, including the accompanying management's discussion and analysis;
- to discuss the unaudited interim quarterly financial statements, including the accompanying management's discussion and analysis;
- to discuss the appropriateness and quality of the Corporation's accounting principles as applied in its financial reporting;
- to discuss any significant matters arising from any audit or report or communication referred to in item 2 (iii) above, whether raised by management or the external auditors, relating to the Corporation's financial statements;
- to resolve disagreements between management and the external auditors regarding financial reporting;
- to review the form of opinion the external auditors propose to render to the Board of Directors and shareholders;
- to discuss significant changes to the Corporation's auditing and accounting principles, policies, controls, procedures and practices proposed or contemplated by the external auditors or management, and the financial impact thereof;
- to review any non-routine correspondence with regulators or governmental agencies and any employee complaints or published reports that raise material issues regarding the Corporation's financial statements or accounting policies;
- to review, evaluate and monitor (as applicable) the Corporation's risk management program including the revenue protection program. This function should include:
 - risk assessment;

- quantification of exposure;
 - risk mitigation measures; and
 - risk reporting;
- to review the adequacy of the resources of the finance and accounting group, along with its development and succession plans;
 - to monitor and review communications received in accordance with the Corporation's Internal Whistle Blowing Policy;
 - following completion of the annual audit and quarterly reviews, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of the work or access to required information and the cooperation that the independent auditor received during the course of the audit and review;
- (v) to discuss with the Chief Financial Officer any matters related to the financial affairs of the Corporation;
 - (vi) to discuss with the Corporation's management any significant legal matters that may have a material effect on the financial statements, the Corporation's compliance policies, including material notices to or inquiries received from governmental agencies; and
 - (vii) to review, and discuss with the Corporation's President and Chief Executive Officer and Chief Financial Officer the procedure with respect to the certification of the Corporation's financial statements pursuant to National Instrument 52-109 *Certification of Disclosure in Issuer's Annual and Interim Filings* and any other applicable law or stock exchange rule.
3. with respect to reporting and recommendations,
- (i) to prepare/review any report or other financial disclosures to be included in the Corporation's annual information form;
 - (ii) to review and recommend to the Board of Directors for approval, the interim and audited annual financial statements of the Corporation, management's discussion and analysis of the financial conditions and results of operations (MD&A) and the press releases (as applicable) related to those financial statements;
 - (iii) to review and recommend to the Board of Directors for approval, the annual report, management's assessment on internal controls (as applicable) and any other like annual disclosure filings to be made by the Corporation under the requirements of securities laws or stock exchange rules applicable to the Corporation;
 - (iv) to review and reassess the adequacy of the procedures in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 3(ii) above;
 - (v) to review this Charter at least annually and recommend any changes to the Board of Directors; and
 - (vi) to report its activities to the Board of Directors on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate.
4. to review, discuss with management, and approve all related party transactions;

5. to create an agenda for the ensuing year;
6. to review quarterly the expenses of the President and Chief Executive Officer;
7. to establish and reassess the adequacy of the procedures for the receipt, retention and treatment of any complaint received by the Corporation regarding accounting, internal accounting controls or auditing matters, including procedures for the confidential anonymous submissions by employees of concerns regarding questionable accounting or auditing matters in accordance with applicable laws and regulations; and
8. to set clear hiring policies regarding partners, employees and former partners and employees of the present and, as the case may be, former external auditor of the Corporation.

V. RESOURCES AND AUTHORITY OF THE AUDIT COMMITTEE

The Audit Committee shall have the resources and authority appropriate to discharge its responsibilities, as it shall determine, including the authority to engage external auditors for special audits, reviews and other procedures and to retain special counsel and other experts or consultants.

This Charter was approved and ratified on May 25, 2016 and amended on February 13, 2018.

