

Form 51-102F3
MATERIAL CHANGE REPORT

Item 1 Name and Address of Company

Falco Resources Ltd. (“**Falco**” or the “**Corporation**”)
Suite 300 - 1100 avenue des Canadiens-de-Montréal
Montréal, Québec
H3B 2S2

Item 2 Date of Material Change

December 6, 2022.

Item 3 News Release

A news release pertaining to the material change being the subject of the present report was issued through Global Newswire and was filed with SEDAR on December 6, 2022.

Item 4 Summary of Material Change

On December 6, 2022, the Corporation announced that it has entered into binding agreements (a) with Osisko Gold Royalties Ltd (“**Osisko**”) in order (i) to extend the maturity date of the Corporation’s existing convertible secured senior loan (the “**Osisko Loan**”) from December 31, 2022 to December 31, 2024, (ii) to capitalize accrued interest thereof, (iii) to increase the interest rate of the Osisko Loan from 7% per annum to 8% per annum, (iv) to reduce the conversion price of the Osisko Loan from \$0.55 to \$0.50 per common share of Falco (“**Common Shares**”) and (v) to replace Osisko’s previously held 10,664,324 warrants of the Corporation with 10,664,324 warrants of the Corporation each exercisable for one Common Share at an exercise price of \$0.65 and expiring on December 31, 2024; and (b) with Glencore Canada Corporation (“**Glencore**”) in order (i) to extend the maturity date of the Corporation’s existing senior secured convertible debenture (the “**Glencore Debenture**”) from April 27, 2023 to December 31, 2024, (ii) to capitalize accrued interest thereof, (iii) to increase the interest rate of the Glencore Debenture from 8% per annum to 9% per annum, (iv) to reduce the conversion price of the Glencore Debenture from \$0.40 to \$0.36 per Common Share of Falco and (v) to amend the terms of the 15,061,158 warrants of the Corporation held by Glencore to be exercisable at an exercise price of \$0.38 and to expire on December 31, 2024.

Item 5 Full Description of Material Change

On December 6, 2022, the Corporation announced that it has entered into binding agreements (i) with Osisko in order to extend the maturity date of the Osisko Loan from December 31, 2022 to December 31, 2024; and (ii) with Glencore in order to extend the maturity date of the Glencore Debenture from April 27, 2023 to December 31, 2024.

Extension of the Maturity Date of the Osisko Loan

In consideration for the extension of the maturity date of the Osisko Loan, the Osisko Loan will also be amended (collectively with the extension of the maturity date of the Osisko Loan, the “**Osisko Loan Amendments**”) (i) in order for the accrued interest on the existing

Osisko Loan to be capitalized such that the principal amount of the amended Osisko Loan will be approximately \$20,484,195, (ii) to increase the interest rate of the Osisko Loan from 7% per annum to 8% per annum, and (iii) to reduce the conversion price of the Osisko Loan from \$0.55 to \$0.50 per Common Share. In addition, the 10,664,324 warrants of the Corporation previously held by Osisko, each exercisable for one Common Share at an exercise price of \$0.69 and expiring on November 27, 2022 will be replaced with 10,664,324 warrants of the Corporation each exercisable for one Common Share at an exercise price of \$0.65 and expiring on December 31, 2024, maturing concurrently with the Osisko Loan, as amended (collectively, the “**Osisko Warrants**”).

Extension of the Maturity Date of the Glencore Debenture

In consideration for the extension of the maturity date of the Glencore Debenture, the Glencore Debenture will also be amended (collectively with the extension of the maturity date of the Glencore Debenture, the “**Glencore Debenture Amendments**”) (i) in order for the accrued interest on the existing Glencore Debenture to be capitalized such that the principal amount of the amended Glencore Debenture will be approximately \$11,770,710, (ii) to increase the interest rate of the Glencore Debenture from 8% per annum to 9% per annum and (iii) to reduce the conversion price of the Glencore Debenture from \$0.40 to \$0.36 per Common Share. In addition, the 15,061,158 warrants of the Corporation held by Glencore, each exercisable for one Common Share at an exercise price of \$0.41 and expiring on April 27, 2023 will be amended to be exercisable at an exercise price of \$0.38 and expiring on December 31, 2024, maturing concurrently with the Glencore Debenture, as amended (collectively, the “**Glencore Warrants**”).

Closing of the Osisko Loan Amendments and the Osisko Warrants are conditional upon (i) obtaining minority approval of the shareholders of the Corporation, excluding the Common Shares held by Osisko, Osisko Development Corp., (“**Osisko Development**”) as well as their directors and officers and any person holding more than 10% of the voting securities of Osisko and Osisko Development, to be sought at the annual and special meeting of the Corporation to be held on January 23, 2023 (the “**Shareholders’ Meeting**”), (ii) approval of the TSX Venture Exchange, and (iii) concurrent closing of the Glencore Debenture Amendments and the amendment of the Glencore Warrants on the terms described herein.

Closing of the Glencore Debenture Amendments and the Glencore Warrants are conditional upon (i) approval of the TSX Venture Exchange, and (ii) concurrent closing of the Osisko Loan Amendments and the Osisko Warrants on the terms described therein. Subject to satisfaction of such conditions, closing of the Osisko Loan Amendments and the Glencore Debenture Amendments, and the related issuance and amendment of the Osisko Warrants and Glencore Warrants, are expected to occur concurrently, shortly following the Shareholders’ Meeting. Additional information will be included in the management proxy circular to be filed at www.sedar.com.

Prior to the transactions contemplated hereby, Osisko held the Osisko Loan in the principal amount of \$17,596,136, which is convertible into 31,992,974 Common Shares and also held 10,664,324 warrants of the Corporation which expired on November 27, 2022, representing approximately 13.6% of the issued and outstanding Common Shares on a partially-diluted basis assuming the conversion in full of the Osisko Loan and the exercise in full of the 10,664,324 warrants. Immediately following the closing of the Osisko Loan Amendments and the Osisko Warrants, on a partially-diluted basis assuming the conversion in full of the Osisko Loan and the exercise in full of the Osisko Warrants,

Osisko would have beneficial ownership of, or control and direction over 51,632,714 Common Shares, representing approximately 16% of the Common Shares issued and outstanding. Osisko holds approximately 44% of the issued and outstanding equity interests of Osisko Development which has beneficial ownership of, or control and direction over 46,885,240 Common Shares and 2,750,000 warrants of the Corporation, representing approximately 18.1% of the issued and outstanding Common Shares on a partially-diluted basis assuming the exercise in full of the 2,750,000 warrants.

The Common Shares issuable upon conversion of the Osisko Loan and the Glencore Debenture will be subject to a hold period of four months from the closing date of the Osisko Loan Amendments and the Glencore Debenture Amendments in accordance with applicable Canadian securities laws. The Osisko Warrants and the Glencore Warrants (and the underlying Common Shares issuable pursuant thereto) will be subject to a hold period of four months from the date of issuance of the Osisko Warrants and the Glencore Warrants, in accordance with applicable Canadian securities laws.

Under Regulation 61-101 respecting *Protection of Minority Security Holders in Special Transactions* (“**Regulation 61-101**”), Osisko is a “related party” of Falco (the “**Related Party**”) and the amendment of the terms of the Osisko Loan and the issuance of the Osisko Warrants are “related party transactions”. Unless exemptions are available, such transactions are subject to (i) the “minority approval” of the Corporation’s shareholders, excluding Osisko, Osisko Development, as well as their directors and officers and any person holding more than 10% of the voting securities of Osisko or Osisko Development (the “**Excluded Parties**”), representing, as a group, 51,522,779 Common Shares (the “**Disinterested Shareholders**”) and (ii) formal valuation requirements set out in Regulation 61-101.

Falco is exempt from the requirements to obtain a formal valuation for the amendment of the terms of the Osisko Loan and the issuance of the Osisko Warrants (collectively, the “**Osisko Loan and Warrant Amendments**”) 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.

Falco is required to obtain the “minority approval” for the Osisko Loan and Warrant Amendments as none of the exemptions contained under Regulation 61-101 are currently available to the Corporation.

After careful consideration, the disinterested members of the board of directors of the Corporation have approved, subject to the Disinterested Shareholders’ approval, the Osisko Loan and Warrant Amendments. Mr. Luc Lessard and Mr. Alexander Dann declared a conflict of interest and abstained from the deliberations and from voting on the resolutions to approve the Osisko Loan and Warrant Amendments since each of them is also an officer of Osisko Development, an entity in which Osisko holds 44% of the issued and outstanding Common Shares.

The reasons considered by the board of directors of the Corporation in relation to their approval of the Osisko Loan and Warrant Amendments include the following benefits Falco expects to receive from the Osisko Loan and Warrant Amendments: (a) the availability of the financing under the Osisko Loan for an additional two-year period, which will provide the Corporation with flexibility to continue negotiations with Glencore with respect to the Operating License and Indemnity Agreement and the permitting and

development of the Horne 5 Project; (b) the concurrent extension of the Glencore Debenture, which will also result in additional flexibility to the Corporation; and (c) the favorable terms of the revised Osisko Loan and Glencore Debenture, which are convertible at a significant premium to current market price, thereby limiting dilution to the other shareholders of the Corporation.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

For further information, please contact:

Luc Lessard
President, Chief Executive Officer and Director
514-261-3336

Item 9 Date of Report

December 16, 2022