



FALCO RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIOD ENDED

SEPTEMBER 30, 2025

FALCO RESOURCES LTD.**Management's Discussion & Analysis****For the three-month period ended September 30, 2025**

The following management discussion and analysis (the "MD&A") of the operations and consolidated financial position of Falco Resources Ltd. ("Falco" or the "Company") for the three-month period ended September 30, 2025 ("Q1-2026"), should be read in conjunction with Falco's audited consolidated financial statements as at and for the year ended June 30, 2025 (the "Annual Financial Statements"), and is intended to supplement and complement the Company's unaudited condensed interim financial statements and related notes as of September 30, 2025, and for the three-month periods ended September 30, 2025 and 2024 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Consequently, all comparative financial information presented in the MD&A reflects the consistent application of IFRS.

Falco's management ("Management") is responsible for the preparation of the consolidated financial statements and other financial information relating to the Company included in the MD&A. The Board of Directors (the "Board") is responsible for ensuring that Management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of a majority of independent directors. The Audit Committee meets with Management to discuss results of operations and the financial condition of the Company prior to making recommendations and submitting the consolidated financial statements to the Board for its consideration and approval for issuance to shareholders. The information included in the MD&A is as of November 13, 2025, the date the Board approved the Financial Statements, following the recommendation of the Audit Committee. All monetary amounts included in this report are expressed in Canadian dollars, the Company's reporting and functional currency, unless otherwise noted. The MD&A contains forward-looking statements and should be read in conjunction with the risk factors described in the "Cautionary Statement Regarding Forward-Looking Statements" section.

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Description of the Business

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

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

The Company was originally incorporated under the *Business Corporations Act* (British Columbia) on March 16, 2010. On June 12, 2015, Falco was continued under the *Canada Business Corporations Act*. The Company's registered business address is 1100, avenue des Canadiens-de-Montréal, Suite 300, Montréal, Québec, Canada. As at September 30, 2025, the Company has a convertible loan and a silver stream agreement (the "Silver Stream Agreement") with OR Royalties Inc., ("OR Royalties"). Osisko Development Corp owns a 15.9% interest in Falco.

Rouyn-Noranda Mining Region

The Company has a 100% interest in approximately 630 square kilometres of mining claims and contractual rights in or in relation to mining concessions in the Mining Camp, which represents approximately 63% of the entire Mining Camp. Rouyn-Noranda is an established Mining Camp in the Province of Québec with the required infrastructure (rail, water, etc.) in place for exploration and mine development.

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

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

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

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Highlights

From July 1, 2025, up to the date of this MD&A, the Company has completed the following key items:

- On September 24, 2025, the Company announced the appointment of Mr. Sean Roosen and Mr. John Burzynski as Special Advisors to Falco's Board in respect of marketing, financing and project development strategies.
- On October 17, 2025, the Company closed a bought deal private placement for aggregate gross proceeds of \$13.1 million (the "Placement").
- On October 30, 2025, Falco entered into binding agreements (i) with OR Royalties to extend the maturity date of the Convertible Loan from December 31, 2025 to December 31, 2026; and (ii) with Glencore Canada Corporation ("Glencore") to extend the maturity date of the Convertible Debenture from December 31, 2025 to December 31, 2026.
- On November 4, 2025, the Board approved the grant of 9,950,000 Options to key employees, officers, special advisors and directors.
- On November 5, 2025, Falco announced the commencement of an exploration initiative across its significant holdings, starting with an Airborne Gravity Gradiometry ("AGG") survey (the "AGG Survey").

Agreements with Glencore and its affiliated companiesThe Operating License and Indemnity Agreement

On January 23, 2024, the Company entered into the OLIA with Glencore pursuant to which Glencore granted to Falco, a license to access and utilize certain of its properties in order for Falco to conduct exploration, development, construction, operation, mining, closure operations and other activities ("Project Operations"), subject to the terms of the OLIA and, where applicable, the fulfilment of certain conditions by Falco, including those summarized below.

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

The key features of the OLIA include:

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

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

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

Financial Assurances and Insurance Policies

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

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

Conditions Precedent

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

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

(collectively, the "Conditions Precedent")

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

The Convertible Debenture

On October 27, 2020, the Company entered into an agreement with Glencore Canada for a \$10,000,000 senior secured convertible debenture (the "Convertible Debenture"). On October 13, 2021, April 27, 2022, and January 24, 2023, the Convertible Debenture was amended.

As part of the amendment on January 24, 2023, Falco agreed with Glencore Canada to extend the maturity date of the Convertible Debenture from April 27, 2023 to December 31, 2024. In consideration for the extension of the maturity date of the Convertible Debenture, this loan was amended (i) in order for the accrued interest on the existing Convertible Debenture to be capitalized such that the principal amount of the amended Convertible Debenture totaled \$11,770,710, (ii) to increase the interest rate of the Convertible Debenture from 8% per annum to 9% per annum and (iii) to reduce the conversion price of the Convertible Debenture from \$0.40 to \$0.36 per Common Share. In addition, the 15,061,158 Warrants held by Glencore Canada, each exercisable for one Common Share at an exercise price of \$0.41 and expiring on April 27, 2023 were amended to be exercisable at an exercise price of \$0.38 and expiring on December 31, 2024 (the "Warrant Extension"), maturing concurrently with the Convertible Debenture, as amended.

On October 6, 2024, the Company agreed with Glencore to extend the maturity date of the Convertible Debenture from December 31, 2024, to December 31, 2025. In consideration for the extension of the maturity date of the Convertible Debenture, the Convertible Debenture was also amended effective December 31, 2024 (the "Amended Convertible Debenture") in order for (i) the accrued interest on the existing Convertible Debenture up to

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December 31, 2024 to be capitalized such that the principal amount of the amended Glencore Debenture was \$13,985,960, (ii) the conversion price was increased to \$0.37 per Common Share (from \$0.36), and (iii) the interest rate was increased from 9% to 10% (collectively, the "Convertible Debenture Amendments"). The 15,061,158 Warrants held by Glencore remained outstanding until their expiry on December 31, 2024. In consideration for the extension of the maturity date of the Convertible Debenture, the Company issued to Glencore, on December 31, 2024, 19,424,944 Warrants (the "New Glencore Warrants"), each exercisable at any time from and after January 1, 2025, at an exercise price of (i) \$0.38 per Common Share for 15,061,158 of the New Glencore Warrants and (ii) \$0.42 per Common Share for the remaining 4,363,786 New Glencore Warrants, and expiring on December 31, 2025.

On October 30, 2025, the Company entered into a binding agreement with Glencore to extend the maturity date of the Convertible Debenture from December 31, 2025 to December 31, 2026. In consideration for the extension of the maturity date of the Convertible Debenture, this debenture will also be amended effective as of December 31, 2025 in order for (i) the accrued interest on this debenture up to December 31, 2025 to be capitalized such that the principal amount of the amended Convertible Debenture will be approximately \$15,433,754, (ii) the conversion price to be maintained at \$0.37 per Common Share, and (iii) the interest rate to be maintained at 10% (collectively, the "Glencore Debenture Amendments"). The 19,424,944 New Glencore Warrants will remain outstanding in accordance with their terms until their expiry on December 31, 2025. In consideration for the extension of the maturity date of the Glencore Debenture, the Corporation will issue to Glencore, on December 31, 2025, 21,381,422 warrants (the "2026 Glencore Warrants"), each exercisable at any time from and after January 1, 2026, at an exercise price of (i) \$0.38 per Common Share for 15,061,158 of the 2026 Glencore Warrants and (ii) \$0.42 per Common Share for the remaining 6,320,264 2026 Glencore Warrants, and expiring on December 31, 2026.

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

Offtake Agreements

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

The Silver Stream Agreement

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

Under the terms of the Silver Stream Agreement, OR Royalties will purchase 90% of the payable silver from the Project, increasing to 100% of the payable silver from the Project in the event the optional Fifth Installment is paid. In exchange for the silver delivered under the Silver Stream Agreement, OR Royalties will pay the Company ongoing payments equal to 20% of the spot price of silver on the day of delivery, subject to a maximum payment of US\$6.00 per silver ounce. The silver produced from the Project and from properties located within a 5 km area of interest will be subject to the Silver Stream Agreement.

Pursuant to the Silver Stream Agreement, the Company agreed to pay a \$2.0 million capital commitment fee, payable upon OR Royalties funding the third installment under the Silver Stream Agreement. Falco's obligations towards OR Royalties with respect to the Silver Stream Agreement is secured by a deed of hypothec for a maximum of \$600 million; such first ranking was subordinated in favour of the security granted to Glencore as part of the Convertible Debenture transaction.

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

On February 23, 2023, Falco and OR Royalties entered into an amendment to the Silver Stream Agreement, with effect on January 31, 2023, to postpone to January 31, 2025, the deadlines granted to Falco to achieve milestones set as conditions precedent to OR Royalties funding the second and third installments.

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On January 31, 2025, the Silver Stream Agreement as amended to postpone certain deadlines granted to Falco to achieve milestones set as conditions precedent to OR Royalties funding the remaining instalments of the stream deposit and certain other deadlines. This amendment comprises additional changes to reflect the execution of the OLIA with Glencore Canada in January 2024, including that the funding of the second and third instalments of the stream deposit will be subject to Falco demonstrating that financial assurances in favour of Glencore under the OLIA can be satisfied. This amendment also increases the minimum equity financing required as a condition precedent to funding the second and third instalments to reflect inflation since the initial execution of the Silver Stream Agreement as well as a revised provision on the calculation of interest payable to OR Royalties once production has commenced or should commencement of production be postponed.

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

Loan with OR Royalties

On February 22, 2019, Falco closed a secured senior loan agreement with OR Royalties (the "Convertible Loan") for \$10,000,000. On November 22, 2019, November 20, 2020, and January 24, 2023, the Convertible Loan was amended.

As part of the amendment on January 24, 2023, Falco agreed with OR Royalties to extend the maturity date of the Convertible Loan from December 31, 2022 to December 31, 2024. In consideration for the extension of this maturity date, this loan was also amended (i) in order for the accrued interest on the existing Convertible Loan to be capitalized such that the principal amount of the amended Convertible Loan totaled \$20,484,195, (ii) to increase the interest rate of the Convertible Loan from 7% per annum to 8% per annum, and (iii) to reduce the conversion price of the Convertible Loan from \$0.55 to \$0.50 per Common Share. In addition, the 10,664,324 Warrants previously held by OR Royalties, were replaced with 10,664,324 Warrants (the "Replacement Warrants") exercisable at an exercise price of \$0.65 and expiring on December 31, 2024, maturing concurrently with the Convertible Loan, as amended.

On October 6, 2024, the Company agreed with OR Royalties to extend the maturity date of the Convertible Loan from December 31, 2024 to December 31, 2025. In consideration for the extension of the maturity date of the Convertible Loan, the Convertible Loan was also amended effective December 31, 2024 in order for (i) the accrued interest on the existing Convertible Loan to be capitalized such that the principal amount of the amended Convertible Loan at December 31, 2024 was \$23,881,821, (ii) the conversion price was lowered from \$0.50 to \$0.45 per Common Share, and (iii) the interest rate was increased from 8% to 9%. The 10,664,324 Warrants previously held by OR Royalties, each exercisable for one Common Share at an exercise price of \$0.65 per Common Share, expired on December 31, 2024. In consideration for the extension of the maturity date of the Convertible Loan, the Company issued on December 31, 2024, 17,690,237 Warrants (the "Existing OR Royalties Warrants"), each exercisable at any time from and after January 1, 2025, for one Common Share at an exercise price of \$0.58 per Common Share and expiring on December 31, 2025.

On October 30, 2025, the Company entered into a binding agreement with OR Royalties to extend the maturity date of the Convertible Loan from December 31, 2025 to December 31, 2026. In consideration for the extension of the maturity date of the Convertible Loan, this loan will also be amended effective as of December 31, 2025 in order for (i) the accrued interest on this loan to be capitalized such that the principal amount of the amended Convertible Loan will be approximately \$26,098,521, (ii) the conversion price to be maintained at \$0.45 per Common Share, and (iii) the interest rate to be maintained at 9% (collectively, the "OR Royalties Loan Amendments"). The 17,690,237 Existing OR Royalties Warrants, will remain outstanding in accordance with their terms until their expiry on December 31, 2025. In consideration for the extension of the maturity date of the Convertible Loan, the Company will issue to OR Royalties, on December 31, 2025, 19,332,237 warrants (the "New OR Royalties Warrants"), each exercisable at any time from and after January 1, 2026, for one Common Share at an exercise price of \$0.58 per Common Share and expiring on December 31, 2026.

The OR Royalties Loan Amendments and the issuance of the New OR Royalties Warrants (the "OR Royalties Transactions") are considered "related party transactions" under Regulation 61-101 respecting *Protection of Minority Security Holders in Special Transactions*. Falco is required to obtain minority approval for the OR Royalties Transactions.

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Closing of the OR Royalties Transactions is conditional upon (i) obtaining minority approval of the shareholders of Falco, excluding the Common Shares held by the directors and officers of OR Royalties, to be sought at the special meeting of shareholders of Falco to be held on December 15, 2025 (the "Shareholders' Meeting"), (ii) approval of the TSXV, and (iii) concurrent closing of the Glencore Debenture Amendments and the issuance of the 2026 Glencore Warrants.

Closing of the Glencore Debenture Amendments and the issuance of the 2026 Glencore Warrants is conditional upon (i) approval of the TSXV, and (ii) concurrent closing of the OR Royalties Transactions. Subject to satisfaction of such conditions, closing of the OR Royalties Loan Amendments and the Glencore Debenture Amendments is expected to occur concurrently on December 31, 2025.

Falco's obligations towards OR Royalties with respect to the Convertible Loan is secured by a deed of hypothec for a maximum of \$25,000,000 over all the assets of Falco other than the Horne 5 Project and ranks after the security granted to Glencore Canada as part of the Convertible Debenture transaction.

Option Agreement with First Quantum

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

Upon the Company's decision to exercise the Option, (i) First Quantum will transfer the Properties to Falco; and (ii) the Company will assume historical and contingent environmental liabilities related to the Properties' former mining sites.

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

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

Gold Market

On September 30, 2025, the gold price closed at US\$3,825 per ounce compared to US\$2,610 per ounce on December 31, 2024. The historical gold price (US\$/ounce of gold) is as follows:

Period (Calendar)	High	Low	Average	Close
	US\$	US\$	US\$	US\$
2025 (up to September 30, 2025)	3,827	2,633	3,201	3,825
2024	2,778	1,985	2,386	2,610
2023	2,078	1,811	1,941	2,078
2022	2,039	1,629	1,800	1,814
2021	1,943	1,684	1,799	1,806

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The Horne 5 Project

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

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

Highlights of the Updated Feasibility Study

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

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

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

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Exchange Rate (US\$:C\$)	1 US\$ =	1.28	1.28
After-Tax Payback	Years	4.8	5.6

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

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

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

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

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

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

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

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

Opportunities to Enhance Value

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

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Mineral Resource Estimate

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

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

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

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

Mineral Resources Table

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

Mineral Reserve estimate

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

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

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

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

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

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

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

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

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

Capital and operating costs summary

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

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

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

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

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

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

Mining

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

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

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

Processing

A Semi-Autogenous-Ball milling facility on surface would be used to process an average of 15,800 tonnes per day ("tpd") of mineralized material at steady-state. The facility would also include a flotation and thickening section, divided in three circuits and dedicated to recovering copper, zinc and pyrite concentrates. The copper and zinc circuits would have their concentrate filtered to reduce humidity to 9%. Both concentrates would be stored directly in trucks and railcars, awaiting shipment. The pyrite concentrate will require a finer liberation to enhance gold recovery by cyanide leaching, resulting in the requirement to regrind from the primary grind size of 55 microns to the targeted P₈₀ of 12 microns. The resulting reground pyrite concentrate would then be leached along with the pyrite flotation tailings in separate leaching circuits, followed by carbon-in-pulp ("CIP") circuits. Thickeners would be used to maximize water and cyanide recovery, and the Caro's acid cyanide destruction method would be applied to reduce the cyanide content of the two leach streams. Both pyrite tailings and pyrite concentrate streams from flotation would be used as paste backfill in the new mine workings; excess volumes will be disposed of in existing historical openings, until the old mine openings are filled. Water liberated in the underground workings from the consolidated tailings would be recovered, recycled and pumped back to the process plant.

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

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

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Surface infrastructure

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

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

Since 2017, Falco had been party to a pre-project evaluation agreement with Hydro-Québec. However, in August 2023, Falco was informed by Hydro-Québec that this agreement would be abandoned. Pursuant to an *Act mainly to cap the indexation rate for Hydro-Québec domestic distribution rate prices and to further regulate the obligation to distribute electricity* (the "Act regulating the distribution of electricity"), an authorization must now be obtained from the Minister of Economy, Innovation and Energy ("MEIE") for connection projects of greater than 5,000 kW. On August 28, 2023 (the "2023 Request"), the Company submitted a request for hydroelectricity supply to Hydro-Québec in accordance with such Act regulating the distribution of electricity. In September 2025, Hydro-Québec responded that sustainable energy being in high demand, the current energy situation does not allow it to respond positively to all connection projects, including the Horne 5 Project. Since the 2023 Request, the Company's estimated electricity supply schedule for the start of commercial production has been extended by at least two years. Falco will submit a new request to Hydro-Québec in the coming months.

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

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

Environmental Permitting Process

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

The Horne 5 Project requires a provincial governmental decree and was subject to a provincial Environmental Impact Assessment ("EIA"), including public hearings, as forecasted production (average 15,000 tpd) is over the 2,000 tpd threshold outlined in the applicable regulation.

On December 6, 2017, the Company was advised by the Canadian Environmental Assessment Agency (Government of Canada) that the Horne 5 Project is not a designated activity under the Regulations Designating Physical Activities pursuant to the Canadian Environmental Assessment Act, 2012. Therefore, the Project is not subject to the federal environmental assessment procedure, however, there will be other federal authorizations to be obtained.

The Company's EIA was filed with the MEFCCWP in January 2018 and published in the Environmental Assessment Register of the MEFCCWP. Falco completed field work and studies to respond to questions raised by the MEFCCWP and filed, in April 2022, all required information for the MEFCCWP to assess the admissibility of the EIA (the "Admissibility") as required. On September 1, 2023, additional questions and requests for information were received from the MEFCCWP. The admissibility of the EIA from the MEFCCWP was obtained on March 24, 2024.

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The admissibility of the EIA allowed Falco to progress towards the public hearing process. The MEFCCWP gave the BAPE the mandate to hold an inquiry and conduct a public hearing process regarding Falco's Horne 5 Project, which commenced on August 26, 2024, and concluded on October 3, 2024. The BAPE Report was made available to the Minister of the MEFCCWP on December 23, 2024, and was published on January 7, 2025, concluding that, in the BAPE's opinion, the Project, as presented, does not meet the minimum requirements for safety, public health, environmental protection and cost internalization. Consequently, the BAPE considers that the Project is not acceptable in the current state of knowledge brought to its attention. The BAPE Report identifies issues, and formulates recommendations to Falco and the MEFCCWP, relating to water, air quality and public health, vibrations and induced seismicity, the sharing of responsibilities between Falco and Glencore Canada and financial guarantees, the capacity of the host community and the justification for the Horne 5 Project.

The BAPE examined the Horne 5 Project from a sustainable development perspective, and, at this stage of the Project's development, it is customary for the BAPE's commission of inquiry to request additional studies and analyses in order to clarify certain aspects of the Project. Falco is actively continuing its discussions with its experts and stakeholders in order to carry out a project that will meet environmental and social expectations.

In addition, the BAPE's report concluded that the strict interpretation by the MEFCCWP of Section 197 of the CAR makes it difficult to envision compliance of the Project with this regulation, as currently in force, and recommended that the MEFCCWP should initiate a reflection on a more comprehensive and adapted integration of environmental impacts and consideration of the mass balance of emissions. The MEFCCWP's position regarding its interpretation of section 197 of the CAR remains under review. However, there is no certainty that the MEFCCWP will agree with Falco regarding the application of the CAR and the acceptability of the Project, or that it will follow the BAPE recommendations, which may delay or prevent the issuance of the required permits and therefore delay or negatively affect the development of the Horne 5 Project.

In addition to obtaining financing for the Project, next steps include (i) Falco responding to additional requests from the MEFCCWP, relating to the Company's responses submitted on May 9, 2025, in order for the MEFCCWP to complete the environmental analysis; (ii) obtaining the governmental decree authorizing the Project, necessary to allow the planning of the Project; and (iii) obtaining the ministerial and municipal authorizations.

There can be no guarantee that Falco will be able to obtain all necessary licenses and permits in a timely fashion that are required to develop the Horne 5 Project and to maintain its business operations and mining activities.

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

Tailings and Closure

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

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

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

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Air Quality

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

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

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

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

Sustainability and Stakeholder Engagement

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

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

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

Falco launched its Virtual Information and Consultation Portal for the Project in 2022. The Consultation Portal includes an interactive map, a virtual open house organized by thematic and a 3D model of the Horne 5 ore body and of the future ore processing plant. This portal provides the Company's stakeholders with an enriched and optimized web

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experience to learn about the Horne 5 Project and to communicate with Falco's Project team.

On May 21, 2024, Falco invited the population to an information meeting organized by the BAPE as part of the public information period. More than 200 people came for information and to ask questions about the Horne 5 Project not counting webcast participants, which demonstrated the population's high level of interest in the Project for all the surrounding communities. This public information session allowed the population and various organizations to obtain details on the Project and answers on subjects of concern to them. Falco has been engaged and listening to citizens since day one. To that effect, Falco has heard each of the concerns raised during the public information session.

On July 25, 2024, the Company announced that the Minister of the MEFCCWP gave the mandate to the BAPE to hold an inquiry and a public hearing concerning the Horne 5 Project. This mandate commenced on August 26, 2024. This decision marked an important milestone for the Horne 5 Project and Falco's team, supported by expert resources, including the firms A2GC, Sanexen, SoftdB, BGC and WSP in order to respond to questions and requests from the population and the BAPE during the hearings. The first part of the public hearing was held between August 26 and August 29, 2024 and allowed the public and this commission to obtain information and ask questions to understand all aspects of the Project. The public sessions were held in the presence of Falco and its expert resources.

The second part of the hearing commenced on September 30, 2024 and concluded on October 3, 2024. During this part of the public hearings, the many participants expressed their point of view on the Project. More than 90 briefs were filed with the BAPE (of which 60% were in support of the Project), which offered participants the opportunity to make their voices heard and share their perspectives. Falco welcomed the support and commitment expressed by participants for the Project, while taking into account the concerns raised and the recommendations made. Falco also welcomed the respectful and constructive climate in which the second part of the hearings took place, reflecting the collective commitment to the future of Rouyn-Noranda. The BAPE Report, published on January 7, 2025, concluded that, in their opinion, the Horne 5 Project, as presented, does not meet the minimum requirements for safety, public health, environmental protection and cost internalization and formulated recommendations.

Ultimately, this exercise helped to frame the challenges and opportunities associated with the Project and Falco has analyzed all the memoirs in addition to the BAPE Report. Falco will then bring together the Committee to discuss the issues raised and collectively identify possible solutions to improve the Project to allow for harmonious development. Falco proposed several innovative initiatives that will allow for rigorous planning, aimed at minimizing the additional pressure on the surrounding environment. Falco noted that its proactive and collaborative approach was well received, and that many are already mobilizing to participate in the reflection. Taking its responsibilities seriously, Falco is determined to meet the expectations expressed, particularly regarding the environment, the social and economic development of Rouyn-Noranda and will be ready to deliver a Project that will meet its commitments.

On March 18, 2025, the Company published the results of an independent survey of the population of Rouyn-Noranda and Abitibi-Témiscamingue conducted by Léger regarding the understanding and social acceptability of the Horne 5 Project. The results show that Falco enjoys strong majority support in Rouyn-Noranda, where 72% of respondents are in favour of the Horne 5 Project, and in Abitibi-Témiscamingue, where support reaches 74%. These results demonstrate the population's significant support for the Project, particularly given its economic spin-offs and positive impact on employment.

Dewatering Phase – Geotechnical Work Investigation

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

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

Falco and Glencore conducted a work plan to address concerns and mitigate potential risks to Glencore's Horne Smelter. Key components of the work plan were established by Glencore after a due diligence review of the Horne 5 Project by the Parties' technical teams, and included geotechnical advancement (drilling investigation, crown pillar stability, seismicity potential, backfill characterization, etc.), water management and synergies between the Horne 5

FALCO RESOURCES LTD.**Management's Discussion & Analysis****For the three-month period ended September 30, 2025**

Project and the Horne Smelter.

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

The activities contemplated above are subject at all times to matters and timelines that are not within the exclusive control of Falco. These factors include the ability to obtain, on terms acceptable to Falco, financing, governmental and other third parties' approvals, licenses, rights of way and surface rights. An updated schedule for the Project will be released when Falco has greater visibility on the regulatory approvals.

Hoisting System

On March 24, 2017, the Company entered into an agreement for the engineering, procurement, supply, performance services and installation of the hoisting systems for the Horne 5 Project (the "Hoisting Agreement"). The hoisting systems will include a production hoist, an auxiliary hoist and a service hoist. The production friction hoist will have a 6.5 metre diameter and will allow a skip payload of 39,400 kg. The service hoist will have a 5.5 metre diameter and will be equipped with a double deck cage for 2 x 50-person capacity or 15,000 kg payload. The auxiliary hoist will have a 3.1 metre diameter and will be equipped with a double deck cage for 2 x 5-person capacity or 1,250 kg payload. The Hoisting Agreement is estimated at approximately \$28.9 million and can be terminated at any time, subject to the payment of the approved and executed work performed by the supplier at the termination date. As at September 30, 2025, \$8.2 million was incurred and paid pursuant to the Hoisting Agreement.

Key auxiliary and service hoisting system components have been received. Construction, materials and detailed engineering of the hoist building, which will host the auxiliary and service hoisting systems, commenced in December 2017. The hoist building's construction will enable Falco to start the mine dewatering and Quemont #2 shaft rehabilitation efforts efficiently and safely. The Company completed the closure of the hoist building with costs totaling \$8.0 million as at September 30, 2025.

Surface Rights Agreements

In September 2014, the Company entered into an option agreement with the City to acquire the surface rights to land 500 metres north of the Horne 5 Deposit. In September 2021, this agreement was extended to December 31, 2025, providing the Company the option to purchase additional land within an area surrounding this property.

Dewatering Equipment

Certain long-lead equipment for the water treatment facility and pumping system (the "WT Equipment") was ordered, with costs incurred totaling \$6.8 million as at September 30, 2025. The WT Equipment was received and will have a capacity of 600 cubic metres per hour.

Detailed Engineering

Falco advanced the detailed engineering and procurement of equipment shop drawings in relation to the Horne 5 Project, with a total incurred cost of \$6.7 million as at September 30, 2025. The focus to date has been the geotechnical investigation, the water treatment facility, the electrical substation and hoisting facilities.

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Horne 5 Project Costs

From from July 1, 2016 through to September 30, 2025, the Company incurred a cumulative total of \$162.5 million related to the Project. The breakdown of these costs are as follows:

	September 30, 2025	As at June 30, 2025
	\$	\$
Mining equipment	18,317,509	18,317,509
Land and buildings	23,047,552	23,047,552
Construction in progress	62,882,226	62,269,901
Capitalized borrowing costs	51,729,313	48,760,536
Capitalized exploration and evaluation assets	6,496,194	6,496,194
Other equipment	39,201	45,827
Total	162,511,995	158,937,519

Mining equipment

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

Land and buildings

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

Construction in progress

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

Royalties

As per the purchase agreement dated March 28, 2011 (the "Purchase Agreement"), assigned to the Company in September 2012 and considering, amongst others, further transactions among Glencore and BaseCore Metals LP ("Basecore"), BaseCore owned a 2% net smelter return ("NSR") royalty on the Horne 5 Project (the "Horne 5 NSR Royalty"). On July 12, 2022, BaseCore assigned to Sandstorm Gold Ltd. ("Sandstorm"), all its rights, title and interest in the Horne 5 NSR Royalty. Effective October 10, 2024, Sandstorm assigned to its wholly owned subsidiary, SATIC, all its rights, title and interest in the Horne 5 NSR Royalty. On October 20, 2025, a wholly-owned subsidiary of Royal Gold acquired all the issued and outstanding shares of Sandstorm such that Royal Gold became the ultimate parent entity of SATIC.

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

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

Outlook

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

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The Horne 5 Project

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

1. Obtaining the issuance of (i) the governmental decree authorizing the Project, and (ii) ministerial and municipal authorizations.
2. Finalizing the Conditions Precedent to dewatering and mining activities under the OLIA with Glencore.
3. Initiating the surface infrastructure construction program, a pre-requisite to the initiation of dewatering and shaft rehabilitation.
4. Securing additional surface rights near the Horne 5 Project by continuing certain community infrastructure and relocation activities.

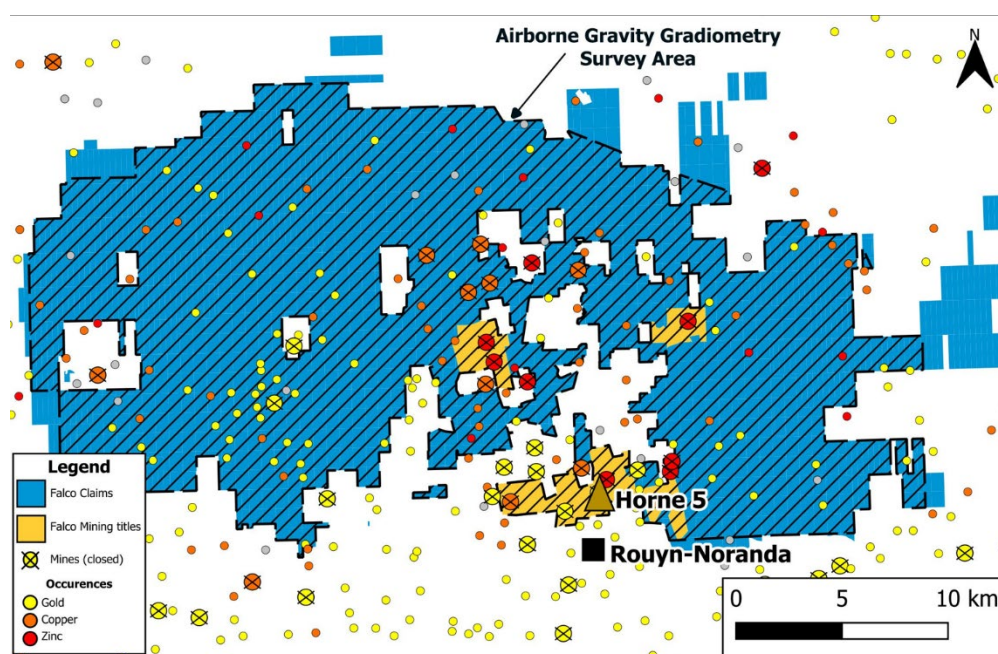
Exploration activities

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

On November 5, 2025, Falco announced the commencement of an exploration initiative across its properties within the Noranda Mining Camp (the "Noranda Camp"), starting with an AGG Survey over the month of November 2025. The Survey will be utilized to identify new near surface VMS type deposits.

With this modern exploration technology, Falco believes that the AGG Survey offers an unprecedented opportunity to generate new discoveries in the Noranda Camp. The scale of the Noranda Camp and the prevalence of favorable geological formations to VMS mineralization was historically overwhelming for previous operators. Combining this new exploration approach with our extensive compilation of historical data, the potential to identify more VMS type deposits in the periphery of the Horne 5 Project Complex is very compelling."

The AGG Survey will be operated by Xcalibur MPH (Canada) Ltd. using their Falcon system known as FALCON fixed-wing AGG with a high-density grid of 100-meter line spacing providing exceptional resolution for detailed mapping. The Survey will be flown over 280 square kilometers across the majority of the Company's land package, including the Noranda Camp (see Figure below).



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AGG surveys measure the change in density between the lighter host rock and denser sulfide mineralization. This sharp density contrast should be well identified by the AGG Survey. Importantly, the majority of the rhyolitic units remain untested due to the scale of the property. Combined with the high-density contrast and expected shallow depths of mineralization, the AGG Survey will provide an unprecedented opportunity to identify new VMS type targets at the Noranda Camp.

Results from the Survey are expected to be received for analysis in December 2025 and will complement the mining camp-scale digital compilation and geological reinterpretation of historical data. The integration of high-precision topographic data from the government-managed LIDAR survey will help define the structural controls associated with the distribution of high-grade mineralization. Consequently, the Company will define priority exploration targets in brownfield sites, with potential drilling to be determined based on the merit of the identified targets.

Results of Operations

Falco incurred a net loss of \$1.0 million for Q1-2026, compared to a net loss of \$1.3 million for the three-month period ended September 30, 2024 ("Q1-2025").

The operating loss for Q1-2026 totaled \$0.8 million for the period and was slightly lower than Q1-2025. The Q1-2026 operating loss was mostly impacted by lower consultation and compensation costs (\$0.1 million), investor relation expenses (\$0.1 million) and share-based compensation (\$0.1 million).

As discussed above under the "*Agreements with Glencore*" and "*Loan with OR Royalties*" headings, the Company issued Warrants that provide for a cashless exercise feature. As these contracts call for the possible issuance of a variable number of Common Shares, they are classified as derivative liabilities and measured at fair value at each period-end. For Q1-2026, the Company recognized an unrealized loss on these derivative warrant liabilities for \$0.1 million (\$0.3 million loss for Q1-2025).

FinancingOctober 2025

On October 17, 2025, the Company closed the Placement, pursuant to which Falco issued an aggregate of 41,005,000 units (the "Placement Units") at a price of \$0.32 per Placement Unit, for aggregate gross proceeds of \$13.1 million. Each Placement Unit consists of one Common Share and one-half of one Warrant. Each Warrant is exercisable to acquire one Common Share at a price of \$0.46 at any time on or before April 17, 2027. In connection with the closing of the Placement cash fees of \$0.8 million were paid.

All Common Shares and Warrants issued pursuant to the Placement are subject to a hold period of four months plus one day from the date of issuance of such securities under applicable securities laws in Canada.

Liquidity and Capital Resources

As at September 30, 2025, the Company had a negative working capital of \$41.1 million (negative working capital of \$38.1 million as at June 30, 2025) and cash and cash equivalents amounted to \$0.9 million (\$1.5 million as at June 30, 2025).

As the Company is in the development stage for the Horne 5 Project, it has not recorded any revenues from operations, has no source of operating cash flow, with the exception of the Silver Stream Agreement, and no assurance that additional funding will be available to it for further development of the Project. The working capital as at September 30, 2025, will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through September 30, 2026. In addition, expected budgeted expenditures may be impacted by a rise in inflation. The Company is consistently evaluating various financing opportunities to pursue the development of the Horne 5 Project.

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The Company's ability to continue future operations beyond September 30, 2026, and fund its planned development activities at the Horne 5 Deposit is dependent on Management's ability to secure third parties' approvals and additional financing in the future. This may be completed in a number of ways, including, but not limited to, achieving the next milestones of the Silver Stream Agreement, the issuance of debt or equity instruments, a joint venture agreement at the asset level and/or monetizing certain non-current assets of the Company. Management will pursue such additional sources of financing when required, and while Management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company. If the funds are not available on terms satisfactory to the Company, some planned activities may be postponed and the Company will be required to re-evaluate its plans and allocate its total resources in such a manner as the Board and Management deem to be in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

Cash Flows

Cash flows used in operating activities during Q1-2026 totaled \$0.3 million (\$0.8 million in Q1-2025). This is primarily due to the net loss for the period that totaled \$1.0 million (\$1.3 million in Q1-2025). The impact of non-cash working capital items such as accounts receivable, prepaid expenses and other assets, accounts payable and accrued liabilities was an increase of \$0.5 million in Q1-2026 (increased cash by \$0.1 million in Q1-2025), due to timing differences in the collection of sales tax receivables and the payments to suppliers.

Cash flows used in investing activities for Q1-2026 amounted to \$0.3 million (\$1.0 million in Q1-2025 regarding investments in property, plant equipment).

Quarterly Information

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

(as at or for the three months ended)	September 30, 2025	June 30, 2025	March 31, 2025	December 31, 2024
	\$	\$	\$	\$
Cash and cash equivalents	897,263	1,520,822	2,789,038	4,444,428
Working capital	(41,142,721)	(38,084,207)	(35,496,948)	(34,138,001)
Total assets	165,856,218	162,997,788	160,922,703	159,100,176
Investments in property, plant and equipment	342,337	362,640	762,259	1,349,381
Total revenue	-	-	-	-
Net profit (loss) for the period	(956,254)	(1,319,451)	609,466	(413,029)
Basic and diluted net profit (loss) per Common Share ⁽ⁱ⁾	(0.00)	(0.00)	0.00	(0.00)

(as at or for the three months ended)	September 30, 2024	June 30, 2024	March 31, 2024	December 31, 2023
	\$	\$	\$	\$
Cash and cash equivalents	1,868,024	3,683,817	3,267,300	3,269,840
Working capital	(37,686,911)	(34,290,480)	(35,529,402)	(31,508,217)
Total assets	153,597,288	151,732,690	148,049,830	145,780,896
Investments in property, plant and equipment	1,034,453	738,466	554,592	941,238
Total revenue	-	-	-	-
Net profit (loss) for the period	(1,272,056)	1,267,825	(3,335,057)	(740,098)
Basic and diluted net profit (loss) per Common Share ⁽ⁱ⁾	(0.00)	0.00	(0.01)	(0.00)

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

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From October 1, 2023 to September 30, 2024 and January 1, 2025 to September 30, 2025, the Company's overall decreases in cash and cash equivalents are primarily the result of Falco's continued investments in the Horne 5 Project as discussed above under the "*Horne 5 Project Costs*" heading. During most quarters, the net losses for the periods are comparable. Variations in specific quarters relate primarily to one-off events, such as unrealized gains/losses on the cashless Warrants outstanding.

Related Party Transactions

Key management includes directors (executive and non-executive) and certain officers of the Company. The compensation paid or payable to key management for employee services is presented below for the three-month periods ended September 30, 2025 and 2024:

	2025	2024
	\$	\$
Salaries and short-term employees benefits	364,563	363,068
Share-based compensation	43,423	104,355
	407,986	467,423

On November 4, 2025, the Board granted Options to key employees, officers, special advisors and directors to purchase up to an aggregate of 9,950,000 Common Shares. The Options are subject to a three-year vesting period and a five-year term. The Options are exercisable at an exercise price of \$0.33 per Common Share.

Capital Management

The capital structure of the Company as at September 30, 2025, consists of equity attributable to common shareholders comprising issued capital and equity reserves.

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the capital management objectives, policies and proceedings as at September 30, 2025.

Flow-through shares

The Company is partially financed through the issuance of FT Shares, and accordingly, the Company is engaged to complete mining exploration activities. These tax rules also set deadlines for carrying out the exploration work no later than the first of the following dates:

- Two years following the flow-through placements;
- One year after the Company has renounced the tax deductions relating to the exploration work.

In June 2024, the Company received \$1.3 million following the issuance of FT Shares for which the Company renounced tax deductions as at December 31, 2024. As at September 30, 2025, \$1.0 million remains to be completed prior to December 31, 2025.

Off-balance Sheet Items

As of November 13, 2025, the Company has no off-balance sheet arrangements.

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Outstanding Common Share Data

As of November 13, 2025, the Company has 345,143,434 issued and outstanding Common Shares, 19,153,000 Options outstanding and 85,245,674 Warrants outstanding. The Convertible Debenture is convertible into 37,799,891 Common Shares and the Convertible Loan is convertible into 53,070,713 Common Shares.

Risk Factors

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

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

Title to property and license to operate pursuant to the OLIA

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

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

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

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

Tenure and Access Rights

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

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

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

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

The OLIA provides that the Company shall indemnify and release Glencore for certain potential claims and liabilities arising out of matters specified in the OLIA including, without limitation, the development of the Horne 5 Project, the dewatering program and related water management matters, geotechnical issues, the operations of Falco and its site infrastructure, and certain zones of proposed operations with respect to which Falco will assume historical liabilities.

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Such indemnities in favour of Glencore, if triggered, may result in Falco incurring significant losses and other obligations in favour of Glencore which Falco may be unable to satisfy, which would have a material adverse effect on the development or operations of Falco. In addition, the releases contained in the OLIA could prevent Falco from claiming certain losses from Glencore in the context of the development, operation or closure of the Horne 5 Project, which could have a material adverse effect on the affairs and operations of Falco.

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

Technical Committee Approvals, Right of Glencore to make Orders

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

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

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

Termination of the OLIA

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

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

Falco's ability to finance its operations

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

Permits, licenses and approvals

The operations of Falco require licenses and permits from various governmental authorities. Such licenses and permits are subject to changes in regulations and in various operating circumstances. As discussed above under the "Environmental Permitting Process" heading, the increase in public and government attention regarding air quality in Rouyn-Noranda in particular as it relates to the Horne Smelter's emissions and public consultation related to the renewal of the Horne Smelter Ministerial Authorization has delayed and impacted the Horne 5 Project's Environmental Permitting Process. In addition, Section 197 of the CAR prohibits a project from being authorized if it is likely to add contaminants to the air that are already present in a concentration higher than the standards in force. Currently, arsenic and four other metals are notably present in the ambient air of Rouyn-Noranda beyond the concentration allowed by the standards in force. Based on the results of the air emissions modeling for the Horne 5 Project, Falco

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is of the view that the contribution of the Horne 5 Project to air emissions will be negligible and therefore complies with the CAR. This is emphasized by Falco's Air Emission Reduction Plan that would ensure a negative mass balance of its air emissions, capturing more contaminants than its estimated contribution. The MEFCCWP has indicated to Falco that it has concerns with respect to compliance of this approach with Section 197 of the CAR. Discussions with the MEFCCWP are ongoing. On January 7, 2025, the BAPE published its report which notably concluded that the strict interpretation by the MEFCCWP of section 197 of the CAR makes it difficult to envision compliance of the Horne 5 Project with this regulation and recommended that the MEFCCWP initiate a reflection on a more comprehensive and adapted integration of environmental impacts and consideration of the mass balance of emissions. There is no certainty that the MEFCCWP will agree with Falco regarding the application of the CAR and Falco's contribution, or that the MEFCCWP will follow the BAPE recommendations, which may further delay or prevent the issuance of the required permits and therefore negatively impact the development of the Project.

Generally, the BAPE's report concluded that the Horne 5 Project, as presented, does not meet the minimum requirements for safety, public health, environmental protection and cost internalization and formulated recommendations. It notably raised safety concerns and formulated recommendations with respect to vibrations and induced seismicity phenomena. Falco, in collaboration with the Integrated Health and Social Services Centre of Abitibi-Témiscamingue, intends to create an expert committee aimed at determining acceptable operational parameters to address such concerns.

In addition to obtaining financing for the Project, next steps include the completion by the MEFCCWP of its environmental analysis, obtaining the issuance of the governmental decree necessary to allow the continuation of the analysis and planning of the Project, and obtaining the issuance of the ministerial and municipal authorizations.

There can be no guarantee that Falco will be able to obtain all necessary licenses and permits in a timely fashion that are required to develop the Horne 5 Project and to maintain its business operations and mining activities.

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

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

Third party approvals

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

Community relations, social license and land claim

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

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

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

For instance and as discussed above under the "*Environmental Permitting Process*" heading, the BAPE Report conclusion, the current situation regarding air quality in Rouyn-Noranda in particular as it relates to the Horne Smelter's emissions and the vibration and induced seismicity phenomena, could negatively impact Falco community relations and social license. While the Company is committed to operating in a socially responsible manner there is

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no guarantee that its efforts will meet all of third parties' expectations, which could have a material adverse effect on the Company's business, financial position and operations.

At the present time, to the knowledge of Falco, the properties in which Falco has an interest, are the subject of aboriginal land claims by the Algonquin First Nations but there are no active negotiation tables with the Quebec government. The duty to consult the Algonquin First Nations rests with Quebec government. No assurance can be provided on the outcome of the land claims.

Falco has significant indebtedness

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

Information systems and cyber security

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

Exploration, development and operations

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

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

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

Climate change

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

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

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

Regulatory matters

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

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

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

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

Environmental risks and hazards

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

Mineral Resource and Mineral Reserve estimates

Mineral Resource and Mineral Reserve figures are only estimates. Such estimates are expressions of judgment based on knowledge, mining experience, analysis of drilling results and industry practices. While Falco believes that the Mineral Resource and Mineral Reserve estimates, as applicable, in respect of properties in which Falco holds a direct interest reflect best estimates, the estimating of Mineral Resources and Mineral Reserve is a subjective process and

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the accuracy of Mineral Resource and Mineral Reserve estimates is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information.

There is significant uncertainty in any Mineral Resource and Mineral Reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from estimates. Estimated Mineral Resources and Mineral Reserves may have to be re-estimated based on changes in prices of gold or other minerals, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence such estimates. In addition, Mineral Resources are not Mineral Reserves and there is no assurance that any Mineral Resource estimate will ultimately be reclassified as Proven or Probable Mineral Reserves. Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability.

Reliance on historical data

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

Market price of the Falco Common Shares

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

Mergers, acquisitions or joint ventures

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

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

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

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Attracting and retaining qualified management

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

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

Competition

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

Conflicts of interest

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

Factors beyond the control of Falco

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

Infectious Disease Outbreaks

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

Falco's business could be adversely impacted by health epidemics, pandemics and other outbreaks of infectious diseases. The extent to which an epidemic or pandemic impacts Falco's business, including its operations and the market for its securities, will depend on future developments, which are highly uncertain and cannot be predicted at this time, and include the duration, severity and scope of an outbreak and the actions taken to contain or treat such outbreak. In particular, the continued spread of the coronavirus globally could materially and adversely impact Falco's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, operations and business of third party

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operators, and other factors that will depend on future developments beyond Falco's control, which may have a material and adverse effect on its business, financial condition and results of operations. There can be no assurance that Falco's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks.

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

Potential fraud and corruption

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

Reputational risks

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

Financial Risks

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

A description of the financial risks are included in the Annual Financial Statements, filed on SEDAR+ at www.sedarplus.ca.

Internal Control Disclosure

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

Basis of Presentation of Financial Statements

The Financial Statements have been prepared in accordance with IFRS. The accounting policies, methods of computation and presentation applied in the Financial Statements are consistent with those of the previous financial year.

The Board approved the Financial Statements on November 13, 2025. The significant accounting policies of Falco as well as the accounting standards issued but not yet effective are included in the notes to the Annual Financial Statements, filed on SEDAR+ at www.sedarplus.ca.

Critical Accounting Estimates and Judgments

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

The critical judgments in applying the Company's accounting policies are detailed in the Financial Statements, filed on SEDAR+ at www.sedarplus.ca.

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Additional Information

Additional information relating to the Company has been filed on SEDAR+ at www.sedarplus.ca.

Cautionary Statement Regarding Forward-Looking Statements

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

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

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

Forward looking statements could also relate to statements among others regarding: (a) projections and assumptions relating to the recovered grade, average ore recovery, internal dilution, mining dilution and other mining parameters set out in the Updated Feasibility Study; (b) assumptions relating to the gross revenues, operating cash flows and other revenue metrics set out in the Updated Feasibility Study (c) the LOM and mineral reserves estimates set out in the Updated Feasibility Study; (d) the ability to repay the convertible instruments at maturity; (e) the expected timing, scope and results of the AGG Survey; (f) the ability of the AGG Survey and related compilations to identify new VMS type targets at the Noranda Camp; (g) the anticipated integration of high-precision topographic data from the government-managed LIDAR survey, as well as other risks and uncertainties set forth in Falco's continuous disclosure documents filed on SEDAR+ at www.sedarplus.ca.

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

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

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

(Signed) Luc Lessard

Luc Lessard

President and Chief Executive Officer

(Signed) Anthony Glavac

Anthony Glavac

Chief Financial Officer

November 13, 2025

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Sustainable Development and Community Relations

Anthony Glavac, Chief Financial Officer

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Transfer Agent

TSX Trust Company

Exchange listing

TSX-V: FPC