FALCO RESOURCES LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED

DECEMBER 31, 2021

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 and six-month periods ended December 31, 2021, should be read in conjunction with Falco's audited consolidated financial statements as at and for the year ended June 30, 2021 (the "Annual Financial Statements"), and is intended to supplement and complement the Company's unaudited condensed interim financial statements and related notes as of December 31, 2021, and for the three-month and six-month periods ended December 31, 2021 and 2020 (the "Financial Statements"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). Consequently, all comparative financial information presented in the MD&A reflects the consistent application of IFRS.

*Falco's management ("Management") is responsible for the preparation of the consolidated financial statements and other financial information relating to the Company included in the MD&A. The Board of Directors (the "Board") is responsible for ensuring that Management fulfills its responsibilities for financial reporting. In furtherance of the foregoing, the Board has appointed an Audit Committee composed of a majority of independent directors. The Audit Committee meets with Management in order to discuss results of operations and the financial condition of the Company prior to making recommendations and submitting the consolidated financial statements to the Board for its consideration and approval for issuance to shareholders. The information included in the MD&A is as of February 24, 2022, 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 covering approximately 70,000 hectares of land in the Rouyn-Noranda mining camp (the "Mining Camp"), including many former gold and base metal mine sites.

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 December 31, 2021, the Company has a convertible loan and a silver stream agreement with Osisko Gold Royalties Ltd ("Osisko Gold"). In addition, Osisko Development Corp. ("Osisko Development"), a subsidiary of Osisko Gold, owns a 17.3% interest in Falco. Both Osisko Gold and Osisko Development are considered companies with significant influence over the Company and are related parties.

Highlights

From July 1, 2021 up to the date of this MD&A, the Company has completed the following key items:

- The Company closed a bought deal private placement, issuing 30,700,000 Units (the "Units") at a price of $0.40 per Unit (the "Offering"), for gross proceeds of $12.3 million. Falco closed a private placement with Investissement Québec, acting as agent for the Government of Québec, issuing 12,500,000 Units at a price of $0.40 per Unit (the "Private Placement"), for gross proceeds of $5.0 million.
- Falco received from Osisko Gold a partial advance payment of $10.0 million on the second deposit of $20.0 million to be made under the silver stream agreement entered into between the two parties on February 27, 2019 (the "Silver Stream Agreement").
- Falco extended the maturity date of the $10 million senior secured convertible debenture (the "Convertible Debenture") issued by the Company to Glencore Canada Corporation ("Glencore Canada") from October 27, 2021 to April 27, 2022. Given the extension to the maturity date of the Convertible Debenture, Falco extended the expiry date of the share purchase warrants of the Company (the "Warrants") held by Glencore Canada from October 27, 2021 to April 27, 2022.
- Falco and Glencore Canada 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 commenced in September 2021.
- Subsequent to the signing of the Agreement in Principle with Glencore Canada on June 28, 2021, the parties are working towards a Principal Operating License and Indemnity Agreement (the "OLIA").
- The Company and Osisko Gold agreed to amend the Silver Stream Agreement, in order to postpone by one year certain deadlines granted to Falco to achieve milestones set as conditions precedent to Osisko Gold funding the stream deposit and certain other deadlines.

Rouyn-Noranda Mining Region

The Company has a 100% interest in approximately 700 square kilometres of mining claims and contractual rights in or in relation to mining concessions in the Mining Camp, which Management believes represents approximately 70% of the entire Mining Camp. Rouyn-Noranda is an established Mining Camp in the Province of Québec with the required infrastructure (electricity, 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.

Falco'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 Updated Feasibility Study entitled, "Feasibility Study Update, Horne 5 Gold Project", dated effective March 18, 2021, 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.sedar.com.

Agreements with Glencore Canada and its affiliated companies ("Glencore")

The Agreement in Principle

On June 28, 2021, the Company entered into the Agreement in Principle with Glencore pursuant to which an OLIA will be entered into. The Agreement in Principle outlines the terms to be included in the OLIA which establishes the framework to govern Falco's development and operation of its world-class Horne 5 Project, including:

- The creation of Technical and Strategic Committees, comprised of both Glencore and Falco representatives, to collaborate in the successful and safe development and operation of the Horne 5 Project and to capitalize on the many synergies between the parties.
- The right to appoint one Glencore representative on Falco's Board.
- Rights of access, use and transformation rights in favour of Falco.
- Financial assurance including guarantees, and indemnification to cover risks to Glencore's copper smelting operations (the "Horne Smelter").

The Company and Glencore continue to work towards the finalization of the OLIA.

The Convertible Debenture

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

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

The Convertible Debenture is secured by a first ranking security on all assets owned by Falco. Glencore will release the security upon the settlement of the Convertible Debenture and the repayment of interest. So long as Glencore 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 will purchase from Falco the copper and zinc concentrates produced during the life of mine ("LOM") of the Horne 5 Project, currently estimated at 15 years. Terms were negotiated on an arms' length basis.

The Work Plan
On October 27, 2020, in order to further investigate and mitigate geotechnical and other technical risks, and to identify additional synergies, Falco announced that it had collaborated with Glencore to develop the Work Plan for additional geotechnical work and analysis of the risks associated with the development of the Horne 5 Project. Falco and Glencore agreed to the Work Plan, which was managed by Falco and included additional technical work, modelling and studies towards the further identification, mitigation and allocation of risks, all with the goal of working towards the OLIA. As at the date of this MD&A, the Work Plan is substantially complete.

Financings

On August 18, 2021, the Company closed the Offering, issuing 30,700,000 Units at a price of $0.40 per Unit, representing aggregate gross proceeds to Falco of $12.3 million. Each Unit consists of one Share and one-half-of-one Warrant. Each Warrant is exercisable to acquire one Share until July 31, 2025, at an exercise price of $0.55.

Osisko Development and insider participation in the Offering totaled $2.2 million and $0.5 million, respectively.

On December 14, 2021, the Company closed the Private Placement with Investissement Québec, acting as agent for the Government of Québec, issuing 12,500,000 Units at a price of $0.40 per Unit, representing aggregate gross proceeds to Falco of $5.0 million. Each Unit consists of one Share and one-half-of-one Warrant. Each Warrant is exercisable to acquire one Share until July 31, 2025, at an exercise price of $0.55.

The expiry date of the Warrants issued as part of the Offering and the Private Placement may be accelerated by the Company at any time following the six-month anniversary of the closing date of the Offering and the Private Placement if the volume-weighted average trading price of the Shares on the TSX-V is greater than $0.80 for any 10 consecutive trading days, at which time the Company may accelerate the expiry date.

The Silver Stream Agreement

On February 27, 2019, Falco and Osisko Gold completed the Silver Stream Agreement, whereby Osisko Gold agreed to provide the Company with staged payments totaling up to $180 million, toward the funding of the development of the Project, payable as follows:

- First deposit of $25 million on closing of the Silver Stream Agreement, net of any amounts owing by the Company to Osisko Gold;
- Second deposit of $20 million upon the Company receiving, among others, all necessary material third-parties' approvals, licenses, rights of way, and surface rights;
- Third deposit of $35 million following receipt of all material permits required for the construction of a mine at the Horne 5 Project, a positive construction decision for the Horne 5 Project, and raising a minimum of $100 million in equity, joint venture or any other non-debt financing for the construction of the mine;
- Fourth deposit of $60 million upon the total projected capital expenditure for the Horne 5 Project having been demonstrated to be financed; and
- Optional fifth deposit of $40 million at the sole election of Osisko Gold to increase the stream percentage, payable concurrently with the fourth deposit.

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

On January 31, 2020, November 27, 2020 and on January 31, 2022, Falco and Osisko Gold agreed to amend the Silver Stream Agreement, whereby Osisko Gold agreed to postpone by one year each of the deadlines granted to Falco to achieve milestones set as condition precedent to Osisko Gold funding the remaining staged payments and certain other deadlines.

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

On August 19, 2021, the Company received from Osisko Gold a partial advance payment of $10.0 million on the second deposit of $20.0 million to be made under the Silver Stream Agreement.

Loan with Osisko Gold

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

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

Option Agreement with First Quantum

On June 30, 2021, Falco announced that it entered into the Option Agreement with First Quantum pursuant to which First Quantum granted the Company the sole and exclusive right to acquire the Option in 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 Shares having an aggregate value of $0.5 million (the "Consideration Shares") based on the volume weighted average trading price of the Shares for the five trading-day period ending as of two business days before the date of the Cash Payment.

Upon the Company's decision to exercise the Option, (i) First Quantum will transfer the Properties to Falco; (ii) the Company will assume historical and contingent environmental liabilities related to the Properties' former mining sites; and (iii) First Quantum will make cash payments to Falco representing the reimbursement of the Option Price, together with additional payments totaling $3.5 million ($0.5 million on the date of transfer of the Properties and $1.0 million at each of the three consecutive anniversaries thereof). The Option is exercisable, subject to certain conditions, until December 31, 2022. 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 December 31, 2021, prices closed at US$1,806 compared to US$1,763 per ounce on June 30, 2021. The historical gold price (US$/ounce of gold) is as follows:

Period (Calendar)	High	Low	Average	Close
	US$	US$	US$	US$
2022 (to February 23)	1,904	1,788	1,831	1,904
2021	1,943	1,684	1,799	1,806
2020	2,067	1,474	1,770	1,888
2019	1,546	1,270	1,393	1,515
2018	1,355	1,178	1,268	1,279
2017	1,346	1,151	1,257	1,291

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 Updated Feasibility Study was initiated to reflect the improved commodity prices, the Silver Stream Agreement with Osisko Gold and the Offtake Agreements with Glencore. In addition, the capital and operating costs were reviewed to reflect current 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$0.78. The Updated Feasibility Study was prepared in Canadian Dollars. The values have been converted to and presented in US$ 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	$/oz	1,600	1,300
Exchange Rate (US$: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

**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: (1) 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; (2) determining whether larger underground stopes can be implemented through continued geotechnical investigations, simulations and detailed mining studies; and (3) the development of potential synergies with Glencore's local smelting operations. In addition, Falco may benefit from its large, highly prospective regional land package.

Mineral Resource Estimate

The Mineral Resources presented in the UFS, are based upon an updated Mineral Resource estimate (the "current MRE") effective as of February 24, 2021, prepared by Carl Pelletier, P.Geo of InnovExplo, using available information. The main objective was to update the previous NI 43-101 Mineral Resource estimate for the 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 Updated Feasibility Study, 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 are no changes to the mining Mineral Reserves in the UFS as compared to the 2017 FS. The metal prices used in the Mineral Reserves are gold $1,300 per ounce, copper $2.15 per pound, zinc $1.00 per pound and silver $18.50 per ounce.

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

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

1) *Mineral Reserves have an effective date of August 26, 2017.*
2) *Estimated from the November 2016 MRE and does not consider the October 2017 nor the current MRE. The metal prices, exchange rates and recovery equations that were used to support the Mineral Reserve estimate are: 2.15 US$/lb Cu, 1.00 US$/lb Zn, 1,300 US$/oz Au and 18.50 US$/oz Ag, using an exchange rate of 1.30 C$:US$, cut-off NSR value of C$55/t.*
3) *Mineral Reserve tonnage and mined metal have been rounded to reflect the accuracy of the estimate and numbers may not add due to rounding.*
4) *Mineral Reserves presented include both internal and external dilution along with mining recovery. The external dilution is estimated to be 2.3%. The mining recovery factor was set at 95% to account for mineralized material left in the margins of the deposit in each block.*

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.

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 entering into the OLIA with Glencore as the 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 ("LHD") loader to transport ore to the ore pass systems. The underground crushing facility would be fed by two ore pass systems. The crushed mineralized material would then be transported via two 250-metre conveyors and transferred to a 600-metre conveyor leading to the shaft loading point, where it would be hoisted to the surface using 43.5-tonne skips on a continuous basis. For servicing the mine, the shaft would have a double-deck service cage and a double-deck auxiliary cage. Paste backfill would be used to fill the extracted stopes and strengthen stability of the adjacent stopes and avoid or minimize dilution.

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

Processing

A Semi-Autogenous-Ball milling facility on surface would be used to process an average of 15,800 tonnes per day ("tpd") of mineralized material at steady-state. The facility would also include a flotation and thickening section, divided in three circuits and dedicated to recovering copper, zinc and pyrite concentrates. The copper and zinc circuits would have their concentrate filtered to reduce humidity to 9%. Both concentrates would be stored directly in trucks and railcars, awaiting shipment. The pyrite concentrate will require a finer liberation to enhance gold recovery by cyanide leaching, resulting in the requirement to regrind from the primary grind size of 55 microns to the targeted P_{80} of 12 microns. The resulting 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.

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 custom 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 by Falco. Acquisition of land adjacent to the currently proposed mine site would likely be necessary for some of the new infrastructure. Electric power would be supplied to the site at a voltage level of 120 kV, originating from the nearby Hydro-Québec, Rouyn-Noranda substation.

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, 120kV 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, may in some instances, be contingent upon entering into the OLIA with Glencore.

Environmental Permitting Process

The first stage of the Project will be the development of the Horne 5 mine through among other things, the dewatering of the Quemont, Horne and Donalda old mines and the rehabilitation of the Quemont No.2 shaft. The Company has already submitted an application for an authorization under Sections 22 and 31.75 of the *Environmental Quality Act (Québec)* to be issued by the Ministry of Environment and the Fight against Climate Change ("MELCC") to support the development, dewatering and sludge management strategy. A revised version updating recent changes to the application for an authorization is in preparation. 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. In parallel, environmental baseline studies and consultations with the Project's stakeholders are continuing as required to support the permitting process and the Horne 5 Project's timeline.

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

The provincial environmental impact assessment study ("EIS") was filed with the MELCC in January 2018 and is published in the Environmental Assessment Register of the MELCC. Falco is working at completing field work and studies, in addition to securing third party authorizations in order to respond to questions raised by the MELCC. The Project analysis by the MELCC is under an administrative stop until third party authorizations are secured.

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 surface in a tailings management facility ("TMF"). The TMF will be situated at the Norbec sites (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. Waste rock that is not used for underground mining operations will be stored there and/or used as construction material at the TMF.

A closure and rehabilitation plan for 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 Falco obtaining the required licenses from the owners of the mining titles and infrastructure. For greater certainty, such licenses will include a complete indemnity relating to the operation, restoration and rehabilitation of such infrastructure.

Sustainability and Stakeholder Engagement

Falco's approach to sustainability and social impact is measured through Environmental, Stakeholder and Governance ("ESG") criteria. Falco has been proactive and made progress in securing its social license to operate in the City, and believes that ESG is fundamental to creating a positive impact on local and regional economies, better working and living environment, health and employment as well as creating value for shareholders. With our people, mission, culture and strategy, Falco will emerge as a strong ESG performer.

The Company will continue to take a proactive approach to its public consultation process and has been working diligently to identify as many stakeholders as possible in the Rouyn-Noranda and Abitibi region. Based on our numerous community meetings held throughout the region, the Company observes strong community support for the Horne 5 Project. Development of the Project would bring substantial economic development to the City and the surrounding region. The operating mine would provide direct employment for approximately 500 people over its 15-year operating life.

Since February 5, 2019, a consultation committee (the "Committee") composed of representatives from the community was created. Falco remains committed to working with various stakeholders to finalize a plan for the 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 insure that the consultation and engagements plan has been implemented and has fulfilled its objective.

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.

Over the last 18 months, 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.

As discussed above under the "*Agreements with Glencore*" heading, Falco and Glencore agreed to a Work Plan, which addresses key elements including additional technical work, modelling and studies towards the further identification, mitigation and allocation of risks, all with the goal of working towards an OLIA between the Company and Glencore.

The investigation work at the Horne Smelter site for the crown pillar, under dewatering conditions, which began in mid-December 2020, was completed at the end of February 2021. Falco's technical team completed the analysis of the investigation work and provided the report and conclusions to Glencore in April 2021. Further to the investigation, Falco needed to develop a risk analysis and associated mitigation measures to minimize or eliminate risks associated with the dewatering stage and operation phase of the Horne 5 Project. On May 14, 2021, Falco completed a backfill program of approximately 5,100m^3 on the Horne Smelter site to secure certain potentially problematic crown pillars identified by the investigation program. The Company has completed the risk analysis, is well advanced in the proposed mitigation measures and finalized the plan for an instrumentation program.

All elements of the Work Plan have been completed to the satisfaction of Glencore. The Falco and Glencore teams have worked diligently towards implementing the conclusions of the Work Plan to advance the Horne 5 Project into the dewatering phase. During the six-months ended December 31, 2021, 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 commenced in September 2021 and is expected to be completed in the coming months.

In addition to being subject to the applicable legal framework, the development of the Horne 5 Project is subject to a contractual framework whereby the obtaining of the OLIA from Glencore is subordinated to the entering into a comprehensive financial guarantee arrangement with Glencore in order to provide adequate financial protection to this operation. Once this condition precedent is achieved, Falco and Glencore will establish protocols for the further development of the Horne 5 Project, including operational parameters required to maintain security and mitigate risk for Glencore's operation, the whole, in accordance with the agreed upon contractual framework. Based on the foregoing, Falco will not be carrying out any dewatering activities prior to finalizing a satisfactory comprehensive financial guarantee framework with Glencore and thereafter agreeing on a mutually satisfactory plan for the conduct of such activities.

Projected Next Steps

- Enter into the OLIA with Glencore;
- File dewatering permit applications with authorities to commence the pre-production dewatering;
- File additional EIA technical studies and answer MELCC's questions to obtain Horne 5 Project acceptability;
- Prepare and complete the Horne 5 Project's formal public consultation process;
- Secure financing to meet the project development schedule; and
- Continue to attract key personnel to Falco in step with the project development schedule.

The Company notes that 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.

Independent qualified persons

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

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

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

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

Hoisting System

On March 24, 2017, the Company entered into an initial agreement for the engineering, procurement, supply, performance services and installation of the hoisting systems for the 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 now 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 December 31, 2021, $8.2 million was incurred and paid pursuant to the Hoisting Agreement.

Key auxiliary and service hoisting system components have been received. Construction, materials and detailed engineering of the hoist building, which will host the auxiliary and service hoisting systems, commenced in December 2017. The hoist building's construction will enable Falco to start the mine dewatering and Quemont #2 shaft rehabilitation efforts efficiently and safely. The Company completed the closure of the hoist building in December 2021 with costs totaling of $7.9 million as at December 31, 2021.

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 (the "Property"). In January 2020, this agreement was extended for an additional 5 years, providing the Company the option to purchase additional land within an area surrounding the Property. In January 2020, this option agreement was extended for an additional five years. On June 29, 2017, the Company exercised part of this option, purchasing the Property for $2.9 million, for which $2.0 million was paid as of June 30, 2021. On December 14, 2020, the City and Falco agreed to extend the payment date of the remaining amount payable of $0.9 million to January 1, 2022, which was paid in December 2021.

On September 12, 2017, the Company concluded the signing of a Memorandum of Understanding (the "MOU") with the Commission scolaire de Rouyn-Noranda (the "School Board") to acquire the Pavilion located on the site of the Horne 5 Project. The acquisition of the Pavilion is one of the essential and pre-requisite steps in the dewatering and development phase of the Horne 5 Project. Falco became the owner of the Pavilion upon transfer of its activities to the Complexe La Source-Polymétier (the "Complexe") which was funded by Falco (relocation and construction costs totaled $22.5 million). Falco transferred the expanded Complexe to the School Board in 2018 and has no more obligations towards the School Board.

As the Complexe was constructed on property owned by the City and where sports and community activities were undertaken, Falco concluded an agreement with the City, to partner with the City in the building of infrastructure to relocate such activities for an amount not to exceed $2.5 million. The Company completed its commitment to the City in September 2021 at a cost of $2.0 million.

Dewatering Equipment

Certain long-lead equipment for the water treatment facility and pumping system (the "WT Equipment") has been ordered, with costs incurred totaling $6.8 million as at December 31, 2021. The WT Equipment has been received and will have a capacity of 600 cubic metres per hour.

Detailed Engineering

Falco has advanced the detailed engineering and procurement of equipment shop drawings in relation to the Horne 5 Project, with a total incurred cost of $6.6 million as at December 31, 2021. The focus to date has been the geotechnical investigation, the water treatment facility, the electrical substation and hoisting facilities.

Horne 5 Project Costs

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

In addition to these reclassified E&E costs, from July 1, 2016 through to December 31, 2021, the Company has incurred a cumulative total of $106.4 million related to the Horne 5 Project. The breakdown of these costs are as follows:

	As at	
	December 31, 2021	**June 30, 2021**
	$	**$**
Mining equipment	18,317,024	18,314,741
Land and buildings	22,503,448	21,132,616
Construction in progress	49,585,579	45,232,247
Capitalized borrowing costs	15,969,104	12,244,312
Total	**106,375,155**	**96,923,916**

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 EIS 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.

Purchase Agreement

As per the purchase agreement dated March 28, 2011, which was assigned to the Company in September 2012 (the "Purchase Agreement") and considering, amongst others, further transactions among Glencore and BaseCore Metals LP ("Basecore"), BaseCore owns a 2% NSR royalty on the Horne 5 Project.

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.

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

Furthermore, the Horne 5 Project is located adjacent to Glencore's operations and the Company is contractually bound to seek authorizations from time to time from Glencore, at its discretion, to perform certain activities that may affect or impact Glencore's operations.

Exploration and evaluation expenditures

As noted above, the Company has extensive land holdings in the Abitibi Greenstone Belt. Falco owns mining claims and contractual rights in or in relation to mining concessions covering approximately 70,000 hectares of land in the Rouyn-Noranda mining camp located in Québec, Canada. During the three-month and six-month periods ended December 31, 2021, the Company incurred exploration and evaluation expenses totaling $0.2 million and $0.3 million, respectively ($0.1 million and $0.2 million, respectively, during the three-month and six-month periods ended December 31, 2020).

Uncertainty due to COVID-19

An outbreak of a novel strain of coronavirus, identified as "COVID-19", was declared a global pandemic by the World Health Organization on March 11, 2020. The duration and full financial effect of the COVID-19 pandemic is unknown at this time. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect the Company's operations, including suppliers, service providers, employees and on global financial markets limiting our ability to access financing are also subject to significant uncertainty. The Company is monitoring developments in order to be in a position to take appropriate action to protect its employees, contractors and the communities in which it operates.

To date, COVID-19 has not had a material impact on the Company's financial condition, liquidity or longer-term strategic development.

Outlook

In order to advance the Horne 5 Project, the Company must obtain all required regulatory approvals and complete negotiations to obtain third parties' approvals, licenses, rights of way and surface rights required, including the entering into the OLIA as described in the Updated Feasibility Study and this MD&A. In addition, Falco must secure financing which may be completed in a number of ways, including, but not limited to, the issuance of debt or equity instruments and joint venture agreements at the asset level and/or monetizing certain non-current assets of the Company. If the funds are not available on terms satisfactory to the Company, some planned activities may be postponed and the Company will be required to re-evaluate its plans and allocate its total resources in the Company's best interest. This may result in a substantial reduction of the scope of existing and planned operations.

<u>The Horne 5 Project</u>

Management believes that the completion of the $10 million financing, the signing of the Offtake Agreements with Glencore on October 27, 2020, in addition to the completion of the Work Plan were significant steps forward for the Company, which could pave the way for project development work to begin once the OLIA is finalized. In addition to financing the Project, Falco will focus on the following key project execution activities:

1. Finalizing the OLIA with Glencore and thereafter agreeing on a mutually satisfactory work plan for the conduct of dewatering activities.
2. Continuing the environmental work, community engagement and permitting in order to secure authorization from the Québec Government to initiate the public hearing process (*Bureau d'audiences publiques sur l'environnement*) on the Horne 5 Project by the end of 2022.
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.

<u>Exploration activities</u>

Falco's objectives regarding exploration are to complete statutory obligations and to plan future exploration programs. 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.

Results of Operations

Three-month period ended December 31, 2021 ("Q2-2022")

Falco incurred a net loss of $1.1 million for Q2-2022, comparable to the net loss of $1.1 million for the three-month period ended December 31, 2020 ("Q2-2021").

The operating loss for Q2-2022 increased by $0.1 million, totaling $1.2 million for the period. The increase relates primarily to higher professional fees ($0.1 million) and exploration and evaluation expenditures ($0.1 million), between periods. The Q2-2022 operating loss was partially offset by the Company providing services to third parties that allowed the recovery of $0.3 million in costs ($0.3 million recovered in Q2-2021).

As discussed above under the "*Agreements with Glencore*" and "*Loan with Osisko Gold*" headings, the Company issued Warrants that provide for a cashless exercise feature. As these contracts call for the possible issuance of a variable number of shares, they are classified as derivative liabilities and measured at fair value at each period-end. For Q2-2022, the Company recognized an unrealized gain on these derivative warrant liabilities for $0.1 million ($ nil for Q2-2021).

Six-month period ended December 31, 2021 ("YTD-2022")

Falco incurred a net loss of $1.6 million for YTD-2022, compared to a net loss of $1.9 million for the six-month period ended December 31, 2020 ("YTD-2021").

The operating loss for YTD-2022 increased by $0.4 million, totaling $2.4 million for the period. The increase relates primarily to higher professional fees ($0.2 million) and exploration and evaluation expenditures ($0.1 million), between periods. The YTD-2022 operating loss was partially offset by the Company providing services to third parties that allowed the recovery of $0.4 million in costs ($0.6 million recovered in YTD-2021).

As discussed above under the "*Agreements with Glencore*" and "*Loan with Osisko Gold*" headings, the Company issued Warrants that provide for a cashless exercise feature. As these contracts call for the possible issuance of a variable number of shares, they are classified as derivative liabilities and measured at fair value at each period-end. For YTD-2022, the Company recognized an unrealized gain on these derivative warrant liabilities for $0.8 million (nil for YTD-2021).

Liquidity and Capital Resources

As at December 31, 2021, the Company had a negative working capital of $12.7 million (negative working capital of $12.9 million as at June 30, 2021) and cash amounted to $20.0 million ($4.1 million as at June 30, 2021).

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 Horne 5 Project. The working capital as at December 31, 2021 will not be sufficient to meet the Company's obligations, commitments and budgeted expenditures through December 31, 2022. The Company is consistently evaluating various financing opportunities to pursue the development of the Horne 5 Project.

The Company's ability to continue future operations beyond December 31, 2022, 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

<u>Q2-2022</u>

Cash flows used in operating activities during Q2-2022 totaled $1.2 million ($0.6 million used during Q2-2021). This includes the net loss for the period which totaled $1.1 million (net loss of $1.1 million in Q2-2021). The increase is primarily due to the changes in non-cash working capital items such as accounts receivable, prepaid expenses and other assets, accounts payable and accrued liabilities which decreased cash by $0.1 million in Q2-2022 (increased cash by $0.4 million in Q2-2021), due to timing differences in the collection of sales tax and the payments to suppliers.

Cash flows used in investing activities for Q2-2022 amounted to $3.2 million ($1.9 million used in Q2-2021). These investments were mainly incurred for the advancement of the Horne 5 Project and the Work Plan with Glencore, in addition to a payment for land acquisitions as previously described in this MD&A.

Cash flows provided by financing activities totaled $4.9 million in Q2-2022, related to the Closing of the Private Placement for $5.0 million (net of $0.1 million of transaction costs). In Q2-2021, the Company issued the Convertible Debt for $10.0 million (net of $0.4 million).

<u>YTD-2022</u>

Cash flows provided by operating activities during YTD-2022 totaled $7.2 million ($1.2 million used during YTD-2021). This is primarily due to the net proceeds received from the advance of the Silver Stream Agreement for $10.0 million. This was partially offset by the net loss for the period which totaled $1.6 million (net loss of $1.9 million in YTD-2021). Although the Company incurred a smaller loss during YTD-2022 operations, it is greater when taking into account the non-cash impact of the $0.8 million unrealized gain on derivative instruments in YTD-2022 (nil in YTD-2021). In addition, non-cash working capital items such as accounts receivable, prepaid expenses and other assets, accounts payable and accrued liabilities decreased cash by $0.8 million in YTD-2022 (increased cash by $0.4 million in YTD-2021), due to timing differences in the collection of sales tax and the payments to suppliers.

Cash flows used in investing activities for YTD-2022 amounted to $7.7 million ($2.8 million used in YTD-2021). These investments were mainly incurred for the advancement of the Horne 5 Project and the Work Plan with Glencore, in addition to a payment for land acquisitions as previously described in this MD&A.

Cash flows provided by financing activities totaled $16.3 million in YTD-2022, related to the closing of financings as described above under the heading "*Financings*" for $17.3 million (net of $1.0 million of transaction costs). In YTD-2021, the Company issued the Convertible Debt for $10.0 million (net of $0.4 million).

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)	**December 31, 2021**	**September 30, 2021**	**June 30, 2021**	**March 31, 2021**
	$	**$**	**$**	**$**
Cash	19,974,784	19,544,592	4,149,395	5,021,561
Working capital	(12,727,624)	6,048,388	(12,870,980)	(8,794,263)
Total assets	137,702,175	131,522,764	112,598,536	107,927,587
Investments in property, plant and equipment	3,215,893	4,507,411	444,374	2,447,235
Total revenue	-	-	-	-
Net profit (loss) for the period	(1,052,882)	(537,593)	278,550	(2,219,865)
Basic and diluted net profit (loss) per share(i)	(0.00)	(0.00)	0.00	(0.01)

(as at or for the three months ended)	**December 31, 2020**	**September 30, 2020**	**June 30, 2020**	**March 31, 2020**
	$	**$**	**$**	**$**
Cash	9,325,726	2,036,861	3,630,751	6,650,818
Working capital	(3,182,217)	(17,964,649)	(15,558,035)	(13,706,838)
Total assets	106,467,123	95,999,581	94,898,716	97,290,619
Investments in property, plant and equipment	1,921,024	922,998	1,383,497	1,181,637
Total revenue	-	-	-	-
Net (loss) for the period	(1,128,429)	(779,485)	(718,313)	(1,583,771)
Basic and diluted net loss per share(i)	(0.00)	(0.00)	(0.00)	(0.01)

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

From April 1, 2020 to September 30, 2020 and from January 1, 2021 to June 30, 2021, the Company's decreases in cash and working capital are primarily the result of Falco's continued investments in PPE as discussed above under the *"Horne 5 Project Costs"* heading.

During the three-month periods ended December 31, 2020, September 30, 2021 and December 31, 2021, the increase in cash and total assets are consistent with the financing transactions completed during these periods, which surpassed the investments made in PPE during these same periods.

During most quarters, the net losses (or profits) for the periods are comparable. Variations in specific quarters relate primarily to one-off events, such as the preparation of the UFS and unrealized gains/losses on the cashless warrants outstanding at the end of YTD-2021.

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 and six-month periods ended December 31, 2021 and 2020:

	Three-months ended December 31,		Six-months ended December 31,	
	2021	2020	2021	2020
	$	$	$	$
Salaries and short-term employee benefits	357,142	538,158	753,023	861,377
Share-based compensation	98,133	153,935	275,821	245,402
	455,275	692,093	1,028,844	1,106,779

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

During YTD-2022 $0.3 million was invoiced by Osisko Gold for professional services and access to office spaces ($0.7 million during YTD-2021).

As at December 31, 2021, interest payable on the Convertible Loan amounted to $1.4 million. Interest incurred on the Convertible Loan totaled $0.5 million during YTD-2022, and was capitalized to property, plant and equipment.

During YTD-2022 $0.2 million was invoiced by Osisko Development for professional services ($ nil for YTD-2021).

During YTD-2022 $0.4 million was invoiced to associates of Osisko Gold for professional services provided by the Company ($0.6 million for YTD-2021).

Capital Management

The capital structure of the Company as at December 31, 2021, consists of equity attributable to common shareholders comprising issued capital and equity reserves.

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

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

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There have been no significant changes in the capital management objectives, policies and proceedings as at December 31, 2021.

Contractual Commitments and Obligations not already discussed

As discussed above under the heading *"Hoisting systems",* the Company entered into the Hoisting Agreement. The Hoisting Agreement is estimated at approximately $28.9 million, of which $8.2 million was incurred as at December 31, 2021 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.

Off-balance Sheet Items

As of February 24, 2022, the Company has no off-balance sheet arrangements.

Outstanding Share Data

As of February 24, 2022, the Company has 271,546,379 issued and outstanding Shares, 13,760,433 stock options outstanding, 44,809,446 Warrants outstanding, the Convertible Debenture is convertible into 24,390,244 Shares and the Convertible Loan is convertible into 31,992,975 Shares.

Risk Factors

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

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

Title to property and license to operate

Pursuant to an agreement between Falco and Glencore, Falco owns certain rights to minerals and title to certain mining titles, including rights to the minerals located below 200 meters from the surface of mining concession CM-156PTB, where the Horne 5 Deposit is located. Falco also owns certain surface rights surrounding the Quemont #2 shaft (located on mining concession CM-243). Under this agreement, ownership of the mining concessions remains with Glencore. In order to access the Horne 5 Project, Falco must obtain one or more licenses from Glencore, which may not be unreasonably withheld, but which may be subject to conditions that Glencore may require. These conditions may include the provision of a performance bond or other assurance to Glencore and the indemnification of Glencore by Falco.

This agreement with Glencore stipulates, without limitation, that a license shall be subject to reasonable conditions which may include, among other things, that activities at the Horne 5 Deposit will be subordinated to the current use of the surface lands and subject to priority, over such activities. Any license may provide for, among other things, access to and the right to use the infrastructure owned by Glencore, including the Quemont #2 shaft and some specific underground infrastructure in the former Quemont and Horne mines.

Furthermore, Falco will also have to obtain a number of rights of way or other surface rights 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.

While Falco believes that it should be able to obtain the licenses from Glencore in a timely manner and to obtain the required rights of way and other surface rights, and to obtain definitive rights to the TMF site, there can be no assurance that any such license, 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 may also negatively impact the project schedule. Although Falco believes that it has taken reasonable measures to ensure proper title to its assets, there is no guarantee that title to any of assets will not be challenged or impugned.

Falco's ability to finance its operations

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

Falco has significant indebtedness

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

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 operations and the countries in which they respectively operate) benefit and will continue to benefit from its commercial activities, and/or that it operates in a manner that will minimize any potential damage or disruption to the interests of those stakeholders.

Erosion of social licence or activities of third parties seeking to call into question social licence 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.

While the Company is committed to operating in a socially responsible manner there is no guarantee that its efforts will meet all of third parties' expectations, which could have a material adverse effect on the Company's business, financial position and operations.

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

Permits, licences and approvals

The operations of Falco require licences and permits from various governmental authorities. Such licences and permits are subject to changes in regulations and in various operating circumstances. There can be no guarantee that Falco will be able to obtain all necessary licences and permits that may be required to maintain its business operations and mining activities, including the development of the Horne 5 Project. In addition, if Falco proceeds to production on any exploration property, it must obtain and comply with permits and licences 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 licences or that it will be able to comply with any such conditions.

Exploration, development and operations

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

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

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

Climate change

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

Extreme weather events (such as prolonged drought or freezing, increased flooding, increased periods of precipitation and increased frequency and intensity of storms) 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 and other matters. Exploration and commercialization are subject to various federal, provincial and local laws and regulations relating to the protection of the environment. These laws impose high standards on the mining industry, to monitor the discharge of wastewater and report the results of such monitoring to regulatory authorities, to reduce or eliminate certain effects on or into land, water or air, to progressively rehabilitate mine properties, to manage hazardous wastes and materials and to reduce the risk of worker accidents.

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

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

Environmental risks and hazards

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

Mineral Resource and Mineral Reserve estimates

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

There is significant uncertainty in any Mineral Resource and Mineral Reserve estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from estimates. Estimated Mineral Resources and Mineral Reserves may have to be re-estimated based on changes in prices of gold or other minerals, further exploration or development activity or actual production experience. This could materially and adversely affect estimates of the volume or grade of mineralization, estimated recovery rates or other important factors that influence 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 Horne 5 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 its Horne 5 Project reflect best estimates, the estimating of Mineral Resources is a subjective process and the accuracy of Mineral Resource estimate is a function of the quantity and quality of available data, the accuracy of statistical computations, and the assumptions used and judgments made in interpreting available engineering and geological information. There is significant uncertainty in any Mineral Resource estimate and the actual deposits encountered and the economic viability of a deposit may differ materially from estimates.

Market price of the Falco Shares

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

Mergers, acquisitions or joint ventures

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

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

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

Attracting and retaining qualified management

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

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

Information systems and cyber security

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

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.

Coronavirus (COVID-19)

Falco faces risks related to health epidemics and other outbreaks of communicable 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 the effects of the coronavirus or other epidemics. The extent to which the coronavirus 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 the outbreak and the actions taken to contain or treat the coronavirus outbreak. In particular, the continued spread of the coronavirus globally could materially and adversely impact Falco's business including without limitation, employee health, workforce productivity, increased insurance premiums, limitations on travel, the availability of industry experts and personnel, operations and business of third party operators, and other factors that will depend on future developments beyond Falco's control, which may have a material and adverse effect on its business, financial condition and results of operations. There can be no assurance that Falco's personnel will not be impacted by these pandemic diseases and ultimately see its workforce productivity reduced or incur increased medical costs / insurance premiums as a result of these health risks.

In addition, a significant outbreak of coronavirus 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 Financial Statements, filed on SEDAR (www.sedar.com).

Internal Control Disclosure

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

Basis of Presentation of Financial Statements

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

The Board approved the Financial Statements on February 24, 2022. The significant accounting policies of Falco as well as the accounting standards issued but not yet effective are included in the notes to the Financial Statements, filed on SEDAR (www.sedar.com).

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 Annual Financial Statements, filed on SEDAR (www.sedar.com).

Additional Information

Additional information relating to the Company has been filed on SEDAR and is available at www.sedar.com.

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. 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. Such factors include, among others statements regarding (a) the 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 Updated Feasibility Study LOM and Mineral Reserves estimates; (d) the ability to obtain all required regulatory, third party and other approval and rights described in the Updated Feasibility Study; (e) the ability to secure the required financing for the development of the Horne 5 Project as well as other sources and conditions of and anticipated financing requirements; (f) the ability to enter into the OLIA with Glencore in order among others, to get access and use of surface rights and infrastructure not owned by Falco; (g) the ability to implement the conclusions of the Work Plan within the expected timeframe; (h) the ability to file the dewatering permit applications with authorities to commence pre-production dewatering; (i) the ability to file additional EIA technical studies and answer MELCC's questions to obtain Horne 5 Project acceptability; (j) the start of the public hearing process on the Horne 5 Project by the end of calendar 2022; (k) the ability to prepare and complete the Horne 5 Project's formal public consultation process; (l) the ability to repay the convertible instruments at maturity, as well as other risks and uncertainties set forth in Falco's continuous disclosure documents filed on SEDAR at www.sedar.com.

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

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

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

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