

Falco Announces \$180 Million Silver Stream Transaction and Concurrent \$7 Million Debenture With Osisko Gold Royalties

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Horne West and Donalda Property

Longitudinal Looking North-West

Donalda Property Inclined Longitudinal

All dollar amounts are in Canadian dollars unless otherwise specified.

MONTREAL, June 18, 2018 (GLOBE NEWSWIRE) -- [Falco Resources Ltd.](#) (TSXV:FPC) ("Falco" or the "Company") is pleased to announce a financing transaction with [Osisko Gold Royalties Ltd.](#) (TSX:OR) (NYSE:OR) ("Osisko"), pursuant to which Osisko has agreed to commit \$180 million through a silver stream (the "Silver Stream Transaction") toward the funding of the development of Falco's Horne 5 Project (the "Project").

Concurrent to the announcement of the Silver Stream Transaction, Falco is also announcing that Osisko shall purchase from Falco a secured debenture having a principal amount of \$7,000,000 (the "Debenture Transaction").

"We are pleased to announce this financing with Osisko. The funds will be instrumental as Falco looks forward to building a high-quality, profitable, and environmentally safe project that will deliver significant economic benefit to all of our stakeholders. The partnership with Osisko and its cornerstone investment further demonstrates its commitment to supporting the next significant mine build in Québec, a leading mining jurisdiction," stated Luc Lessard, President & CEO.

SILVER STREAM PURCHASE AGREEMENT:

Osisko has agreed to enter into a silver stream purchase agreement (the "Stream Agreement"), whereby Osisko will provide the Company with staged payments totaling \$180 million, payable as follows:

- A first deposit of \$25 million on closing of the Silver Stream Transaction, net of any amounts owing by the Company to Osisko;
- A second deposit of \$20 million upon the Company receiving all necessary material third-party approvals, licenses, rights of way, and surface rights;
- A third deposit of \$35 million following receipt of all material permits required for the construction of a mine on the Project, a positive construction decision for the Project, and raising a minimum of \$100 million in equity, joint venture or any other non-debt financing for the construction of the mine;
- A fourth deposit of \$60 million upon the total projected capital expenditure for the Project having been demonstrated to be financed; and

- An optional fifth deposit of \$40 million at the sole election of Osisko to increase the stream percentage, payable concurrently with the fourth deposit.

Under the terms of the Stream Agreement, Osisko 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 Stream Agreement, Osisko 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 USD\$6.00 per silver ounce. The silver produced from the Project and properties within a 5 km area of interest will be subject to the Silver Stream Transaction.

Pursuant to the Stream Agreement, the Company has agreed to pay a \$2,000,000 capital commitment fee. The fee is payable upon Osisko funding the third deposit under the Stream Agreement.

The Special Committee of the board of directors of the Company has received a verbal opinion from Macquarie Capital Markets Canada Ltd. that the consideration to be received pursuant to the Stream Agreement is fair, from a financial point of view, to Falco.

Closing of the Silver Stream Transaction is anticipated to occur in September, 2018 and is subject to the satisfaction of customary conditions, including obtaining regulatory approvals and approval from a majority of the minority shareholders of Falco (the "Disinterested Shareholder Approval").

Pursuant to an agreement between Falco and Glencore Canada Corporation ("Glencore"), the Silver Stream Transaction is subject to a right of first refusal in favor of Glencore. Following the execution of binding term sheets between Falco and Osisko, a formal notice was sent to Glencore. Glencore shall have a period of 60 days to notify Falco that it wishes to purchase the Stream Agreement in accordance with the terms described herein.

Advisors

Macquarie Capital Markets Canada Ltd. acted as financial advisors to the Special Committee of the board of directors of the Company and Cassels Brock & Blackwell LLP and Lavery, de Billy, LLP acted as legal counsel.

DEBENTURE:

Osisko shall purchase from Falco a secured debenture (the "Debenture") having a principal amount of \$7,000,000 (the "Principal"). Upon receipt of disinterested shareholder approval, the Debenture shall be convertible (the "Conversion") into units of Falco (the "Units"). There will be no interest payable at any time on the outstanding Principal of the Debenture unless Falco fails to obtain disinterested shareholder approval for the Conversion, in which case interest shall accrue retroactively from the closing date of the Debenture Transaction at a rate per annum that is equal to 7%, compounded quarterly. Accrued interest shall be payable upon repayment of the Principal when due, as per the terms of the Debenture. The maturity date of the Debenture shall be the earlier of (i) the date of the meeting of the Falco shareholders to be held to obtain the disinterested shareholder approval and (ii) December 31st, 2018.

On the date upon which Falco obtains the disinterested shareholder approval from shareholders for the Conversion, the Debenture shall be converted into such number of Units of Falco that is equal to the Principal divided by a conversion price, as described below. The conversion price for the Debenture shall be the 10-day volume weighted average price ("VWAP") of Falco's shares on the TSX Venture Exchange ("TSXV") on the date of announcement of the Debenture, provided that should such VWAP be lower than that implied by the maximum allowable Discounted Market Price (as defined in TSXV Policy 1.1), such conversion price shall be adjusted so that it is the price implied by the maximum allowable Discounted Market Price (the "Conversion Price"). Each Unit shall consist of one common share and one-half of one common share purchase warrant. Each whole warrant shall entitle the holder to purchase one common share of Falco, subject to customary anti-dilution clauses, at a price that represents a 30% premium to the Conversion Price (the "Exercise Price") for a period of thirty-six (36) months from the date the Units are issued (the "Warrants").

The closing of the Debenture Transaction is expected to occur at the end of June, 2018 and is subject to receipt of all necessary regulatory approvals. The Units, if issued following receipt of the disinterested shareholder approval, will be subject to a hold period of four months from the date that the Debenture is issued in accordance with applicable Canadian securities laws.

RELATED PARTY TRANSACTIONS

The Silver Stream Transaction and the Debenture Transaction are considered "related party transactions" under Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions ("Regulation 61-101"). The Silver Stream Transaction and the Debenture Transaction are exempt from the requirements to obtain a formal valuation pursuant to the exemption in section 5.5(b) of Regulation 61-101, as the shares of the Company are not listed on any of the specified markets. The Silver Stream Transaction and the Conversion of the Debenture are subject to receipt of the Disinterested Shareholder Approval. The Debenture without the Conversion is exempt from disinterested shareholder approval pursuant to section 5.7(1)(f) of Regulation 61-101, as the Debenture, at the time of closing, (i) is not convertible, directly or indirectly, into equity or voting securities of the Company or a subsidiary of the Company, and (ii) is on reasonable commercial terms that are not less advantageous to the Company than if the Debenture was obtained from an arm's length party. The special meeting of shareholders to obtain the Disinterested shareholder approval for the Silver Stream Transaction and the Conversion of the Debenture is expected to occur in September, 2018.

CORPORATE UPDATE:

Approvals

The Company has been in negotiations with a third party to obtain the necessary approvals to conduct the business in connection with the development and construction of the Horne 5 Project. Falco has yet to receive formal approvals and licenses from a third party, but has been in constant discussions regarding the requirements to obtain such approvals and licenses.

Pursuant to an agreement between Falco and a third party, Falco owns 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 No. 2 shaft located on mining concession CM-243. Under the agreement, ownership of the mining concessions remains with the third party.

In order to access the Horne 5 Project, the Company must obtain one or more licenses from the third party, which may not be unreasonably withheld, but which may be subject to conditions that the third party may require in its sole discretion. These conditions may include the provision of a performance bond or other assurance to the third party and the indemnification of the third party by the Company. The agreement with the third party stipulates, among other things, that a license shall be subject to reasonable conditions which may include, among other things, that activities at Horne 5 will be subordinated to the current use of the surface lands and subject to priority, as established in such party's sole discretion, over such activities. Any license may provide for, among other things, access to and the right to use the infrastructure owned by the third party, including the Quemont No. 2 shaft (located on mining concession CM-243) and some specific underground infrastructure in the former Quemont and Horne mines.

While the Company believes that it should be able to obtain the licenses from the third party, and to acquire the required rights of way and other surface rights, there can be no assurance that any such license, right of way or surface right will be granted, or if granted will be on terms acceptable to the Company and in a timely manner. As such, the current development schedule is being reviewed and Falco is revising the schedule.

Community Relations and Permitting

The Company has continued its community outreach program and held several project presentations and town hall sessions in Rouyn-Noranda and the neighboring communities. During these presentations, Company representatives have outlined the key aspects of the Project, and have provided responses to the observations and questions of community members.

Pavillon Quemont School Construction

The Pavillon Quemont School (the "Pavillon") construction program is advancing very well and nearing completion. The Pavillon construction program is 90% complete and Falco is on schedule to deliver the Pavillon to the local school board of Rouyn-Noranda, ahead of schedule in August 2018. The Pavillon will be delivered in exchange for existing infrastructure assets that will be used by Falco during development and mine operations. The total relocation and construction costs of the Pavillon are estimated at \$22.5 million.

Hoisting System Construction and Delivery of Key Components

Civil construction work of the hoist building that will host the auxiliary and service hoists commenced in December 2017 and was completed during the April of 2018. The hoist building construction will enable the Company to start the dewatering of existing underground infrastructure and Quemont shaft rehabilitation efforts efficiently and safely, once third party authorizations are received.

Key auxiliary and service hoisting system components were delivered to site.

Acquisition Program

The Company also acquired land, surface rights and strategic buildings near the Project footprint. As such, the Company acquired specific infrastructure and buildings from third parties, exercised its existing option to acquire land from the city of Rouyn-Noranda, and signed several other land acquisition agreements. The total purchase price of these acquisitions was \$9.0 million.

Dewatering Program

Major equipment for the dewatering & water treatment facility were ordered. The water treatment facility components are expected to be received during the third quarter of 2018. The treatment facility and pumping system will have a capacity of 600 cubic metres per hour. The certificate of authorization required for the dewatering is still under review with the government authorities. Authorizations from a third party are also required to proceed with the dewatering program.

Detailed Engineering

The Company commenced the detailed engineering in relation to the dewatering program. The current focus is the water treatment plant, the electrical sub-station and hoisting facilities.

Exploration Program

The Donalda drilling program was initiated in February and is ongoing. To date a total of 14,300 metres of drilling were completed on the Donalda, Horne West and Quemont properties.

On Donalda, drill holes have intersected the lateral extensions of the known gold bearing veins and identified favorable horizons for VMS mineralization in the Quemont extensions. The targets were tested to a depth of up to 1,500 metres vertical. The best results obtained are presented in the Table 1. To note, most highlighted assay results originate from the 2017 program, which have now been entirely received and assayed. Some assay results from the 2018 drilling have been received, however the majority of assays are pending.

Table 1:

	DDH	From (m)	To (m)	Description
Donalda	17996-17-01	194.5	196.0	Vein 1

	17996-17-02	154.5	169.1	Vein 1
	17996-17-03	301.0	305.3	Vein 1
	17996-17-04	313.0	315.0	Vein 1
	17996-17-05	75.5	86.5	Altered sheared rhyolite with 1-5% disseminated Py. VG
		130.5	131.5	Vein ?
		153.7	154.3	Vein 1
		290.0	290.5	Donalda Fault/Vein 5
	17996-17-06	141.7	142.8	Vein 1
	17996-17-08	289.5	295.3	Vein 1
	17996-18-09	610.7	611.2	Vein Qz Cb
	17996-18-11	54.0	56.7	Vein 1
		590.8	591.9	Vein Qz Cb and 5%Py
Lac Cléricy	17970-18-02	74.0	79.0	Stringer Qz Chl (VG)
	17970-18-03	135.8	138.3	Vein Qz (VG)
	(including)	137.8	138.3	
		192.4	193.4	Vein Qz (VG)
		200.5	201.0	Vein Qz
Beauchastel Copper Mines JV	17936-17-03	166.0	167.8	Rhyolite, multiple Qz veinlets, 80%Py and 10% Cp local
		272.5	297.0	Intermediate tuff, 1-5% Py clusters, tr.-1% SpCp.
	(including)	292.0	295.0	

In addition to the Donalda drilling program, four drill rigs have recently been mobilized to test two large underexplored areas with high potential of discovery for new VMS lenses. The targets are located near the eastern extensions of Quemont, as well as the West Zone and extensions towards Horne 5, where mineralization was identified during 2016 drilling campaign (refer to press release October 31 2016).

Our exploration program also includes deep geophysical surveys, combining innovative surface and borehole techniques, on the Donalda, Quemont and Horne West properties.

Thus far, 3,460 metres have been drilled on our Noranda Camp drilling program. A follow-up on a gold intersection obtained in 2017 and geophysical targets were the main targets of this first phase of work. A drill-hole done in 2017 on the Lac Cléricy property (17970-17-01) intersected a shear zone with quartz veins grading 1.25 g/t Au over 9.0 metre. Results received for two of the three drill holes done in 2018 confirmed the initial intersection with grades of 3.22g/t Au over 2.5 metre and 1.37 g/t Au over 5.0 metre. Visible gold was observed in both holes. The program was paused for spring breakup, it will resume during summer. VMS targets will be tested by drilling at less than 1 km to the East of Donalda, in the area of a past producer Delbridge, where strong VMS potential still exists. Ground geophysical surveys will continue and an airborne survey totalling over 800 km spread over five grids was recently completed.

Certain properties discussed herein are subject to the area of interest under the Stream Agreement.

Qualified Person

Mr. Claude Bernier, Exploration Manager, (P.Geo. Eng.) is the qualified person as defined by National Instrument 43-101 who has reviewed and verified the technical information relating to the exploration program and results contained in this news release.

QA/QC

Falco has implemented a strict quality-control program to comply with best practices in the sampling and analysis of drill core. As part of its QA/QC program, Falco inserts certified external mineralized standards and blanks within shipment composed of 24 samples. In the mineralized zones, every shipment is composed of 21 rock samples, one standard, one blank and a pulp duplicate to test the laboratory analysis methods and precision for each shipment of samples. Blanks and standards are inserted within the normal sample

number sequence, while the duplicate is asked at the end of a batch. Assay results and certificates of analysis are interpreted and reported on a regular basis. If anomalies are detected, the laboratory is advised and the entire batch of samples is re-assayed. In non-mineralized zones, every shipment is composed of 24 samples, which includes a standard and a blank. If anomalies are detected, the laboratory is advised, but the batch of samples is not necessarily re-assayed.

About Falco

[Falco Resources Ltd.](#) is one of the largest mineral claim holders in the Province of Québec, with extensive land holdings in the Abitibi Greenstone Belt. Falco owns about 67,000 hectares of land in the Rouyn-Noranda mining camp, which represents approximately 70% of the entire camp and includes 13 former gold and base metal mine sites. Falco's principal asset is the Horne 5 Project located in the former Horne mine that was operated by Noranda from 1927 to 1976 and produced 11.6 million ounces of gold and 2.5 billion pounds of copper. Osisko is the largest shareholder of the Company and currently owns 13.2% of the issued and outstanding shares of the Company. The Company has 180,620,244 shares issued and outstanding.

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Cautionary Note Regarding Forward-Looking Statements

This news release contains forward-looking statements and forward-looking information (together, "forward-looking statements") within the meaning of applicable securities laws. All statements, other than statements of historical facts, are forward-looking statements, and subject to risks and uncertainties. Generally, forward-looking statements can be identified by the use of terminology such as "plans", "seeks", "expects", "estimates", "intends", "anticipates", "believes", "could", "might", "likely" or variations of such words, or statements that certain actions, events or results "may", "will", "could", "would", "might", "will be taken", "occur", "be achieved" or other similar expressions. Forward-looking statements, including statements concerning the Conversion of the Debenture, obtaining disinterested shareholder approval, timely obtaining of all approvals to close the Debenture and the Stream, and the Company's use of proceeds from the Stream and the Debenture financing, involve risks, uncertainties and other factors that could cause actual results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking statements. Forward-looking statements are subject to business and economic factors and uncertainties, and other factors that could cause actual results to differ materially from these forward-looking statements, including the obtaining of all required authorizations from third parties on terms acceptable to the Company and in a timely manner and those risks set out in Falco's public documents, including in each management discussion and analysis, filed on SEDAR at www.sedar.com. Furthermore, should one or more of the risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in forward-looking statements or information. These risks, uncertainties and other factors include, among others, political, economic, environmental and permitting risks, regulatory restrictions, mining operational and development risks, litigation risks, regulatory restrictions, environmental and permitting restrictions and liabilities, internal and external approval risks, changes in the use of proceeds relating to the Stream and Debenture financings, currency fluctuations, global economic climate, dilution, share price volatility, competition, loss of key employees, additional funding requirements, and defective title to mineral claims or property. Although Falco believes that the assumptions and factors used in preparing the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this news release, and no assurance can be given that such events will occur in the disclosed times frames or at all. Except where required by applicable law, Falco disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Infographics accompanying this announcement are available at

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