



FALCON

Energy Materials plc

Condensed Consolidated Interim Financial Statements

For the three-month periods ended March 31, 2025 and 2024

(Expressed in Canadian dollars)
(Unaudited)

TSX-V: FLCN

Management's Responsibilities over Financial Reporting

The accompanying unaudited condensed consolidated interim financial statements of Falcon Energy Materials plc (the "Corporation" or "Falcon") have been prepared by the management and are its responsibility. The condensed consolidated interim financial statements are prepared in accordance International Accounting Standard 34, "Interim Financial Reporting", as issued by the International Accounting Standards Board and reflect management's best estimates and judgment based on information currently available.

These unaudited condensed consolidated interim financial statements, together with the accompanying notes, have been reviewed and approved by the members of the Corporation's Board of Directors. These unaudited condensed consolidated interim financial statements have not been reviewed by the Corporation's auditors.

Falcon Energy Materials plc

Condensed Consolidated Interim Statements of Financial Position

(Unaudited, in Canadian dollars)

| | | March 31, 2025 | December 31, 2024 |
|--|-------|-------------------|----------------------|
| | Notes | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 6,219,259 | 3,715,577 |
| Sales taxes and other receivables | | 14,897 | 10,977 |
| Prepaid expenses and deposits | | 102,900 | 256,296 |
| | | 6,337,056 | 3,982,850 |
| Non-current assets | | | |
| Property and equipment | | 224,156 | 270,312 |
| TOTAL ASSETS | | 6,561,212 | 4,253,162 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 610,246 | 707,869 |
| Short-term portion of lease liability | 5 | 64,392 | 97,458 |
| | | 674,638 | 805,327 |
| Non-current liabilities | | | |
| Long-term portion of lease liability | 5 | - | - |
| | | 674,638 | 805,327 |
| EQUITY | | | |
| Share capital | 6 | 46,186,144 | 43,916,296 |
| Contributed surplus | 7 | 15,117,252 | 12,792,338 |
| Deficit | | (55,416,822) | (53,260,799) |
| | | 5,886,574 | 3,447,835 |
| TOTAL LIABILITIES AND EQUITY | | 6,561,212 | 4,253,162 |

Nature of operation and liquidity risk (Note 1)

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

On behalf of the Board,

Marc Filion /s/
Director

Yves Grou /s/
Director

Falcon Energy Materials plc

Condensed Consolidated Interim Statements of Loss and Comprehensive loss

(Unaudited, in Canadian dollars)

| | | Three-month periods ended March 31, | |
|--|-------|--|--------------------|
| | | 2025 | 2024 |
| | Notes | \$ | \$ |
| Expenses | | | |
| Exploration and evaluation | 3 | | |
| Exploration expenses | | 9,981 | 24,122 |
| Engineering study | | - | 94,106 |
| HSEC & Community relations on site | | 1,410 | 1,486 |
| Salaries and benefits | | 71,643 | 76,266 |
| Amortization | | 18,893 | 19,232 |
| | | 101,927 | 215,212 |
| Battery Anode Plant | 4 | | |
| Engineering study | | 275,285 | - |
| Professional and consulting fees | | 96,560 | 85,113 |
| Share-based payments | 7 | 181,823 | 32,739 |
| | | 553,668 | 117,852 |
| General and administrative | | | |
| Professional and consulting fees | | 542,941 | 228,274 |
| Salaries and benefits | | 90,321 | 197,479 |
| Travel and representation | | 123,423 | 135,258 |
| Other general and administrative | | 54,378 | 54,992 |
| Insurance | | 50,399 | 12,562 |
| Investor relations fees | | 147,806 | 50,867 |
| Transfer agent and filing fees | | 32,156 | 38,161 |
| Amortization | | 27,264 | 16,753 |
| Share-based payments | 7 | 445,875 | 113,915 |
| | | 1,514,563 | 848,260 |
| Other expenses (income) | | | |
| Interest income | | (15,920) | (92,894) |
| Redomiciliation costs | | - | 396,320 |
| Foreign exchange (income) loss | | 1,785 | (3,827) |
| | | (14,135) | 299,599 |
| Net loss and comprehensive loss | | 2,156,023 | 1,480,923 |
| Basic and diluted loss per common share | | 0.02 | 0.01 |
| Weighted average number of shares – basic and diluted | | 118,135,176 | 117,385,961 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Falcon Energy Materials plc

Condensed Consolidated Interim Statements of Changes in Equity

(Unaudited, in Canadian dollars)

| | | Number of issued and outstanding common shares | Share capital | Contributed surplus | Deficit | Total equity |
|--|-----------|--|-------------------|------------------------|---------------------|------------------|
| | Note s | | \$ | \$ | \$ | \$ |
| Balance as at January 1, 2025 | | 117,385,961 | 43,780,682 | 10,312,381 | (45,383,010) | 8,710,053 |
| Issuance of common shares | 6 | 6,708,166 | 4,024,900 | - | - | 4,024,900 |
| Issuance of warrants | 6 | - | (1,697,216) | 1,697,216 | - | - |
| Share issuance costs | 6 | - | (57,836) | - | - | (57,836) |
| Share-based payments | 7 | - | - | 627,698 | - | 627,698 |
| Net loss and comprehensive loss for the period | | - | - | - | (2,156,023) | (2,156,023) |
| Balance as at March 31, 2025 | | 124,247,061 | 46,186,144 | 15,117,252 | (55,416,822) | 5,886,574 |
| Balance as at January 1, 2024 | | 117,385,961 | 43,780,682 | 10,312,381 | (45,383,010) | 8,710,053 |
| Share-based payments | 7 | - | - | 146,654 | - | 146,654 |
| Net loss and comprehensive loss for the period | | - | - | - | (1,480,923) | (1,480,923) |
| Balance as at March 31, 2024 | | 117,385,961 | 43,780,682 | 10,459,035 | (46,863,933) | 7,375,784 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Falcon Energy Materials plc

Condensed Consolidated Interim Statements of Cash Flows

(Unaudited, in Canadian dollars)

| | | Three-month periods ended | |
|---|-------|---------------------------|----------------|
| | | March 31, | |
| | | 2025 | 2024 |
| Cash flows provided by (used in) | Notes | \$ | \$ |
| Operating activities | | | |
| Net (loss) income for the period | | (2,156,023) | (1,480,923) |
| Adjustments for non-cash items | | | |
| Amortization | | 46,156 | 35,985 |
| Accreted interest on lease liability | 5 | 2,590 | 3,767 |
| Foreign exchange on lease liability | 5 | (638) | 2,439 |
| Interest income | | - | (93,952) |
| Share-based payments | 7 | 627,698 | 146,654 |
| | | (1,480,217) | (1,386,030) |
| Change in non-cash working capital items | 11 | 51,853 | 352,218 |
| | | (1,428,364) | (1,033,812) |
| Investing activities | | | |
| Disposal of investments | | - | 1,000,000 |
| | | - | 1,000,000 |
| Financing activities | | | |
| Lease liability | 5 | (35,018) | (22,935) |
| Issuance of shares as part of a private placement | 6 | 4,024,900 | - |
| Share issuance costs | 6 | (57,836) | - |
| | | 3,932,046 | (22,935) |
| Net change in cash | | 2,503,682 | (56,747) |
| Cash, beginning of periods | | 3,715,577 | 737,090 |
| Cash, end of periods | | 6,219,259 | 680,343 |

The accompanying notes are an integral part of these condensed consolidated interim financial statements.

Falcon Energy Materials plc

Notes to Condensed Consolidated Interim Financial Statements

March 31, 2025 and 2024

(Unaudited and in Canadian dollars)

1. NATURE OF OPERATIONS AND LIQUIDITY RISK

Falcon Energy Materials plc is an Abu Dhabi Global Market mineral exploration and development business with activities in Africa. The Corporation was incorporated on April 16, 1996 under the *Canada Business Corporations Act*, and continued under the Abu Dhabi Global Market Companies Regulations 2020 on June 24, 2024. The Corporation's common shares are listed on the TSX Venture Exchange (the "TSX-V") under the trading symbol "FLCN.V". The Corporation's head office is located at Level 7, Al Maryah Tower, ADGM Square, Al Maryah Island, Abu Dhabi, UAE.

These condensed consolidated interim financial statements were authorized for publication by the Board of Directors on May 27, 2025.

The Corporation's mining properties are located in the Republic of Guinea ("**Guinea**"), Africa, and hence are subject to the risks normally associated with unanticipated changes in taxes and royalties, renegotiation of contracts, foreign currency fluctuations and political uncertainties.

As at March 31, 2025, the Corporation had a working capital of \$5.6 million, which included cash and cash equivalents of \$6.2 million. Management of the Corporation believes that it has sufficient funds to maintain the status of its current obligations and keep its properties in good standing, to pay its ongoing general and administrative expenses and to meet its liabilities, obligations and existing commitments beyond the ensuing 12 months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future. To continue the Corporation's future operations and fund its development expenditures, the Corporation will periodically need to raise additional funds, which may be completed in a number of ways, including, but not limited to, the issuance of new equity, debt financing or securing capital from potential partners. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation.

2. MATERIAL ACCOUNTING POLICIES

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") applicable to the preparation of interim financial statements, including IAS 34, Interim Financial Reporting. The condensed consolidated interim financial statements should be read in conjunction with the Corporation's audited annual financial statements for the year ended December 31, 2024.

The preparation of condensed interim financial statements in accordance with IAS 34 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Corporation's accounting policies.

The Corporation has consistently applied the same accounting policies throughout all the periods presented in these condensed consolidated interim financial statements.

Basis of measurement

These condensed consolidated interim financial statements have been prepared on a historical cost basis using the accrual basis of accounting except for cash flow information.

Significant accounting policies

These condensed interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the audited annual consolidated financial statements for the year ended December 31, 2024.

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Notes to Condensed Consolidated Interim Financial Statements

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Basis of consolidation

In addition to the Corporation, the condensed consolidated interim financial statements include all subsidiaries. Subsidiaries are all companies over which the Corporation is able, directly or indirectly, to control financial and operating policies, which is the authority usually connected with holding majority voting rights. Subsidiaries are fully consolidated from the date on which control is acquired by the Corporation. Intercompany transactions and balances are eliminated upon consolidation. They are deconsolidated from the date that control by the Corporation ceases.

The subsidiaries of the Corporation, all of which are wholly owned, are as follows:

| Subsidiaries | Jurisdiction of incorporation |
|--|-------------------------------|
| Sama Resources Guinee SARL ("SRG Guinée") | Guinea |
| SRG Graphite International Inc. ("SRG Intl") | Cayman Islands |
| SRG Liberia Inc. ("SRG Liberia") | Liberia |

3. EXPLORATION AND EVALUATION EXPENSES

The Corporation has one project currently under evaluation which is named Lola Graphite.

On November 6, 2019, the Government of Guinea awarded SRG Guinée, through presidential order NoD/2019/291/PRG/SGG the mining permit for its Lola graphite project near the town of Lola in eastern Guinea, West Africa. The fifteen (15) year renewable permit was officially granted by the Government of Guinea through presidential decree number D/2019/291/PRG/SGG. The mining permit covers an area of 94.38 square kilometers. The mining permit is subject to the general obligations of the Guinean mining code. In June 2020, the Corporation asked the Government of Guinea for a deferment due to the ongoing Covid-19 crisis. A number of events since its receipt of the mining permit, namely the COVID pandemic as well as a Coup d'État, each of which the Corporation considers being a Force Majeure event, rendered impossible the fulfillment of certain obligations by the Corporation during a significant period of time. Furthermore, on June 5, 2021, the Corporation and the government of Guinea signed an agreement which stipulates that the Corporation must begin work on its Lola project within six months of being formally reissued the Gogota permit.

On May 14, 2025, the President of the Republic of Guinea issued a decree revoking certain exploration and exploitation permits (the "Decree"). The Decree suggests that the Government of Guinea is revoking 50 gold, bauxite and diamond exploration and exploitation licenses as well as one (1) graphite exploitation license, being Falcon's Lola Graphite project exploitation permit. However, as at May 27, 2025, the Corporation has not received any written correspondence from the Government of Guinea regarding its intention to revoke the Lola Graphite project exploitation permit, which was granted to the Corporation in 2019 under the *2011 Guinea Mining Code*. Falcon unequivocally denounces this Decree as illegal and wholly inconsistent with both the letter and spirit of Guinean mining legislation.

Falcon unequivocally denounces this decree as illegal and wholly inconsistent with both the letter and spirit of Guinean mining legislation. The Corporation will pursue all available legal remedies in Guinea and internationally to defend its rights and protect its investment.

4. BATTERY ANODE PLANT EXPENSES

The Corporation aims to develop a Battery Anode Plant in the Kingdom of Morocco. The Corporation entered into several commercial and technical partnerships in order to develop a pilot plant and large scale anode plant for the production of coated spherical purified graphite at Jorf Lasfar, near Casablanca, in the Kingdom of Morocco. An integrated development plan preliminary economic assessment has been completed in 2024 and the Corporation is in the process of completing a bankable feasibility study, target for Q4-2025.

5. LEASE LIABILITIES

The Corporation leases office space for employees. These leases are for a period of one to three years. Certain leases include an option to renew after the end of the contract term.

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2025 and 2024

(Unaudited and in Canadian dollars)

The movement in lease liabilities during the three-month period ended March 31, 2025 and the year ended December 31, 2024 is comprised of the following:

| | March 31, 2025 | December 31, 2024 |
|--|----------------|-------------------|
| | \$ | \$ |
| Lease liabilities at the beginning of the period | 97,458 | 117,703 |
| Lease payments | (35,018) | (126,699) |
| Lease addition | - | 86,942 |
| Lease termination | - | (2,922) |
| Accreted interest | 2,590 | 12,704 |
| Foreign exchange gain | (638) | 9,730 |
| Balance, end of period | 64,392 | 97,458 |
| Current portion | 64,392 | 97,458 |
| Long-term portion | - | - |

The undiscounted minimum lease payments on lease liabilities for the forthcoming years are as follows:

| | \$ |
|--------------------------------|---------------|
| 2025 | 67,402 |
| Total minimum payments | 67,402 |
| Less interest | (3,010) |
| Total minimum capital payments | 64,392 |

6. SHARE CAPITAL

Transactions during the three-month period ended March 31, 2025:

On March 24, 2025, the Corporation announced the closing of a non-brokered private placement for the issuance of 10,874,832 units at a price of \$0.60 per unit for gross proceeds of \$6,524,900. Each unit is comprised of one ordinary share of the Corporation and one share purchase warrant, which grants the holder the right to purchase one additional share at a price of \$0.75 per warrant share for a period of 36 months from the date of closing.

The participation of La Mancha Fund SCSp (acting via its wholly owned subsidiary, "La Mancha") in the Private Placement is irrevocable and has been closed in escrow, subject only to the approval of the disinterested Corporation shareholders at the Corporation's next annual general meeting of shareholders of: (i) the sale of Units to La Mancha, and (ii) La Mancha being a control person of the Corporation (as such term is defined in Policy 1.1 – Interpretation of the TSX Venture Exchange). The AGM will be held on or before June 9, 2025. If the Shareholders' Approval is obtained, the aggregate subscription price for the Units subscribed by La Mancha will be released and wired to the Corporation, and the Units will be issued and delivered to La Mancha. If the Shareholders' Approval is not obtained, La Mancha's subscription will be cancelled.

Warrants

The outstanding share purchase warrants as at March 31, 2025 and December 31, 2024 and the respective changes during the quarter are summarized as follows:

| | Three-month period ended | | Year ended | |
|------------------------------------|--------------------------|------|-------------------|----|
| | March 31, 2025 | | December 31, 2024 | |
| | Number | \$ | Number | \$ |
| Balance, beginning of period | - | - | - | - |
| Granted | 10,874,832 | 0.75 | - | - |
| Balance exercisable, end of period | 10,874,832 | 0.75 | - | - |

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2025 and 2024

(Unaudited and in Canadian dollars)

7. SHARE-BASED PAYMENTS

Share-based expense

During the three-month periods ended March 31, 2025 and 2024, the share-based expense is as follows:

| | Three-month periods ended | |
|------------------------|---------------------------|----------------|
| | 2025 | March 31, 2024 |
| | \$ | \$ |
| Stock options | 627,698 | 21,536 |
| Deferred stock units | - | - |
| Restricted stock units | - | 125,118 |
| | 627,698 | 146,654 |

Share purchase options

The Corporation has a fixed stock option plan (the "Plan"), in which the maximum number of common shares which can be reserved for issuance under the Plan is 22,764,466 shares of the Corporation, less any shares reserved for issuance under the DSU Plan and the RSU Plan. The exercise price of each option ("Option") shall not be less than the closing price of the common shares on the trading day immediately preceding the day on which the Option is granted, less any discount permitted by the TSX-V and, in any event, the exercise price per Option will not be less than \$0.05, being the minimum exercise price allowable under TSX-V policy.

The following table shows the changes in stock options:

| | Three-month period ended | | Year ended | |
|------------------------------|--------------------------|-------------------|-------------------|-------------------|
| | March 31, 2025 | | December 31, 2024 | |
| | Number | \$ ⁽¹⁾ | Number | \$ ⁽¹⁾ |
| Balance, beginning of period | 13,407,213 | 0.63 | 8,385,500 | 0.69 |
| Granted | 1,698,487 | 0.60 | 5,096,713 | 0.48 |
| Exercised | - | - | (75,000) | 0.58 |
| Balance, end of period | 15,105,700 | 0.63 | 13,407,213 | 0.63 |
| Exercisable, end of period | 11,033,478 | 0.65 | 10,608,857 | 0.66 |

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March 31, 2025 and 2024

(Unaudited and in Canadian dollars)

The number of outstanding stock options that could be exercised for an equal number of common shares is as follows:

| | March 31, 2025 | | |
|-------------------|--------------------|--------------------|-------------------|
| | Number outstanding | Number exercisable | Exercise price \$ |
| February 20, 2027 | 1,852,007 | 1,852,007 | 0.365 |
| April 25, 2027 | 100,000 | 100,000 | 0.50 |
| June 14, 2027 | 25,000 | 25,000 | 0.36 |
| November 22, 2027 | 325,000 | 325,000 | 1.30 |
| January 14, 2028 | 125,000 | 125,000 | 1.72 |
| August 8, 2028 | 2,085,000 | 2,085,000 | 1.10 |
| May 11, 2030 | 1,108,493 | 1,108,493 | 0.37 |
| June 19, 2030 | 950,000 | 950,000 | 0.51 |
| February 9, 2031 | 440,000 | 440,000 | 0.69 |
| March 1, 2032 | 1,300,000 | 1,300,000 | 0.70 |
| April 12, 2034 | 4,096,713 | 1,024,175 | 0.48 |
| October 4, 2034 | 850,000 | 212,500 | 0.68 |
| October 4, 2034 | 150,000 | 37,500 | 1.25 |
| March 24, 2035 | 1,698,487 | 424,622 | 0.60 |
| | 15,105,700 | 11,033,478 | |

⁽¹⁾ Weighted average exercise price.

The fair value of stock options granted was determined using the Black & Scholes valuation based on the following weighted average assumptions:

| | Three-month period ended March 31, 2025 |
|---|---|
| Weighted average price at the grant date | \$0.59 |
| Weighted average exercise price | \$0.60 |
| Expected dividend | -\$ |
| Expected average volatility | 94.60% |
| Risk-free average interest rate | 3.10% |
| Expected average life | 10 years |
| Weighted fair value per share purchase option | \$0.52 |

The expected underlying volatility was based on the historical comparable companies shares over a period equivalent to the expected average life of the options.

Deferred share units

The Deferred Share Units ("DSU") plan provides for the payment of directors' compensation with DSUs. Each DSU is a right granted by the Corporation to an eligible director to receive an equivalent of the value of one common share on termination of service. The Corporation may make payments due under the DSU Plan by issuing one common share for each DSU. The number of DSUs to be granted under the DSU Plan is determined by dividing the director's compensation by the average closing price of the common shares on the TSXV, for 5 trading days immediately preceding such date. Under the DSU Plan, a maximum number of common shares available and reserved for issuance is 22,764,466 shares of the Corporation, less any shares reserved for issuance under the Plan and the RSU Plan.

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(Unaudited and in Canadian dollars)

The following table summarizes the changes in DSUs issued during the three-month period ended March 31, 2025:

| | Three-month period ended March 31, 2025 | | Year ended December 31, 2024 | |
|----------------------------|--|-------------------|---------------------------------|-------------------|
| | Number | \$ ⁽²⁾ | Number | \$ ⁽²⁾ |
| Balance, beginning of year | 1,112,801 | 0.72 | 767,021 | 0.75 |
| Granted | - | - | 423,714 | 0.68 |
| Settled | - | - | (77,934) | 0.68 |
| Balance, end of year | 1,112,801 | 0.72 | 1,112,801 | 0.72 |

⁽²⁾ Weighted average fair value.

Restricted share units

The RSU Plan provides for a maximum number of common shares available and reserved for issuance to 22,764,466 shares of the Corporation, less any shares reserved for issuance under the Plan and the RSU Plan. The RSUs are time-based awards and all the amount of RSUs granted will vest upon the continuous employment of the Participants on the third anniversaries of the RSU grant, starting from the date of the grant or such other period not exceeding three years determined by the Board of Directors.

Pursuant to the terms of the RSU Plan, Participants will receive, upon vesting of the RSUs, common shares of the Corporation issued from treasury. The outstanding RSU's as at March 31, 2025 are as follows:

| | Three-month period ended March 31, 2025 | | Year ended December 31, 2024 | |
|------------------------------|--|-------------------|---------------------------------|-------------------|
| | Number | \$ ⁽³⁾ | Number | \$ ⁽³⁾ |
| Balance, beginning of period | - | - | 1,750,000 | 0.70 |
| Cancellation | - | - | (1,750,000) | 0.70 |
| Balance, end of period | - | - | - | - |
| Exercisable, end of period | - | - | - | - |

⁽³⁾ Weighted average fair value.

8. CAPITAL MANAGEMENT

The Corporation's objectives when managing capital are to safeguard the Corporation's ability to continue as a going concern and to maintain a flexible capital structure, which will allow it to pursue its exploration & evaluation activities and develop the mine.

The Corporation considers its capital structure to include shareholders' equity, debts and convertible debentures. The Corporation monitors its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets and capital markets. In order to facilitate the management of capital and the exploration and evaluation of its exploration & evaluation assets and develop the mine, the Corporation prepares annual expenditure budgets, which are monitored and updated as considered necessary.

To maintain or adjust the capital structure, the Corporation may issue new equity if available on favorable terms, issue more debts or convertible debenture instruments, sell off permits and enter into joint venture arrangements.

The Corporation is not subject to externally imposed capital requirements. There has been no change in the Corporation's approach to capital management during the period ended March 31, 2025.

The changes in the Corporation's capital are disclosed in the consolidated statements of changes in shareholder's equity.

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9. FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS

Classification

The Corporation's financial instruments as at March 31, 2025 and December 31, 2024 consist of cash and short-term investments, receivable and other current assets, accounts payable and accrued liabilities.

The classification of financial instruments is summarized as follows:

| | | March 31, 2025 | December 31, 2024 |
|------------------|------------------------------------|-------------------|----------------------|
| | | \$ | \$ |
| Financial Assets | Classification | | |
| Cash | Financial assets at amortized cost | 6,219,259 | 3,715,577 |
| | | 6,219,259 | 3,715,577 |

| | | March 31, 2025 | December 31, 2024 |
|--|---|-------------------|----------------------|
| | | \$ | \$ |
| Financial Liabilities | Classification | | |
| Accounts payable and accrued liabilities | Financial liabilities at amortized cost | 500,507 | 258,752 |
| | | 500,507 | 258,752 |

The Corporation's risk exposures and the impact of these exposures on the Corporation's financial instruments are summarized below:

Credit risk

Credit risk is the risk of financial loss to the Corporation if a counterparty to a financial instrument fails to meet its contractual obligations. The Corporation is exposed to credit concentration risk by holding cash and guaranteed investment certificates. This risk is minimized by holding cash and guaranteed investment certificates balances with large international financial institutions and a minimal amount with local banks in Africa.

Liquidity risk

The Corporation manages its liquidity risk by using budgets that enable it to determine the amounts required to fund its exploration & evaluation programs. The Corporation also ensures that it has sufficient working capital available to meet its day-to-day commitments.

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future. To continue the Corporation's future operations and fund its development expenditures, the Corporation will need additional funds, which may be accomplished in several ways, including, but not limited to, the issuance of new equity, debt financing or securing capital from potential partners. While management has been successful in securing financing in the past, there can be no assurance that it will be able to do so in the future or that these sources of funding or initiatives will be available to the Corporation or that they will be available on terms which are acceptable to the Corporation. Further disclosure related to the Corporation's liquidity risk has been included in note 1 to these consolidated financial statements.

Fair value

Fair value estimates are made at the consolidated statement of financial position date based on relevant market information and other information about financial instruments.

The Corporation's financial assets and financial liabilities approximate their fair values due to their relatively short periods to maturity. Investments (other than guaranteed investment certificates) are valued at the quoted prices.

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Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in prevailing market interest rates.

Except for the fixed interest recognized on the guaranteed investment certificates, all of the Corporation's assets and liabilities are non-interest-bearing and, as such, are not subject to a significant amount of risk arising from fluctuations in interest rates.

The Corporation is also indirectly exposed to the interest rate risk through its investments (other than guaranteed investment certificates)

Market risk

Foreign exchange risk

Currency risk is the risk that future cash flows or fair value of financial instruments will fluctuate because of changes in foreign exchange rates. The Corporation is exposed to foreign exchange ("FX") risk as cash is primarily held in Canadian dollars, while a significant portion of expenditures are denominated in US dollars and Guinean francs and, to a lesser extent, euros.

The below table shows the impact on net earnings and equity of a 10% increase or decrease in foreign currencies on the Corporation's net income:

| | March 31, 2025 in CAD | Impact of 10% change in FX | December 31, 2024 in CAD | Impact of 10% change in FX |
|----------------------|--------------------------|-------------------------------|-----------------------------|-------------------------------|
| United States dollar | 30,975 | + / - 3,098 | 141,913 | +/- 14,191 |
| Guinea franc | 65,184 | + / - 6,518 | 88,786 | +/- 8,879 |
| Euro | 1,342 | + / - 134 | 41,268 | +/- 4,127 |

Commodity price risk

Commodity price risk is the risk that the fair value or expected future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for minerals are impacted by world economic events that dictate the levels of supply and demand as well as the relationship between the Canadian and other currencies, as outlined above. As the Corporation has not yet developed commercial mineral interests, the Corporation is not a party to financial instruments exposed to the price of commodities. However, the Corporation is indirectly exposed to commodity price risk, as it impacts the Corporation's access to capital and funding.

10. RELATED PARTIES

Remuneration of key management personnel

Key management personnel are the members of the Board of Directors, and executive officers of the Corporation. During the three-month periods ended March 31, 2025 and 2024, the remuneration awarded to key management personnel is as follows:

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Notes to Condensed Consolidated Interim Financial Statements

March 31, 2025 and 2024

(Unaudited and in Canadian dollars)

| | Three-month periods ended | |
|----------------------------------|---------------------------|----------------|
| | 2025 | March 31, 2024 |
| | \$ | \$ |
| Salaries and benefits | - | 16,417 |
| Consulting and professional fees | 269,375 | 207,725 |
| Share-based payments | 407,730 | 124,999 |
| | 677,105 | 349,141 |

Termination and change of control provisions

Certain agreements between the executive team and the Corporation contain termination without cause and change of control provisions. Assuming that these agreements would be terminated without cause during the year ending December 31, 2025, the total amounts payable in respect of severance would amount to \$1,873,750. If a change of control would occur during the year ending December 31, 2025, the total amounts payable in respect of severance, if elected by the executive members, would amount to \$3,157,500.

11. SUPPLEMENTAL CASH FLOW INFORMATION

| | Three-month periods ended | |
|--|---------------------------|----------------|
| | 2025 | March 31, 2024 |
| | \$ | \$ |
| Changes in working capital items | | |
| Sales taxes and other receivables | (3,920) | 10,338 |
| Prepaid expenses and deposits | 153,396 | 71,341 |
| Accounts payable and accrued liabilities | (97,623) | 270,539 |
| | 51,853 | 352,218 |

12. COMMITMENTS

The Corporation must pay US\$7,079 in superficial rights every year for the next eleven years to the government of Guinea to retain the rights of its mining title.

Minimum annual payments relating to the above commitments in the next five fiscal years and thereafter are as follows:

| Year | US\$ |
|------------|--------|
| 2025 | 7,079 |
| 2026 | 7,079 |
| 2027 | 7,079 |
| 2028 | 7,079 |
| 2029 | 7,079 |
| Thereafter | 28,314 |

13. OPERATING SEGMENTS

The Corporation operates in two reportable business segment: the exploration and evaluation of mineral properties and the battery anode plant. As at March 31, 2025, \$216,773 of the Corporation's non-current assets are located in Guinea, Africa, and \$7,383 are located in Abu Dhabi, United Arab Emirates. As at December 31, 2024 \$248,317 of the Corporation's non-current assets were located in Guinea, Africa and \$21,995 in Abu Dhabi, United Arab Emirates.

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March 31, 2025 and 2024

(Unaudited and in Canadian dollars)

14. SUBSEQUENT EVENTS

On May 14, 2025, the President of the Republic of Guinea issued a decree revoking certain exploration and exploitation permits (the “**Decree**”). The Decree suggests that the Government of Guinea is revoking 50 gold, bauxite and diamond exploration and exploitation licenses as well as one (1) graphite exploitation license, being Falcon’s Lola Graphite project exploitation permit. However, as at May 27, 2025, the Corporation has not received any written correspondence from the Government of Guinea regarding its intention to revoke the Lola Graphite project exploitation permit, which was granted to the Corporation in 2019 under the *2011 Guinea Mining Code*.

On May 20, 2025, the *Banque Centrale de la République de Guinée* issued an order to freeze all bank accounts belonging to the entities touched by the Decree. The amounts seized in Falcon’s bank accounts total US\$1,100.

Falcon unequivocally denounces this Decree as illegal and wholly inconsistent with both the letter and spirit of Guinean mining legislation. The Corporation will pursue all available legal remedies in Guinea and internationally to defend its rights and protect its investment.