FALCON
Energy Materials plc

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE QUARTER ENDED ON JUNE 30, 2025

TSX-V: FLCN

INDEX

SCOPE OF MD&A AND NOTICE TO INVESTORS

This management discussion and analysis of financial position and results of operations ("**MD&A**") is prepared as of August 26, 2025 and complements the audited consolidated financial statements of Falcon Energy Materials plc (the "**Corporation**" or "**Falcon**"), which include: SRG Guinee SARL ("**SRG Guinee**"), SRG Graphite International Inc. ("**SRG Intl**"), SRG Liberia Inc. ("**SRG Liberia**"), Falcon EM International Ltd ("**Falcon EM**") and Falcon EM Maroc SARLU ("**Falcon EM Maroc**"), its wholly owned subsidiaries, for the year ended on December 31, 2024. The audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board ("**IFRS Accounting Standards**"). Except as otherwise disclosed, all dollar figures included therein and in the following MD&A are quoted in Canadian dollars. The Corporation has prepared this MD&A following the requirements of National Instrument 51-102, Continuous Disclosure Obligations.

The interim condensed consolidated financial statements and related notes have been prepared in accordance with IAS 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. They do not contain all the information required to be disclosed in annual financial statements. Certain information and notes usually provided in the annual financial statements have been omitted or condensed when not deemed essential to the understanding of the interim financial information of the Corporation. Therefore, this MD&A should be read in conjunction with the information contained in the annual audited consolidated financial statements of the Corporation and the notes thereto for the year ended December 31, 2024.

Management of the Corporation is responsible for the preparation and presentation of the annual consolidated financial statements and notes thereto, MD&A and other information contained in this MD&A. Additionally, it is management's responsibility to ensure the Corporation complies with the laws and regulations applicable to its activities.

The audited consolidated financial statements and the MD&A have been reviewed and approved by the audit committee on August 26, 2025, as delegated by the Board of directors. These documents and more information about the Corporation are available on SEDAR+ at www.sedarplus.com.

FORWARD LOOKING STATEMENTS

Certain statements made in this MD&A are forward-looking statements or information. The Corporation is hereby providing cautionary statements identifying important factors that could cause the Corporation's actual results to differ materially from those projected in the forward-looking statements. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "may", "is expected to", "anticipates", "estimates", "intends", "plans", "projection", "could", "vision", "goals", "objective" and "outlook" or variations of such words and phrases or state that certain actions, events or results "may", "could", "will", "would" or "might") that are not historical facts and may be forward-looking and may involve estimates, assumptions and uncertainties which could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements. Specific forward-looking statements in this MD&A include, but are not limited to, statements and information with respect to: (i) the legality of the decree signed by the President of the Republic of Guinea ("**Guinea**") revoking certain exploration and exploitation permits; (ii) the Government of Guinea's intention to revoke the Lola Graphite Project exploitation permit; and (iii) the outcome of any legal proceeding, in the applicable jurisdiction, to be pursued by the Corporation to defend the Corporation's rights and investment in the Lola Graphite Project.

Forward-looking information is based upon certain assumptions and other important factors and assumptions subject to significant business, geological, economic and competitive uncertainties and contingencies that, if untrue, could cause the actual results, performance or achievements of the Corporation to be materially different from future results, performance or achievements expressed or implied by such information or statements. There can be no assurance that such information or statements will prove to be accurate. Key assumptions upon which the Corporation's forward-looking information is based include, without limitation: (1) the current market will continue and grow; (2) the legality of the decree signed by the President of Guinea revoking certain exploration and exploitation permits; (3) the Government of Guinea's intention to revoke the Lola Graphite Project exploitation permit; and (4) the risks listed below under the heading "Risks and Uncertainties" will not adversely impact the business of the Corporation. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used.

By their nature, forward-looking statements involve numerous assumptions, inherent risks and uncertainties, both general and specific, which contribute to the possibility that the predicted outcomes may not occur or may be delayed.

These include, but not limited to, the risks, uncertainties and other factors, many of which are beyond the control of the Corporation that could influence actual results, which risks are summarized below under the heading "Risks and Uncertainties", as well as: (1) the risk associated with establishing title to mineral properties and assets including permitting, development, operations and production from the Corporation's operations being consistent with expectations and projections; (2) the Government of Guinea's ability to revoke the Lola Graphite Project exploitation permit; and (3) the Corporation's ability to defend the Corporation's rights and investment in the Lola Graphite Project.

Further, unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A, and, except as required by applicable law, the Corporation does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for management to predict all such factors and to assess in advance the impact of each such factor on the business of the Corporation, or the extent to which any factor or combination of factors may cause actual results to differ materially from those contained in any forward-looking statement.

CORPORATION OVERVIEW

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. Falcon Energy Materials plc common shares are currently listed on 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.

Falcon aims to become a fully-integrated supplier of battery anode material. The integrated business model would result in the creation of a mine-to-market active anode material producer, hosting a large high-purity graphite production mine in the Republic of Guinea, and a value-added, coated spherical purified graphite conversion facility in the Kingdom of Morocco.

With attractive operating costs, proximity to European end-markets and strong ESG credentials, the Corporation is poised to become a reliable supplier while promoting sustainability and supply chain transparency. Falcon is committed to generating sustainable, long-term benefits that are shared with the host countries and communities where it operates.

HIGHLIGHTS

- On April 15, 2025, the Corporation announced the signing of a term sheet with Shanghai Shanshan New Material Co, ("**Shanshan**") for a strategic partnership to develop the customer base for Falcon's coated spherical purified graphite ("**CSPG**") anode production facility in the Kingdom of Morocco (the "**Anode Plant**"). Shanshan is a global leader in lithium-ion battery anode materials, producing both natural graphite anode materials as well as synthetic graphite anode materials. Shanshan is the world's largest producer of synthetic graphite anode materials in 2024, with a 21% market share, and has an industry-leading research and development department near Shanghai, China.

- 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 revoked 51 exploitation permit. Falcon unequivocally denounces this Decree as illegal and wholly inconsistent with both the letter and spirit of Guinean mining legislation.

- 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. The Corporation will pursue all available legal remedies in Guinea and internationally to defend its rights and protect its investment.

- On May 20, 2025, the Corporation announced it has entered into an agreement with Fluoralpha S.A. ("**Fluoralpha**") to support the development of 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.

- On June 26, 2025, the Corporation announced it has purchased all the equipment for its pilot plant (the "**Pilot Plant**"), which will be located at Jorf Lasfar, near Casablanca, in the Kingdom of Morocco. The Pilot Plant is on schedule for first CSPG production in Q4-2025 and planning to produce large-scale samples of coated spherical purified graphite for future Falcon customers.

- All key equipment for the Pilot Plant has been ordered with deliveries underway;
- First CSPG samples expected to be available for customer testing in September 2025;
- Pilot Plant commissioning expected to be completed by Q4 2025;
- Offtake discussions are progressing with Shanshan and key customers;
- Feasibility Study remains on schedule for publication in Q4 2025.

INTEGRATED DEVELOPMENT PLAN PRELIMINARY ECONOMIC ASSESSMENT

On December 23, 2024, the Corporation announced the positive results of the Integrated Development Plan Preliminary Economic Assessment ("**IDP PEA**") for the integrated mineral project consisting of the Mine ("**Phase 1**") in Guinea, and the natural graphite spheroidization, purification and coating plant (the "**Anode Plant**" or "**Phase 2**") in Morocco. The IDP PEA, prepared by Dorfner Anzaplan UK Limited ("**Anzaplan**"), showcases the strong financial and operational potential of Falcon's vision.

Please refer to the Mining Title Risks section on page 19 of this MD&A for more information related to the Lola permit status and discussion with the Government of Guinea.

Highlights and Key Assumptions of the Integrated Development Plan Preliminary Economic Assessment include:

- After-tax net present value ("**NPV**") at a real 8% discount rate of US$1,321 million;
- After-tax internal rate of return ("**IRR**") of 43%;
- Phase I Mine pre-production initial capital costs, including contingency, estimated at US$185 million;
- Phase II Anode Plant pre-production initial capital costs, including contingency, estimated at US$73 million;
- Anode Plant average operating costs of US$3,193 per tonne of CSPG;
- Mine average direct operating costs of US$616 per tonne of concentrate; and
- Average saleable production of 26,000 tonnes CSPG per annum ("**tpa**") and 18,000tpa fines from the Anode Plant alongside 42,000tpa of coarse flakes from the Mine.

Leveraging Advanced Technology and Procurement with Hensen Partnership

The Anode Plant in Morocco will feature Falcon's integrated mine-to-market strategy, backed by a strategic partnership with Hensen. Hensen, a leading CSPG producer, brings years of operational expertise from its successful synthetic and natural graphite anode plants in China. Hensen is currently building a large-scale anode plant in Weihai, China (the "**Weihai Plant**"), commissioned in Q4 2024. Hensen and Falcon have leveraged the proven design, procurement and existing supply chain practices from Hensen's recently completed Weihai Plant to establish a highly competitive, cutting-edge facility in Morocco. The partnership allows Falcon to implement advanced technology and process efficiency to deliver high quality anode materials at scale and with competitive costs to the rapidly growing European and North American markets.

Integrated Development Plan Flow Sheet

The IDP PEA contemplates the development of a large high-purity graphite mine and concentrator in Guinea and a value-added CSPG conversion facility in Morocco. Falcon's Anode Plant envisages the construction of three distinct production lines, using established and proven Hensen technology and design, focusing on the key steps to produce CSPG. The IDP flow sheet includes:

- **Phase I: Guinea Mine and Concentrator**: Low strip ratio, open pit mine followed by conventional crusher, concentrator, floatation, dewatering and screening circuit to produce a graphite concentrate (the "**Concentrate**");
- **Phase II: Morocco Spheroidization Plant:** Employing the latest, innovative processes to shape the graphite flakes into spheres, increasing the surface area density and energy density, to produce spherical graphite **("SG")**;

- **Phase II: Morocco Purification Plant:** Employing hydrofluoric acid alongside hydrochloric and nitric acid to remove impurities, producing >99.95% spherical purified graphite ("**SPG**"); and
- **Phase II:** Morocco Coating Plant: Applying an amorphous carbon (pitch tar) coating on the SPG surface to enhance energy density and increase battery safety and longevity, producing CSPG.

Location and Infrastructure

The 100%-owned Lola Graphite Project is located in Guinea, close to the border with Liberia. The Concentrate is expected to be exported by road through the port of Monrovia in Liberia. It is anticipated that all Concentrate that is suitable for conversion in the Anode Plant will be shipped directly by sea from Libera to Morocco, while the remaining Concentrate will be sold worldwide. The Anode Plant, which requires approximately 8 hectares of land, is strategically located in Morocco on the African continent, benefiting from access to critical port and energy infrastructure and free trade agreements with both the United States and the European Union.

Lola Graphite Project Resource Statement

The resource estimate was established using data from boreholes drilled and sampled up to December 1, 2018. The total resource estimate of the Lola Graphite Project, as disclosed in the "Updated Feasibility Study" for the Lola Graphite Project with an effective date of February 27, 2023 and a report date of April 7, 2023 and available on SEDAR+ at www.sedarplus.ca (the "**Lola FS**"), includes Measured and Indicated Resources of 54.0 Mt grading 3.98% Cg, and Inferred Resources of 12.3 Mt grading 3.6% Cg. The resource estimate has been prepared using a cut-off grade of 1.0% Cg for oxides and 1.4% Cg for fresh rock. The IDP PEA does not incorporate or include Mineral Reserves disclosed in the Lola FS. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

Table 1: Lola Graphite Project Resource Statement

Category	Tonnage (Mt)	Grade (% Cg)	Contained Cg (kt)
Measured Resources	**8.26**	**4.04**	**333.6**
Indicated Resources	**45.70**	**3.97**	**1,812.0**
Total M&I Resources	**53.96**	**3.98**	**2,145.6**
Inferred Resources	**12.30**	**3.60**	**442.5**

1. Mineral Resources has been estimated by the Resources QP.
2. The Mineral Resources are reported in accordance with the CIM Standards on Mineral Resources and Reserves, Definitions and Guidelines prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council.
3. Resources are constrained by a Pseudoflow optimised pit shell using HxGn MinePlan software.
4. Pit shell was developed using a 34-degree pit slope in oxide and 42-degree pit slope in fresh rock, concentrate sales price of US$1,389/t concentrate, mining costs of US$2.75/t oxide, US$3.25/t fresh rock, processing costs of US$10.25/t oxide and US$15.18/t fresh rock processed, G&A cost of US$1.52/t processed and transportation costs of US$50/t concentrate, 84.2% process recovery and 95.4% concentrate grade and an assumed 100,000 tpa concentrate production.
5. Mineral Resources, which are not Mineral Reserves, do not have demonstrated economic viability. The Mineral Resources estimate may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues. There is no certainty that Mineral Resources will be converted to Mineral Reserves.
6. The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resource and cannot be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.
7. Contained graphite without mining loss, dilution, and processing recovery (In-situ).
8. The effective date of the estimate is February 27, 2023.
9. The open pit Mineral Resources are estimated using a cut-off grade of 1.0 % Cg oxide and 1.4% Cg fresh rock.

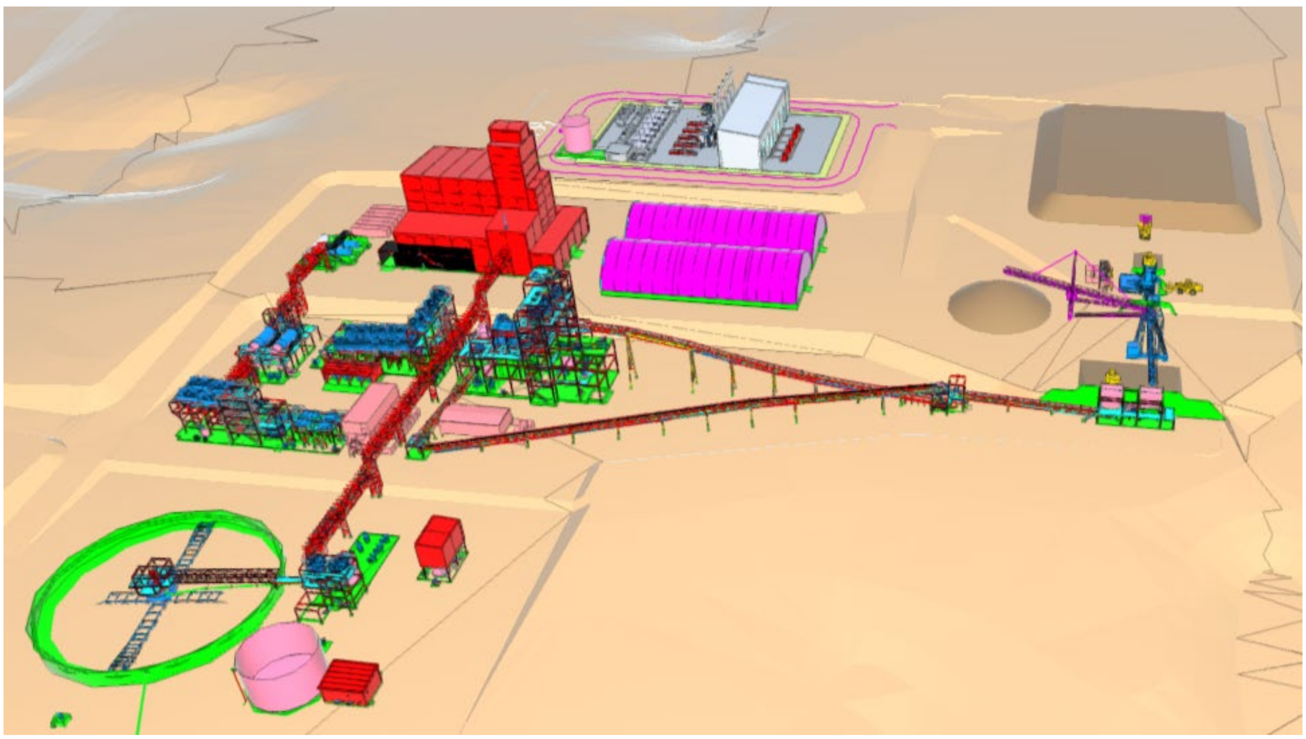
Totals may not add due to rounding.

Phase I: Guinea Mine and Concentrator

The Corporation anticipates using a contract-mining operation to mine approximately 2.5Mtpa of material and 2.3Mtpa of waste in a conventional drill-and-blast mining operation over a 25-year period. The resulting average feed-grade to the processing facility is 3.91% Cg.

The mineral processing plant consists of a crushing area and a concentrator where material beneficiation and concentrate dewatering, screening, and packaging takes place. The process flowsheet includes crushing, grinding, rougher flotation, polishing, and cleaner flotation. The back end of the concentrator includes tailings thickening, concentrate filtration and drying, dry screening and bagging of graphite products, and material handling. All the tailings from the concentrator will be thickened and pumped to the lined tailings ponds. The graphite concentrate, which has a target concentrate grade of >94% Cg, will be recovered by a conventional flotation process at an overall recovery over the life of mine of 83.6%. Over the life of the mine, the processing plant is expected to produce graphite concentrate divided into four standard-size fractions: +48 mesh, -48+80 mesh, -80+100 mesh and -100 mesh. The -100 mesh portion of the production will be used as feedstock for the Anode Plant.

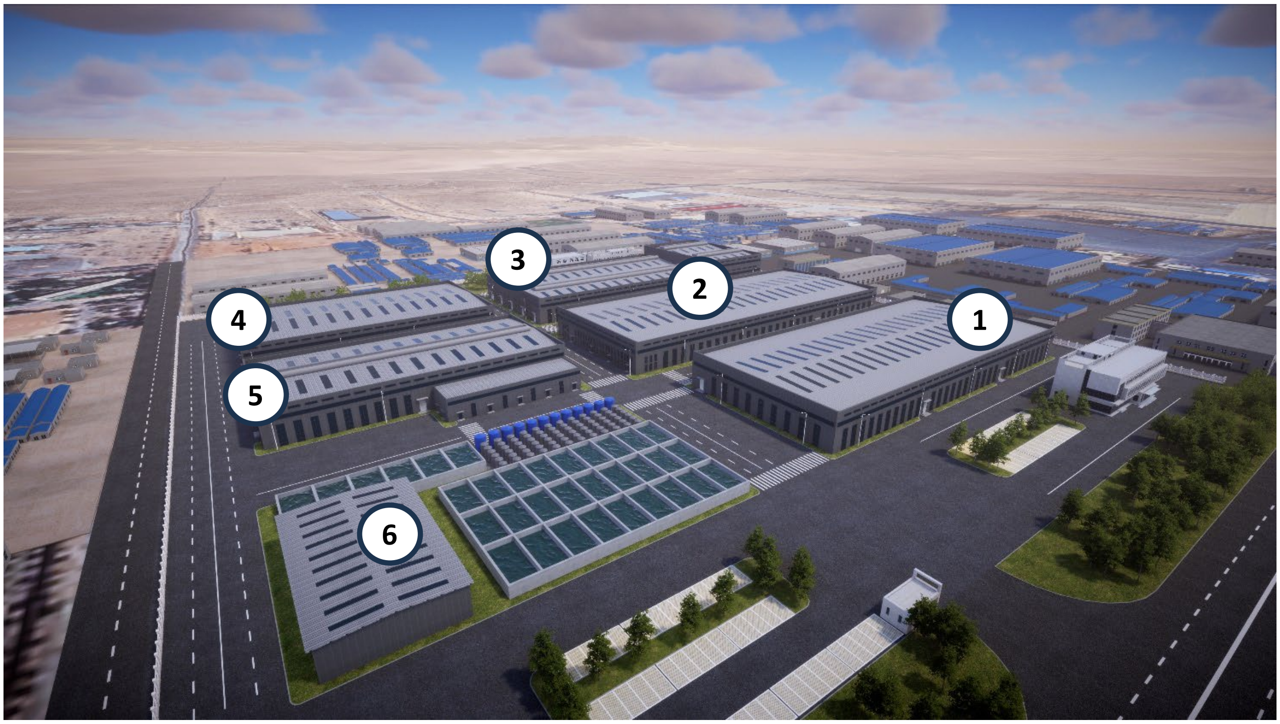
Figure 1: Illustration of Falcon's Concentrator



Phase II: Morocco Spheroidization Plant

The 45,000tpa spheroidization plant consists of three separate process steps: micronization, spheroidization of the micronized graphite to produce coarse primary SG, and secondary spheroidization to produce a fine secondary SG product. The overall yield of the spheroidization plant is 60% resulting in 27,000tpa of SG. The micronization and spheroidization process is designed to produce spherical particles of a size of 20 microns (categorized as "**SG20**") and 10 microns (categorized as "**SG10**"). SG20, representing 86.7% of the feed, is collected into a main collector and sent to the purification plant by pneumatic transportation. SG10 is collected and sent to secondary spheroidization circuit, which contains additional spheroidizers. SG10, representing 13.3% of the feed, is collected into a main collector and sent to a separate circuit in the purification plant by pneumatic transportation, while the remaining fines by-product particles are sent directly to the bagging station and sold separately.

Figure 2: Illustration of Falcon's Morocco Anode Plant



Note: 1. Spheroidization plant; 2. Purification plant; 3. Coating plant; 4. Finishing plant ; 5. Acid storage; 6. Water purification.

Phase II: Morocco Purification Plant

The 27,000tpa purification plant consists of a chemical treatment to increase the purity of the SG from 94.6% to 99.95% and SPG. The purification plant consists of four separate process steps: a thermally induced chemical reaction, pressure filtration, washing, and drying. The SG is washed with a mixture of hydrofluoric acid, hydrochloric acid, nitric acid (the "**Key Acids**") and steam to remove the main impurities (e.g., SiO_2, Al_2O_3, MgO, Fe_2O_3, and CaO). Following the purification step the Key Acids are recovered in a filter press and reused. Finally, the SPG is washed to remove water-soluble impurities generated during the reaction and dried to reduce the moisture content below 1%.

Phase II: Morocco Coating Plant

The coating process is the final step of the CSPG production process. The objective of this step is to coat particles with a thin film of carbon precursor (3-25 nanometres thick), which is then crystallized. This involves milling pitch tar (10% wt.), mixing the milled pitch tar with SPG, and thermally treating the mixture in a coating furnace. The coating furnace lines are dedicated to coat primary SP20 and SP10, separately. The cooled CSPG is deagglomerated, demagnetized, sieved and bagged to ensure the final product meets stringent end-user specifications. The coating line is initially built with a 5ktpa capacity and expanded to 26ktpa following end-user qualification of the CSPG.

Figure 3: Illustration of Falcon's Coating Plant

Phase II: Morocco Gas and Water Treatment

The Anode Plant contains gas and water treatment systems. The gas scrubber cleans the off-gasses from the purification and coating plant. A hydrated lime solution is fed into the scrubber to capture residual gas, and the purge is sent to the lime scrubber buffer tank. The clean gas is sent to a stack and released into the atmosphere. The water purification plant, which predominantly treats the effluents of the purification plant, has a capacity for 1,200 m3 / day. All wastewater will be tested before discharge to the local sewage system and will meet Moroccan discharge limits.

The Anode Plant footprint and buildings are designed such that production can be doubled by adding additional spheroidization, purification and coating lines without erecting new buildings. Additionally, the plant includes advanced gas and water treatment systems, ensuring compliance with local environmental standards. Tanger Med Engineering SA ("**TME**") is currently completing a preliminary environment impact analysis of the Anode Plant.

Phase I and Phase II Capital and Operating Costs

The projected capital and operating costs for the project are presented below in Table 2 and 3. The capital and operational costs are estimated based on the actual costs of the Hensen Weihai Plant, adjusted for transport to and construction in Morocco. Estimations were performed in accordance with the Association for the Advancement of Cost Engineering(''**AACE**'') Class 5, Recommended Practice 47R-11, with typical variation in low and high accuracy ranges of -20% to -50% and +30% to +100%, respectively.

Table 2: Capital Costs

Capital Costs	
Phase I: Mine and Concentrator	
Mining	$8M
Process Plant	$62M
Tailings & Water Management	$4M
Site Infrastructure	$11M
Power Plant & Distribution	$36M
Preliminary & General	$16M
Mine Total Direct Costs	**$136M**
Indirect	$25M
Owners	$6M
Contingency	$17M
Mine Total Costs	**$185M**

Note: Numbers may not add due to rounding

Phase II: Anode Plant	
Spheroidization Plant	$19M
Purification Plant	$13M
Coating Plant	$18M
Land Acquisition	$5M
Contingency	$18M
Anode Total Pre-Development Capital Costs	**$73M**
Combined Total Pre-Development Capital Costs	**$258M** [(1)]
Coating Plant Expansion	$24M
Contingency	$9M
Total Expansion Capital Costs	**$33M**

1. Combined Total Pre-development Capital Costs of $258M includes Mine Total Costs (US$185M), Anode Total Pre-Development Capital Costs (US$73M). Expansion Coating Capital Costs is delayed capital expenditure which is deferred until after full product qualification.

Table 3: Phase I: Mine Operating Costs (US$ per tonne Concentrate)

Operating Costs in US$ per tonne Concentrate	
Contract Mining	$180
Process	$341
Site General & Administrative	$54
Concentrate Transport to Port	$40
Total Direct Costs (FOB Monrovia)	$616
Sustaining Capital Costs	$64
All-In Sustaining Costs	$680

Note: Numbers may not add due to rounding

Table 4: Phase II: Anode Plant Operating Costs (US$ per tonne CSPG)

Operating Costs in US$ per tonne CSPG	
Spheroidization Plant	$314
Purification Plant	$829
Coating Plant	$503
Waste Disposal	$5
General & Administration	$54
Sales & Marketing	$36
Contingency	$165
Direct Operating Costs	$1,907
Concentrate Purchase Costs	$1,286
All-In Operating Costs	$3,193

Note: Numbers may not add due to rounding

Economic Analysis

The combined Mine and Anode Plant is projected to yield annual revenues of approximately US$314 million and an operating cash flow of US$213 million at consensus concentrate and CSPG pricing. The Corporation expects a 24-month construction period for the Mine and a 9-month detailed engineering and design period followed by a 15-month construction and commissioning period Anode Plant.

Table 5: Pre- and Post-Tax Preliminary Economic Assessment Results

Investors are cautioned to solely make an investment decision based on the full Integrated Development Plan preliminary economic assessment (as detailed in the column on the righthand side) and not base their investment decisions on either the Phase I (Mine) or Phase II (Anode Plant) economic assessment.

Pre- and Post-Tax Results			
Project Life	**25 years**		
	Phase I: Mine	**Phase II: Anode Plant**	**Combined**
Pre-development Capital	**$185M**	**$73M**	**$258M**
Expansion Capital	**--**	**$33M (1)**	**$33M**
Direct Operating Costs	**$616 / t conc.**	**$1,907 / t CSPG**	**--**
All-in Costs	**$680 / t conc.**	**$3,193 / t CSPG (2)**	**$3,193 / t CSPG (2)**
Pre-Tax NPV8% (3)	**$329M**	**$1,259M**	**$1,584M (4)**
Pre-Tax IRR (%)	**27%**	**87%**	**47%**
Post-Tax NPV8% (3)	**$176M**	**$1,149M**	**$1,321M (4)**
Post-Tax IRR (%)	**20%**	**82%**	**$43%**
Payback (Years)	**3.9**	**1.0**	**2.6**

1. Incurred in year 2 of production to expand the coating line from 5ktpa to 25ktpa
2. Includes graphite concentrate purchase costs (US$754 per tonne CIF Tanger)
3. Assuming long-term weighted average US$1,237 per tonne of concentrate and US$9,000 per tonne CSPG pricing
4. Combined Pre-Tax NPV and Post-Tax NPV is lower than respective sum of Phase I and Phase II NPVs due to stockpiling and rounding

Next Steps

Based on the results of the IDP PEA, Falcon, Anzaplan and Hensen are evaluating the possibility of advancing the IDP to a feasibility level study. If the Corporation decides to proceed with such a study, it is anticipated that it would be completed in the first half of 2025. A feasibility study for the IDP would also form the basis for the environment impact analysis and is required to complete the permitting process for the Anode Plant in Morocco.

OVERALL PERFORMANCE

Over the past 12 months, the Corporation has focused on the redomiciliation to the UAE, arranging financing required for construction, obtaining, and maintaining the necessary permits and finding a partner for its Lola graphite and Morocco Battery Anode Plant projects.

BUSINESS OBJECTIVES AND MILESTONES

The demand for raw materials for anode battery materials, and graphite specifically, is expected to grow in the medium to long-term, becoming a strategic and critical element for years to come. The completion of the IDP PEA has been a critical milestone to advance the finance and offtake discussions for the Lola Graphite Project and the Morocco Anode Plant.

FINANCING

No financing during the quarter ended June 30, 2025.

ENVIRONMENT, SOCIAL, GOVERNANCE

COMMUNITY ENGAGEMENT

The following list of activities encapsulates Falcon's commitment to ESG principles, demonstrating a holistic approach to responsible resource development, stakeholder engagement, and community empowerment. Falcon emphasizes the benefits and positive impact on the community's approach to maintaining commitment to Corporate Social Responsibility ("**CSR**"):

- Purchased of 200 waste bins and cutting-edge cleaning equipment for the urban municipality;
- Provided critical agricultural materials;
- Establishment of pepper nurseries;
- Creation of forest plant nurseries;
- Promotion of educational excellence with the launch of an educational initiative aimed at providing school supplies to top performers.

GOVERNANCE

All approved corporate governance policies can be found on the Corporation's website.

ENVIRONMENT

The Corporation proudly secured validation of the Environmental and Social Impact Assessment (ESIA), along with the certificate of environmental conformity from the Bureau Guinéen d'Études et Évaluations Environnementales ("**BGEEE**"). This marks a testament to our unwavering commitment to environmental responsibility.

LIQUIDITY & CAPITAL RESOURCES

While the Corporation works towards a strategic partnership, the current estimate for expenditures on the Lola Graphite Property and the Morocco anode plant (both corporate and capitalized expenditures) for the next year is approximately $6,000,000. The estimated expenditure will be used for the following work:

- Integrated Development Plan of Battery Anode & Lola Mine Feasibility Study (FS);
- Construction of a Battery Anode Pilot Plant
- General and administrative working capital

SELECTED FINANCIAL INFORMATION

FINANCIAL POSITION ANALYSIS

	June 30, 2025	December 31, 2024
	$	$
Total assets	**7,546,918**	4,253,162
Total liabilities	**689,527**	805,327
Total equity	**6,857,391**	3,447,835
Working capital*	**6,016,393**	3,177,523

*Working capital is a measure of current assets less current liabilities.

ASSETS

Total assets as at June 30, 2025 were $7,546,918 compared to $4,253,162 at December 31, 2024, an increase of $3,293,756 mainly due to an increase of $2,905,156 in cash and cash equivalent related to the March 2025 private placement and an increase of $570,686 in property and equipment due to the purchase of equipment for the Pilot Plant in Morocco, offset by a decrease of $186,229 in prepaid expenses and deposits.

LIABILITIES

Total liabilities as at June 30, 2025 were $689,527 compared to $805,327 at December 31, 2024, a decrease of

$115,800. The decrease is mostly related to the payment of $61,430 of accounts payable and variation in lease liability of $54,370.

EQUITY

As at June 30, 2025 the Corporation had an equity balance of $6,857,391 compared to $3,447,835 at December 31, 2024, an increase of $3,409,556, mainly due to the March 2025 private placement, offset by the comprehensive loss of the period of $4,040,494.

OPERATING RESULTS ANALYSIS

	Three-month periods ended June 30,		Three-month periods ended June 30,	
	2025	2024	**2025**	2024
	$	$	**$**	$
Revenues	**-**	-	**-**	-
Net loss	**1,884,471**	2,405,013	**4,040,494**	3,885,936
Net loss per share	**0.02**	0.02	**0.03**	0.03

THREE-MONTH PERIOD ENDED JUNE 30, 2025, COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 2024

For the three-month period ended June 30, 2025, the Corporation recorded a net loss of $1,884,471 compared to $2,405,013 for the same period in 2024, a decrease of $520,542.

Exploration and evaluation expenses decreased by $7,213 from the same period in 2024, mainly due to a decrease in exploration expenses by $28,621, in HSEC & Community relations on site by $14,546, offset by the increase in engineering study by $46,940.

Battery anode plant expenses increased by $112,269 from the same period in 2024, due to an increase in engineering study by $294,612, in professional and consulting fees by $20,815, offset by the decrease in the non-cash item share-based payments by $203,158.

General and administrative expenses decreased by $397,345 from the same period in 2024, mostly due to the decrease in the non-cash item share-based payments by $684,265, in salaries and benefits by $90,881, as some employees became contractors between the periods, and in advertising and marketing by $41,994, offset by an increase in professional and consulting fees by $305,004, in investor relations fees by $64,216 and in insurance costs by $38,105.

Other expenses decreased by $228,253, mostly due to redomiciliation fees in Q2-2024 of $353,065, offset by a decrease in interest income of $77,175 and foreign exchange income gains of $47,637.

SIX-MONTH PERIOD ENDED JUNE 30, 2025, COMPARED TO THE SIX-MONTH PERIOD ENDED JUNE 30, 2024

For the six-month period ended June 30, 2025, the Corporation recorded a net loss of $4,040,494 compared to $3,885,936 for the same period in 2024, an increase of $154,558.

Exploration and evaluation expenses decreased by $120,498 from the same period in 2024, mainly due to a decrease in engineering study by $47,166 and in exploration expenses by $41,352.

Battery anode plant expenses increased by $548,085 from the same period in 2024, due to an increase in engineering study by $569,897, in professional and consulting fees by $32,262, offset by the decrease in the non-cash item share-based payments by $54,074.

General and administrative expenses increased by $268,958 from the same period in 2024, mostly due to the increase in professional and consulting fees by $619,671, in investor relations fees by $161,155 and in insurance costs by $75,942, offset by a decrease in the non-cash item share-based payments by $352,305, in salaries and benefits by $198,039, as some employees became contractors between the periods, and in advertising and marketing by $41,994.

Other expenses decreased by $541,987, mostly due to redomiciliation fees of $749,385, offset by a decrease in interest income of $154,149 and foreign exchange gains variation of $53,249.

CASH FLOWS ANALYSIS

	Three-month periods ended June 30,		Three-month periods ended June 30,	
	2025	2024	**2025**	2024
	$	$	**$**	$
Cash required by operating activities	(1,423,364)	(1,587,062)	**(2,851,728)**	(2,620,874)
Cash generated (required) by investing activities	(641,878)	3,000,000	**(641,878)**	4,000,000
Cash generated (required) by financing activities	2,466,716	(32,638)	6,398,762	(55,573)

<u>THREE-MONTH PERIOD ENDED JUNE 30, 2025, COMPARED TO THE THREE-MONTH PERIOD ENDED JUNE 30, 2024</u>

Operating Activities

For the three-month period ended June 30, 2025, operating activities required cash flows of $1,423,364 compared to $1,587,062 for the same period in 2024, a decrease of cash consumption of $163,698. The variation is mostly due to an increase in the net loss after adjustments for items not affecting cash, which went from $1,204,690 in Q2 2024 to $1,492,167 in Q2 2025, offset by the change in non-cash working capital items, which went from requiring $382,372 in Q2 2024 to generating $68,803 in Q2 2025.

Investing Activities

For the three-month period ended June 30, 2025, investing activities required cash flows of $641,878 related to the purchase of equipment for the Pilot Plant in Morocco, compared to generated cash flows of $3,000,000 for the same period in 2024 related to the disposal of investments.

Financing Activities

For the three-month period ended June 30, 2025, financing activities generated cash flows of $2,466,716 compared to $32,638 for the same period in 2024, an increase in cash generation of $2,499,354. The variation is mostly due to the portion of the March 2025 private placement made by La Mancha which was approved during the annual general meeting in Q2-2024.

<u>SIX-MONTH PERIOD ENDED JUNE 30, 2025, COMPARED TO THE SIX-MONTH PERIOD ENDED JUNE 30, 2024</u>

Operating Activities

For the six-month period ended June 30, 2025, operating activities required cash flows of $2,851,728 compared to $2,620,874 for the same period in 2024, an increase of cash consumption of $230,854. The variation is mostly due to an increase in net loss after adjustments for items not affecting cash, which went from $2,590,720 in 2024 to $2,972,384 in 2025, offset by the change in non-cash working capital items, which went from requiring $30,154 in 2024 to generating $120,656 in 2025.

Investing Activities

For the six-month period ended June 30, 2025, investing activities required cash flows of $641,878 related to the purchase of equipment for the Pilot Plant in Morocco, compared to generated cash flows of $4,000,000 for the same period in 2024 related to the disposal of investments.

Financing Activities

For the six-month period ended June 30, 2025, financing activities generated cash flows of $6,398,762 compared to $55,573 for the same period in 2024, an increase in cash generation of $6,454,335. The variation is mostly due to the March 2025 private placement.

QUARTERLY RESULTS TRENDS

The operating results for each of the last eight quarters are presented in the following table. Management considers that the information for each of those quarters was determined in the same way as for our financial statements for the period ended June 30, 2025.

	Jun 30, 2025	Mar 31, 2025	Dec 31, 2024	Sep 30, 2024	Jun 30, 2024	Mar 31, 2024	Dec 31, 2023	Sep 30, 2023
Revenues	-	-	-	-	-	-	-	-
Net loss	(1,884,471)	(2,156,023)	(2,476,020)	(1,515,833)	(2,405,013)	(1,480,923)	(1,460,680)	(1,194,390)
Net loss per share	(0.02)	(0.02)	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)

RELATED PARTIES TRANSACTIONS

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 and six-month periods ended June 30, 2025 and 2024, the remuneration awarded to key management personnel (including the amounts above) is as follows:

	Three-month periods ended June 30,		**Six-month periods ended June 30,**	
	2025	2024	**2025**	2024
	$	$	**$**	$
Salaries and benefits	**-**	16,417	**-**	16,417
Consulting and professional fees	**344,735**	207,725	**689,469**	415,450
Share-based payments	**181,986**	1,089,705	**589,716**	1,214,704
	526,721	1,313,847	**1,279,185**	1,662,987

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.

COMMITMENTS

The Corporation must pay US$7,079 in superficial rights every year for the next ten 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

OUTSTANDING SHARE DATA

	Number of Shares Outstanding (Diluted)
Outstanding as of August 26, 2025	128,413,727
Shares reserved for issuance pursuant to warrants outstanding	15,105,700
Shares reserved for issuance pursuant to stock options outstanding	10,874,832
Shares reserved for issuance under the deferred stock unit plan	1,112,801
	155,507,060

As at the date of this MD&A, the Corporation had outstanding stock options enabling holders to acquire common shares of the Corporation as follows:

	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	3,072,535	0.48
October 4, 2034	850,000	425,000	0.68
October 4, 2034	150,000	75,000	1.25
February 21, 2035	1,698,487	424,622	0.60
	15,105,700	12,307,657	

DEFERRED STOCK UNIT PLAN

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 five 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.

The following table summarizes the changes in DSUs issued during the six-month period ended June 30, 2025:

	Six-month period ended June 30, 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 stock unit plan

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 June 30, 2025 are as follows:

	Six-month period ended June 30, 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.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation has no off-balance sheet arrangements.

CONFLICTS OF INTEREST

The Corporation's directors and officers may serve as directors and/or officers, or may be associated with, other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions or ventures in which the Corporation may participate, the directors and officers of the Corporation may have a conflict of interest in negotiating and concluding terms respecting the transaction. If a conflict of interest arises, the Corporation will follow the provisions of the Abu Dhabi Global Market Companies Regulations 2020 dealing with conflict of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Corporation's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted. In accordance with the federal laws of Abu Dhabi Global Market, the directors and officers of the Corporation are required to act honestly, in good faith, and in the best interests of the Corporation.

MATERIAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with IFRS requires management to apply accounting policies and make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes.

There is full disclosure of the Corporation's material accounting policies in Note 2 of the audited consolidated financial statements for the year ended December 31, 2024.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Significant changes in the underlying assumptions could result in significant changes to these estimates. Consequently, management reviews these estimates on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Information about these significant judgments, assumptions and estimates that have the most significant effect on the recognition and measurement of assets, liabilities, income and expenses are disclosed in Note 3 of the audited consolidated financial statements for the year ended December 31, 2024.

RISKS AND UNCERTAINTIES

The Corporation is in the business of acquiring and exploring mineral properties. It is exposed to a number of risks and uncertainties that are common to other mineral exploration companies in the same business. The industry is capital intensive at all stages and is subject to variations in commodity prices, market sentiment, exchange rates for currency, inflation and other risks. The Corporation currently has no source of revenue other than interest on cash balances. The Corporation will rely mainly on equity financing to fund activities on its mineral properties.

The risks and uncertainties described in this section are not inclusive of all the risks and uncertainties to which the Corporation may be subject.

Impact of Epidemics

The Corporation's operations are subject to the risk of emerging infectious diseases or the threat of viruses or other contagions or epidemic diseases, including COVID-19. Any outbreak or threat of an outbreak of a virus or other contagions or epidemic disease could have a material adverse effect on the Corporation's business, results of operations and financial condition.

Early Stage – Need for Additional Funds

The Corporation has no history of profitable operations, and its present business is at an early stage. As such, the Corporation is subject to many risks common to other companies in the same business, including under-capitalization, cash shortages and limitations with respect to personnel, financial and other resources and the lack of revenues. There is no assurance that the Corporation will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of its early stage of operations.

Exploration and Evaluation

Mineral exploration and evaluation is a speculative business, characterized by a number of significant risks including, among other things, unprofitable efforts resulting not only from the failure to discover mineral deposits, but also from finding mineral deposits that, though present, are of insufficient size and/or grade to return a profit from production.

The mineral claims to which the Corporation has a right to acquire an interest are in the exploration stages only and are without a known body of commercial ore. Upon discovery of a mineralized occurrence, several stages of exploration and assessment are required before its economic viability can be determined. Development of the subject mineral properties would follow only if favorable results are determined at each stage of assessment. Few precious and base metal deposits are ultimately developed into producing mines.

Supplies, Health and Infrastructure

The Corporation's property interests are often located in remote, undeveloped areas and the availability of infrastructures such as surface access, skilled labor, healthy labor, fuel and power at an economic cost cannot be assured. These are integral requirements for exploration, production and development facilities on mineral properties. In Guinea, power may need to be generated onsite.

Mining Title Risks

On May 14, 2025, a presidential decree was issued in Guinea purporting to revoke a number of exploration and exploitation permits, including the exploitation permit held by the Corporation for the Lola Graphite Project. On August 20, 2025, Falcon received a letter from the Prime Minister of the Republic of Guinea indicating that its government was open to exploring avenues towards an amicable resolution of its dispute with Falcon. However, as of the date of this letter it remains unclear whether, or if, a timely and reasonable resolution of the dispute with the Republic of Guinea is achievable.

The Corporation believes that its exploitation permit for the Lola Graphite Project remains valid and that the Decree is unlawful and inconsistent with Guinean mining law. The Corporation is actively assessing its legal options and intends to defend its rights. However, there can be no assurance that the Decree or any related governmental action will not adversely affect the Corporation's rights or its ability to maintain or enforce its title to the Lola Graphite Project. In addition, the Corporation's mineral property interests may be subject to prior unregistered agreements, transfers, or native claims, and title may be affected by undetected defects. Any impairment to, or revocation of, the Corporation's exploitation permit, or any prior unregistered agreements or claim, could have a material adverse effect on the Corporation's ability to advance the Lola Graphite Project, as well as on its business, operations, financial condition, and future results

Environmental Regulations, Permits and Licenses

The Corporation's operations are subject to various laws and regulations governing the protection of the environment, exploration, development, production, taxes, labor standards, occupational health, waste disposal, safety and other matters. Environmental legislation in most countries provides restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in the imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact statements. Environmental legislation is evolving in a direction of stricter standards and enforcement, and higher fines and penalties for non-compliance. Environmental assessments of proposed projects carry a heightened degree of responsibility for companies and their directors, officers and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations. The Corporation intends to fully comply with all environmental regulations.

The Corporation believes that it is in compliance with all material laws and regulations which currently apply to its activities. However, there can be no assurance that all permits which the Corporation may require for its operations and exploration activities will be obtainable on reasonable terms or on a timely basis, or that such laws and regulations would not have an adverse effect on any mining project which the Corporation might undertake.

Competition and Agreements with Other Parties

The mining industry is intensely competitive in all its phases and the Corporation competes with other companies that have greater financial resources and technical capacity. Competition could adversely affect the Corporation's ability to acquire suitable properties or prospects in the future.

The Corporation may, in the future, be unable to meet its share of costs incurred under such agreements to which it is a party and it may have its interest in the properties subject to such agreements reduced as a result. Also, if other parties to such agreements do not meet their share of such costs, the Corporation may not be able to finance the expenditures required to complete recommended programs.

Political and Economic Risks of Doing Business in Guinea

The Corporation's mineral properties are currently located in Guinea. The fiscal laws and practices are well established and generally consistent with Western rules and regulations. However, there is no assurance that future political and economic conditions in this country will not result in its government adopting different policies respecting foreign development and ownership of mineral properties. Any changes in laws, regulations or shifts in political attitudes regarding investment in the Guinea mining industry are beyond its control and may adversely affect its business. The Corporation's exploration and evaluation activities may be affected in varying degrees by a variety of economic and political risks, including cancellation or renegotiation of permits and contracts, changes in Guinean domestic laws or regulations, changes in tax laws, royalty and tax increases, restrictions on production, price controls, expropriation of property, fluctuations in foreign currency, restrictions on the ability to repatriate earnings and pay dividends offshore, restrictions on the ability to hold foreign currencies in offshore bank accounts, environmental legislation, employment practices and mine safety. In the event of a dispute regarding any of these matters, the Corporation may be subject to the jurisdiction of courts outside of Abu Dhabi Global Market which could have adverse implications on the outcome.

Dependence on Management

The Corporation is very dependent upon the personal efforts and commitment of its existing management. To the extent that management's services would be unavailable for any reason, a disruption to the operations of the Corporation could result, and other persons would be required to manage and operate the Corporation.

Information Systems Security Threats

Although the Corporation has not experienced any material losses to date relating to cyber-attacks or other information security breaches, there can be no assurance that the Corporation will not incur such losses in the future. The Corporation's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, the Corporation may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Operating Hazards and Risks

Mining operations involve many risks which even a combination of experience, knowledge and careful evaluation may not be able to overcome. In the course of exploration, development and production of mineral properties, certain risks, and in particular unexpected or unusual geological operating conditions, including rock bursts, cave-ins, fires, flooding and earthquakes, may occur. Operations in which the Corporation has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral deposits, any of which could result in damage to or destruction of mines and other producing facilities, damage to life and property, environmental damage and possible legal liability for any or all damage.

Although the Corporation maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Corporation could incur significant costs that could have a materially adverse effect upon its financial conditions.