



**FALCON GOLD CORP.**

**Condensed Interim Consolidated Financial Statements**

**September 30, 2017**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

*These condensed interim consolidated financial statements have not been reviewed by the Company's auditors.*

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***September 30, 2017 and 2016***

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**FALCON GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
(Expressed in Canadian Dollars)  
(Unaudited)

	As at September 30, 2017	As at June 30, 2017
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 7,973	\$ 5,779
Receivable	17,153	6,391
Prepaid expenses	25,350	25,559
	50,476	37,729
Exploration and evaluation assets (Note 4)	1,308,291	1,308,291
	\$ 1,358,767	\$ 1,346,020
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 435,104	\$ 390,129
Loans payable	-	50,000
	435,104	440,129
<b>Shareholders' equity</b>		
Share capital (Note 5)	4,996,328	4,920,328
Share subscriptions receivable	15,000	-
Contributed surplus (Note 5)	888,310	888,310
Deficit	(4,975,975)	(4,902,747)
	923,663	905,891
	\$ 1,358,767	\$ 1,346,020

Approved by the Board of Directors

"Stephen Wilkinson"

\_\_\_\_\_  
Director

"Brian Crawford"

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Director

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

**FALCON GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS**  
(Expressed in Canadian Dollars)  
(Unaudited)

Three months ended September 30	2017	2016
<b>Operating expenses</b>		
Filing fees and communication	\$ 1,943	\$ 11,702
General and administration costs (Note 9)	64,285	144,575
Professional fees	7,000	22,467
Share-based payments (Note 9)	-	89,734
	73,228	268,478
Gain on settlement of accounts payable	-	27,538
<b>Loss and comprehensive loss</b>	<b>\$ 73,228</b>	<b>\$ 240,940</b>
<b>Basic and diluted loss per share</b>	<b>\$ (0.00)</b>	<b>\$ (0.02)</b>
<b>Weighted average number of shares outstanding</b>	<b>21,589,010</b>	<b>12,933,423</b>

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

**FALCON GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
(Expressed in Canadian Dollars)  
(Unaudited)

	Number of Shares	Common Shares Issued and Fully Paid	Share Subscriptions	Contributed Surplus	Accumulated Deficit	Total
<b>Balance, June 30, 2016</b>	8,437,094	4,348,822	-	762,007	(4,294,941)	815,888
			-			
Shares issued for cash	11,589,090	637,400	-	-	-	637,400
Share issue costs-cash	-	(29,325)	-	-	-	(29,325)
Share issue costs-broker warrants	-	(36,569)	-	36,569	-	-
Share based compensation	-	-	-	89,734	-	89,734
Loss and comprehensive loss	-	-	-	-	(240,940)	(240,940)
<b>Balance, September 30, 2016</b>	20,026,184	4,920,328	-	888,310	(4,535,881)	1,322,757
Loss and comprehensive loss	-	-	-	-	(366,866)	(366,866)
<b>Balance, June 30, 2017</b>	20,026,184	4,920,328	\$ -	\$ 888,310	\$ (4,902,747)	\$ 905,891
Shares issued for cash	1,820,000	76,000	-	-	-	76,000
Share subscription receivable			15,000	-	-	15,000
Loss and comprehensive loss	-	-	-	-	(73,228)	(73,228)
<b>Balance, September 30, 2017</b>	21,846,184	4,996,328	15,000	\$ 888,310	\$ (4,975,975)	\$ 923,663

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

**FALCON GOLD CORP.**  
**CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Expressed in Canadian Dollars)  
(Unaudited)

<b>Three months ended September 30</b>	<b>2017</b>	<b>2016</b>
<b>Operating activities</b>		
Net loss for the period	\$ (73,228)	\$ (240,940)
Items not affecting cash		
Gain on settlement of accounts payable and accrued liabilities	-	(27,538)
Change in non-cash working capital:		
Receivables	(10,762)	(5,583)
Prepaid expenses	209	-
Accounts payable and accrued liabilities	44,975	(122,739)
<b>Net cash used in operating activities</b>	<b>(38,806)</b>	<b>(396,800)</b>
<b>Financing activities</b>		
Issuance of common shares	91,000	608,075
Loan payable	(50,000)	-
<b>Net cash provided by financing activities</b>	<b>41,000</b>	<b>608,075</b>
<b>Investing activities</b>		
Investment in and expenditures on exploration and evaluation assets	-	-
<b>Net cash used in investing activities</b>	<b>-</b>	<b>-</b>
<b>Net change in cash</b>	<b>2,194</b>	<b>211,275</b>
<b>Cash, beginning of period</b>	<b>5,779</b>	<b>823</b>
<b>Cash, end of period</b>	<b>\$ 7,973</b>	<b>\$ 212,098</b>

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

**FALCON GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

Three months ended September 30, 2017 and 2016

(Unaudited)

**1. NATURE OF OPERATIONS AND GOING CONCERN**

Falcon Gold Corp. (the "Company") was incorporated pursuant to the provisions of the Business Corporations Act (Ontario) on November 24, 2006 and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The address of the Company's registered office in British Columbia is 439 Helmcken Street, Vancouver, British Columbia V6B 2E6 and the address of the Company's office in Ontario is 855 Brant Street, Burlington, Ontario, L7R 2J6. The Company's shares are listed on the TSX Venture Exchange.

The Company is primarily engaged in the acquisition and exploration of mineral properties. To date, the Company has not earned significant revenues and is considered to be in the exploration and evaluation stage.

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. At September 30, 2017, the Company has accumulated losses of \$4,966,975 since inception and will continue to incur further losses in the development of its business. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

These condensed interim consolidated financial statements were approved by the Board of Directors on November 28, 2017.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standards 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards Board ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

**Basis of Presentation**

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting policies consistent with those applied in the Company's June 30, 2017 annual financial statements.

The preparation of condensed interim financial statements in conformity with IAS 34 requires management to make judgments, estimates and assumptions that affect the applications of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. These condensed interim consolidated financial statements do not include all of the information required for full annual financial statements.

These condensed interim consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation.

The condensed interim financial statements have been prepared on a historical cost basis.

**FALCON GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

Three months ended September 30, 2017 and 2016

(Unaudited)

**3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS**

The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support future business opportunities. The Company defines its capital as shareholders' equity. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to manage its capital to be able to sustain the future development of the Company's business.

The Company currently has no source of revenues, and therefore is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 2017. The Company is not subject to externally imposed capital requirements.

The Company's risk exposure and the impact on the Company's financial instruments are summarized below:

**(a) Credit risk**

Concentration of credit risk exists with respect to the Company's cash as all amounts are held at a single major Canadian financial institution.

The Company's concentration of credit risk and maximum exposure is as follows:

	<b>September 30, 2017</b>	<b>June 30, 2017</b>
Cash	\$ 7,973	\$ 5,779

The credit risk associated with cash is minimized by ensuring it is placed with a major Canadian financial institution with a strong investment-grade rating issued by a primary ratings agency.

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and anticipated investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments.

The business of mining and exploration involves a high degree of risk and there can be no assurance that exploration programs will result in profitable mining operations. The Company has insufficient cash to meet its requirements for administrative overhead, to conduct due diligence on mineral property acquisition targets, and to conduct exploration of its mineral properties and mineral properties that may be acquired.

**3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS – continued**

The Company does not generate cash flows from operations to fund its activities and therefore relies principally upon the issuance of securities for financing. Future capital requirements will depend on many factors including the Company's ability to execute its business plan. The Company intends to continue relying upon the issuance of securities to finance its future activities but there can be no assurance that such financing will be available on a timely basis under terms acceptable to the Company.

**(c) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: interest rate risk, foreign currency risk and other price risk.

i. Interest rate risk

The Company's cash consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of September 30, 2017. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

ii. Foreign currency risk

During the period ended September 30, 2017, the Company was not exposed to material foreign currency risk.

iii. Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk, foreign currency risk or commodity price risk. The Company has no financial instruments exposed to other price risk.

**FALCON GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

Three months ended September 30, 2017 and 2016

(Unaudited)

**4. EXPLORATION AND EVALUATION ASSETS**

	<b>Burton Property</b>	<b>Total</b>
<b>Balance June 30, 2016</b>	\$ 1,307,083	\$ 1,307,083
Acquisition cost	-	-
Deferred exploration expenditures	-	-
<b>Balance September 30, 2016</b>	\$ 1,307,083	\$ 1,307,083
Acquisition cost	-	-
Deferred exploration expenditures	-	-
<b>Balance June 30, 2017 and September 30, 2017</b>	\$ 1,307,803	\$ 1,307,083

**Burton Property**

The Burton Property consists of a 100% interest in a claim group located in Esther Township, northwest of Sudbury in Northern Ontario. The Burton Property consists of 16 unpatented mining claims and 6 patented claims covering 356 hectares in a largely contiguous block.

The Burton Property is subject to a 2.5% net smelter return and a 10% net profits interest in favour of the previous owner of the claims. The Company may purchase sixty percent of the net smelter return for an aggregate amount of \$1,500,000 at any time.

During the fiscal year ended June 30, 2012, the Company entered into a Mining Option Agreement (the "Agreement") with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation) ("Trelawney") whereby Trelawney can earn up to a 75% interest in the Burton Property. The terms of the Agreement include a cash payment of \$150,000 to the Company and a commitment to incur exploration and evaluation expenditures in the amount of \$1,200,000 over a two year period from the date of signing of the Agreement.

As of June 30, 2015 and June 30, 2016, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property. The option for Trelawney to acquire an additional 24% interest in the Burton Property has lapsed.

During the year ended June 30, 2017, the Company identified an impairment indicator with respect to the Burton Property as there was an absence of substantive exploration expenditures over the past three fiscal years, nor are substantive exploration expenditures budgeted or planned for the coming fiscal year. The Company estimated the net realizable value of the Burton Property, concluding that its net realizable value exceeded its carrying amount and therefore an impairment charge was not required.

**FALCON GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited)

**5. SHARE CAPITAL**

Authorized

Unlimited number of common shares

On August 15, 2016, the Company consolidated its shares on a 5 for 1 basis. Particulars of the share consolidation were approved by the shareholders at the Company's AGM on January 14, 2016. The Company had 42,185,496 common shares issued and outstanding and the resulting post consolidation shares outstanding are 8,437,099. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

**Issued**

	Number of Shares	Share Capital	Share Subscriptions	Contributed Surplus
Balance June 30, 2016	8,437,094	\$ 4,348,822	\$ -	762,007
Shares issued for cash	11,589,090	637,400	-	-
Share issue costs-cash	-	(29,325)	-	-
-broker warrants	-	(36,569)	-	36,569
Share based compensation	-	-	-	89,734
Balance September 30, 2016	20,026,184	4,920,328	-	\$ 888,310
Balance June 30, 2017	20,026,184	4,920,328	-	\$ 888,310
Shares issued for cash	1,820,000	76,000	-	-
Share subscription receivable	-	-	15,000	-
Balance September 30, 2017	21,846,184	\$ 4,996,328	\$ 15,000	\$ 888,310

**6. WARRANTS**

The following common share purchase warrants entitle the holders thereof the right to purchase one common share for each common share purchase warrant. Warrants transactions are summarized as follows:

	Number of Warrants	Weighted Average Exercise Price
<b>Balance June 30, 2016</b>	2,844,744	\$ 0.60
Issued during the period	12,092,272	\$ 0.10
Expired during the period	(2,589,778)	\$ 0.60
<b>Balance September 30, 2016</b>	12,347,238	\$ 0.11
Issued during the period	-	\$ 0.00
Expired during the period	(254,966)	\$ 0.12
<b>Balance June 30, 2017</b>	12,092,272	\$ 0.10
Issued during the period	1,820,000	\$ 0.08
Expired during the period	-	\$ 0.00
<b>Balance September 30, 2017</b>	13,912,272	\$ 0.10

**FALCON GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

Three months ended September 30, 2017 and 2016

(Unaudited)

**6. WARRANTS – continued**

The following warrants are outstanding at September 30, 2017:

Number of warrants	Exercise price per warrant	Expiry date
9,697,273	\$0.10	August 24, 2018
1,891,817	\$0.10	September 1, 2018
420,000	\$0.10	August 24, 2018
83,182	\$0.10	September 1, 2018
1,820,000	\$0.08	July 13, 2019
13,912,272		

**7. SHARE-BASED PAYMENTS**

The Company has a formal stock option plan in accordance with the policies of the TSX Venture Exchange (the “Exchange”) under which it is authorized to grant options to directors, officers, employees and consultants to purchase common shares of the Company. The stock option plan is a rolling plan and the maximum number of authorized but unissued shares available to be granted shall not exceed 10% of its issued and outstanding common shares. Each stock option granted is for a term not exceeding five years unless otherwise specified. Outstanding options vest immediately at date of grant. Options granted to investor relations personnel vest in accordance with Exchange regulations.

A summary of the status of the stock option plan and changes for the period ended September 30, 2017 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable
<b>2016</b>								
July 17, 2012	July 17, 2017	\$0.75	135,000	-	-	135,000	-	-
Aug 21, 2014	Aug 21, 2019	\$0.75	280,000	-	-	-	280,000	280,000
Sept 7, 2016	Sept 7, 2021	\$0.10	1,200,000	-	-	-	1,200,000	1,200,000
			1,615,000	-	-	135,000	1,480,000	1,480,000
<b>Weighted average exercise price</b>			\$0.27	-	-	\$0.75	\$0.22	\$0.22

The weighted average remaining contractual life of options outstanding at September 30, 2017 was 3.55 years (2016 – 4.24 years).

Options Issued to Employees

The fair value at grant date is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

**FALCON GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

Three months ended September 30, 2017 and 2016

(Unaudited)

**7. SHARE-BASED PAYMENTS - continued**

Options Issued to Non-Employees

Options issued to non-employees are measured based on the fair value of the goods or services received, at the date of receiving those goods or services. If the fair value of the goods or services received cannot be estimated reliably, the options are measured by determining the fair value of the options granted using the Black-Scholes option pricing model.

The model inputs for options granted during the periods ended September 30, 2017 and 2016 include:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
September 7, 2016	September 7, 2021	\$0.10	\$0.10	1.20%	5 years	270%	0%

The expected volatility is based on the historical volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information. The risk free rate of return is the yield on a zero-coupon Canadian Treasury bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Total expenses arising from the share-based payment transactions recognized during the period as part of share-based compensation expense was \$nil (2016 - \$89,734).

As at September 30, 2017 there was \$nil (2016 - \$nil) of unrecognized compensation cost related to unvested share-based compensation.

Total expenses arising from the share-based payment transactions that were capitalized during the period as part of exploration and evaluation asset acquisition costs were \$nil (2016 - \$nil).

**8. RELATED PARTY TRANSACTIONS**

Related parties include the Board of Directors and officers, close family members and enterprises that are controlled by these individuals as well as certain consultants performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

The Company had the following transactions in the normal course of operations with related parties:

	Period End	
	September 30, 2017	September 30, 2016
Management fees (i)	\$ 36,000	\$ 31,500
Office rent and supplies (ii)	\$ -	\$ -
Consulting (iii)	\$ 15,000	\$ 22,500
Share-based payments	\$ -	\$ 60,570

**FALCON GOLD CORP.**  
**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)

Three months ended September 30, 2017 and 2016

(Unaudited)

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**8. RELATED PARTY TRANSACTIONS - continued**

- (i) The Company paid or accrued \$27,000 (2016 - \$22,500) in management fees to the President of the Company; and \$9,000 (2016 - \$9,000) to the CFO of the Company.
- (ii) The Company paid or accrued \$nil (2016 - \$nil) for rent, supplies and administrative expenses to a public company of which a director of the Company is the CEO and a private company controlled by the CFO of the Company.
- (iii) The Company paid or accrued consulting fees to a director in the amount of \$15,000 (2016 - \$22,500).

Accounts payable and accrued liabilities include \$153,534.30 (2016 - \$57,811) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The amount is non-interest bearing and has no fixed term of repayment.

**9. EVENTS AFTER THE REPORTING PERIOD**

On October 3, 2017, the Company signed a Letter Agreement whereby it can acquire an initial 80% interest in mineral concessions located in La Rioja Province and in San Luis Province of Argentina. Subject to its due diligence and TSX Venture Exchange approval, the Company has agreed to make escalating payments over a six-year option period to the Optionor totalling US\$815,000 in cash and to issue a total of 5 million common shares. The initial payments through to the completion of due diligence and regulatory approval will consist of cash of US\$40,000 and 500,000 common shares. During the six-year option period, the Company is to make exploration expenditures on the Property amounting to US\$5,645,000. Subsequent to acquiring its 80% interest, the Company will have the right for a period of 24 months, to purchase the Optionor's residual 20% interest, resulting in the Company owning a 100% interest in the Property, for a further payment of US\$4.0 million and a 1% Net Smelter Return royalty.

On October 10, 2017, the Company announced a non-brokered private placement for up to \$300,000 priced at \$0.05 per Unit. Each Unit consists of one common share and one 2-year common share purchase warrant exercisable at \$0.08.