



FALCON GOLD CORP.

Consolidated Financial Statements

June 30, 2017 and 2016

(Expressed in Canadian Dollars)

Table of Contents
June 30, 2017 and 2016

	Page
Management's Responsibility for Financial Reporting	1
Independent Auditor's Report	2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Operations and Comprehensive Loss	4
Consolidated Statements of Changes in Shareholders' Equity	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7-23

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of Falcon Gold Corp. and the Management Discussion and Analysis are the responsibility of management and have been approved by the Board of Directors. The financial statements necessarily include some amounts that are based on management's best estimates, which have been made using careful judgment.

The consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board. Financial and operating data elsewhere in the Management Discussion and Analysis are consistent with the information contained in the financial statements.

In fulfilling their responsibilities, management of Falcon Gold Corp. has developed and continues to maintain systems of internal accounting controls, and segregation of duties and responsibilities whenever possible.

Although no cost effective system of internal control will prevent or detect all errors and irregularities, these systems are designed to provide reasonable assurance that assets are safeguarded from loss or unauthorized use, transactions are properly recorded and the financial records are reliable for preparing the financial statements.

The Board of Directors carries out its responsibility for the consolidated financial statements principally through its Audit Committee, consisting of a majority of non-executive directors. The Audit Committee meets periodically with management and with the external auditors to discuss the results of audit examinations with respect to the adequacy of internal accounting controls, and to review and discuss the financial statements and financial reporting matters.

The financial statements have been audited by BDO Canada LLP, who had full access to the Audit Committee, with and without the presence of management.

(signed)
Stephen Wilkinson
Chief Executive Officer

(signed)
Brian Crawford
Chief Financial Officer

Vancouver, British Columbia
October 27, 2017



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Independent Auditor's Report

To the Shareholders of Falcon Gold Corp.

We have audited the accompanying consolidated financial statements of Falcon Gold Corp., which comprise the consolidated statements of financial position as at June 30, 2017 and 2016, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Falcon Gold Corp. as at June 30, 2017 and 2016 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates that the Company has not yet achieved profitable operations and has accumulated losses of \$4,902,747 since inception. These conditions, along with other matters set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt on upon the Company's ability to continue as a going concern.

(signed) "BDO CANADA LLP"

Chartered Professional Accountants

Vancouver, Canada
October 30, 2017

FALCON GOLD CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	As at June 30, 2017	As at June 30, 2016
Assets		
Current assets		
Cash	\$ 5,779	\$ 823
Receivable	6,391	4,185
Prepaid expenses	25,559	25,350
	37,729	30,358
Exploration and evaluation assets (Note 4)	1,308,291	1,307,687
	\$ 1,346,020	\$ 1,338,045
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 390,129	\$ 522,157
Loans payable (Note 9)	50,000	-
	440,129	522,157
Shareholders' equity		
Share capital (Note 5)	4,920,328	4,348,822
Contributed surplus (Notes 6 and 7)	888,310	762,007
Deficit	(4,902,747)	(4,294,941)
	905,891	815,888
	\$ 1,346,020	\$ 1,338,045

Nature of Operations and Going Concern (Note 1)

Events after the Reporting Period (Note 10)

Approved by the Board of Directors

“Stephen Wilkinson”

Director

“Brian Crawford”

Director

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

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

Years ended June 30	2017		2016	
Operating expenses				
Filing fees and communication	\$	24,618	\$	14,682
General and administration costs (Note 9)		439,970		182,587
Property investigation		26,783		-
Professional fees		54,239		39,561
Share-based payments (Note 7)		89,734		-
		635,334		236,830
Loss on disposal of property and equipment		-		1,796
Gain on settlement of accounts payable		27,538		-
Write-down of exploration and evaluation assets (Note 4)		-		1,139,785
Loss and comprehensive loss	\$	607,806	\$	1,378,411
Basic and diluted loss per share	\$	(0.03)	\$	(0.16)
Weighted average number of shares outstanding		18,238,423		8,411,422

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

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

	Number of Shares	Common Shares Issued and Fully Paid	Contributed Surplus	Accumulated Deficit	Total
Balance, June 30, 2015	8,287,094	\$ 4,318,822	\$ 762,007	\$ (2,916,530)	\$ 2,164,299
Shares issued for exploration and evaluation assets	150,000	30,000	-	-	-
Loss and comprehensive loss	-	-	-	(1,378,411)	(1,378,411)
Balance, June 30, 2016	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	-	-	-	(607,806)	(607,806)
Balance, June 30, 2017	20,026,184	\$ 4,920,328	\$ 888,310	\$ (4,902,747)	\$ 905,891

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

FALCON GOLD CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

Years ended June 30	2017	2016
Operating activities		
Net loss for the year	\$ (607,806)	\$ (1,378,411)
Items not affecting cash		
Share-based payments	89,734	-
Gain on settlement of accounts payable and accrued liabilities	(27,538)	
Loss on disposal of property and equipment	-	1,796
Write down of exploration and evaluation assets		1,139,785
Change in non-cash working capital:		
Receivables	(2,206)	3,815
Prepaid expenses	(209)	17,017
Accounts payable and accrued liabilities	(104,490)	205,239
Net cash used in operating activities	(652,515)	(10,759)
Financing activities		
Issuance of common shares	608,075	-
Proceeds from issuance of loans	50,000	-
Net cash provided by financing activities	658,075	-
Investing activities		
Investment in and expenditures on exploration and evaluation assets	(604)	(2,354)
Net cash used in investing activities	(604)	(2,354)
Net change in cash	4,956	(13,113)
Cash, beginning of year	823	13,936
Cash, end of year	\$ 5,779	\$ 823

Supplemental schedule of non-cash transactions:

Mineral property acquisition	-	30,000
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The accompanying notes are an integral part of these consolidated financial statements.

Years ended June 30, 2017 and 2016

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 June 30, 2017, the Company has accumulated losses of \$4,902,747 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.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

These consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC").

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of June 30, 2017. The Board of Directors approved the consolidated financial statements on October 27, 2017.

Basis of Presentation

These consolidated financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Functional Currency

The presentation currency and the functional currency of the Company and its subsidiaries is the Canadian dollar.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Years ended June 30, 2017 and 2016

Functional Currency - continued

Transactions in foreign currencies are translated into the functional currency at exchange rates at the date of the transactions. Foreign currency differences arising on translation are recognized in profit or loss. Foreign currency monetary assets and liabilities are translated at the functional currency exchange rate at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when acquired. All gains and losses on translation of these foreign currency transactions are included in profit or loss.

Basis of Consolidation

These consolidated financial statements include the financial statements of the Company and its wholly-owned subsidiaries, Manhattan Minerals Inc. and 2287991 Ontario Inc.

The consolidated financial statements include the financial statements of subsidiaries subject to control by the Company. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of operations and comprehensive loss for the effective date of acquisition or up to the effective date of disposal, as appropriate. All inter-company transactions and balances are eliminated on consolidation. The financial statements of the subsidiaries are prepared using consistent accounting policies and reporting date as of the Company.

Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make certain estimates and apply judgment affecting the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of expenses during the reporting period. The areas involving a higher degree of judgement of complexity, or areas where assumptions and estimates are significant to the financial statements are:

Exploration and evaluation assets

The application of the Company's accounting policy for exploration and evaluation assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates made may change if new information becomes available. If, after an expenditure is capitalized, information becomes available suggesting that the recovery of such expenditure is unlikely, the amount capitalized is written down to the estimated recoverable amount in the statement of loss and comprehensive loss in the period the new information becomes available.

Title to mineral property interests

Although the Company has taken steps to verify title to mineral properties in which it has an interest, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Years ended June 30, 2017 and 2016

Share-based payments

Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility, interest rates and dividend yield and expected vesting dates and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 7.

Cash

Cash includes cash on hand and deposits held at call with banks.

Mineral Exploration and Evaluation Expenditures

Acquisition costs for exploration and evaluation assets are capitalized and include the cash consideration paid and the fair value of common shares and share purchase warrants issued on acquisition, based on the trading price of the shares on the date of the shares are issued.

The Company is in the exploration stage with respect to its investment in mineral properties and follows the practice of capitalizing all costs relating to the acquisition of, exploration for and development of mineral properties. Such costs include, but are not exclusive to, geological, geophysical studies, exploratory drilling and sampling.

The recoverability of amounts shown for exploration and evaluation assets is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain financing to complete development of the properties, and on future production or proceeds of disposition.

The Company recognizes in income costs recovered on mineral properties when amounts received or receivable are in excess of the carrying amount.

All capitalized exploration and evaluation expenditures are monitored for indications of impairment. Where a potential impairment is indicated, assessments are performed for each area of interest. To the extent that exploration expenditure is not expected to be recovered, it is charged to the results of operations. Exploration areas where reserves have been discovered, but require major capital expenditure before production can begin, are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway as planned.

The aggregate costs related to abandoned mineral properties are charged to operations at the time of any abandonment or when it has been determined that there is evidence of impairment. An impairment charge relating to a mineral property is subsequently reversed when new exploration results or actual or potential proceeds on sale or farmout of the property result in a revised estimate of the recoverable amount but only to the extent that this does not exceed the original carrying value of the property that would have resulted if no impairment had been recognized.

Years ended June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Non-financial Assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell or its value in use. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. In addition, long-lived assets that are not amortized are subject to an annual impairment assessment.

Restoration, Rehabilitation and Environmental Obligations

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate, amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

The Company has no material restoration, rehabilitation and environmental costs as at June 30, 2017 and June 30, 2016 as the disturbance to date is minimal.

Income Taxes

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Years ended June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based Payments

The fair value of share options granted to employees at the date of grant is recognized as an expense over the vesting period with a corresponding increase in contributed surplus. An individual is classified as an employee when the individual is an employee for legal or tax purposes or provides services similar to those performed by a direct employee, including directors of the Company.

In situations where share options are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, the unidentified goods or services received (or to be received) are measured as the difference between the fair value of the share-based payment transaction and the fair value of any identified goods or services received at the grant date.

The fair value is measured at the grant date and recognized over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. At the end of each reporting period, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. Stock option expense incorporates an expected forfeiture rate.

All equity settled share-based payments are reflected in contributed surplus, until exercised. Upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital, adjusted for any consideration paid.

Share Capital

The proceeds from the exercise of stock options, warrants and escrow shares are recorded as share capital in the amount for which the option, warrant or escrow share enabled the holder to purchase a share in the Company.

Commissions paid to agents, and other related share issue costs are charged directly to share capital.

Valuation of equity units issued in private placements

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to common shares issued in the private placements at their fair value as determined by the closing quoted bid price on the announcement date. The balance, if any, is allocated to the warrants. Any fair value attributed to the warrants is recorded as warrants in shareholders' equity. Share issue costs are netted against share proceeds on a pro rata basis.

Loss per share

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on earnings per share is calculated presuming the exercise of outstanding options, warrants and similar instruments. It assumes that the proceeds of such exercise would be used to repurchase common shares at the average market price during the period. However, the calculation of diluted loss per share excludes the effects of various conversions and exercise of options and warrants that would be anti-dilutive.

Years ended June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company had no material provisions at June 30, 2017 and June 30, 2016.

Financial Instruments

Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the time frame established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity investments', 'available-for-sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Company's financial assets which are classified as loans and receivables, are subsequently carried at amortized cost, using the effective interest method, less any impairment loss.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest costs over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or (where appropriate) to the net carrying amount on initial recognition.

Years ended June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

De-recognition of financial liabilities:

The Company derecognizes financial liabilities when the obligations are discharged, cancelled or expire.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Loans and receivables
Financial liabilities:	Classification:
Amounts payable and accrued liabilities	Other financial liabilities
Loans payable	Other financial liabilities

Impairment of financial assets:

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been negatively impacted. Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the likelihood that the borrower will enter bankruptcy or financial re-organization.

The carrying amount of a financial asset is reduced by any impairment loss directly for all financial assets with the exception of amounts receivable, where the carrying amount is reduced through the use of an allowance account. When an account receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to income. Changes in the carrying amount of the allowance account are recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through the statement of income (loss) and comprehensive income (loss) to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Financial instruments recorded at fair value:

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Years ended June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The carrying values of cash, receivable, accounts payable and accrued liabilities and loans payable, approximate their fair values due to the short term nature of these financial instruments.

The following standards and interpretations have been issued but are not yet effective:

The following standards, interpretations and amendments, which have not been applied to in these consolidated financial statements, will or may have an effect on the Company's future consolidated financial statements. The Company is in the process of evaluating these new standards.

IFRS 9 — Financial instruments, classification and measurement

IFRS 9 Financial Instruments is part of the IASB's wider project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate a significant impact on the financial results from adopting the standard.

IFRS 15 – Revenue from Contracts with Customers establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted. The Company does not anticipate a significant impact on the financial results as it has no revenue.

IFRS 16 – Leases eliminates the classification of leases as either operating or finance leases for a lessee. Instead all leases are capitalized by recognizing the present value of lease payments and recognizing an asset and a financial liability representing an obligation to make future lease payments. The principles in IFRS 16 provide a more consistent approach to acquiring the use of an asset whether by leasing or purchasing the asset.

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well. The Company does not anticipate a significant impact on the financial results from adopting this standard.

Years ended June 30, 2017 and 2016

2. SIGNIFICANT ACCOUNTING POLICIES - continued

IFRS 2 – Share-based Payments (“IFRS 2”) has been revised to incorporate amendments issued by the International Accounting Standards Board (IASB) in June 2016. The amendments provide guidance on the accounting for:

- the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The amendments are effective for annual periods beginning on or after January 1, 2018. The Company does not anticipate a significant impact on the financial results from adopting this standard.

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:

	June 30, 2017	June 30, 2016
Cash	\$ 5,779	\$ 823

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.

Years ended June 30, 2017 and 2016

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

(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.

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. All of the Company's liabilities are due within next 12 months.

(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 June 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 year ended June 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 CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

Years ended June 30, 2017 and 2016

4. EXPLORATION AND EVALUATION ASSETS

	New York Canyon Copper Property	Burton Property	Washington Property	Total
Balance June 30, 2015	\$ -	\$ 1,307,083	\$ 1,108,035	\$ 2,415,118
Acquisition cost	30,000	-	1,750	31,750
Deferred exploration expenditures	-	604	-	604
Write-down	(30,000)		(1,109,785)	(1,139,785)
Balance June 30, 2016	\$ -	\$ 1,307,687	\$ -	\$ 1,307,687
Acquisition cost		-	-	-
Deferred exploration expenditures	-	604	-	604
Balance June 30, 2017	\$ -	\$ 1,308,291	\$ -	\$ 1,308,291

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.

Washington Property

The Washington Property consists of fifty-one unpatented claims and the lease for the formerly producing Silver Bell Mine covering 356 hectares northwest of the town of Republic in Washington State.

Years ended June 30, 2017 and 2016

4. EXPLORATION AND EVALUATION ASSETS – continued

The Washington Property is subject to a 2% net smelter return in favour of the previous owner of the claims. The Company may purchase fifty percent of the net smelter return for an aggregate amount of \$1,000,000 at any time. A portion of the Washington Property is subject to a 5% production royalty in favour of the State of Washington.

During the year ended June 30, 2016, the unpatented claims and the lease lapsed. As a result, impairment of the carrying value of the Property was recorded during the 2016 fiscal year.

New York Canyon Copper Property

The New York Canyon Copper Property consists of 190 unpatented claims and 21 patented claims covering 1,690 hectares in western Nevada.

The Company entered into an Option Agreement (“Agreement”) whereby the Company can earn a 60% interest in the property by making cash payments of \$150,000, issue 300,000 common shares and 100,000 common share purchase warrants and incur exploration and evaluation expenditures of \$2,000,000 over a four year period from the date of the Agreement. The Company can earn an additional 20% interest in the property by issuing an additional 200,000 common shares and completing a Preliminary Economic Assessment over a two year period subsequent to the period covered by the 60% option.

During the 2015 fiscal year, the Company issued 50,000 common shares and 100,000 share purchase warrants pursuant to the Agreement, and during the 2016 fiscal year the Company issued 50,000 common shares pursuant to the Agreement and 100,000 common shares as consideration for a limited forbearance agreement with respect to the Agreement.

The New York Canyon Copper Property is subject to a 1.75% net smelter return on the patented claims to an aggregate amount of US\$2,000,000 and a 2% net smelter return on the unpatented claims.

During the 2016 fiscal year the Agreement was terminated. As a result impairment of the carrying value of the Property was recorded during the 2016 fiscal year.

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 8,437,094. All share information was updated to reflect this consolidation. 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.

Years ended June 30, 2017 and 2016

5. SHARE CAPITAL – continued

Issued

	Number of Shares		Share Capital		Contributed Surplus
Balance June 30, 2015	8,287,094	\$	4,318,822	\$	762,007
Shares issued for mining property	150,000		30,000		-
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 June 30, 2017	20,026,184	\$	4,920,328	\$	888,310

Share Issuances

During the year ended June 30, 2017:

- a. On August 24, 2016, the Company issued 9,697,273 units at \$0.055 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at \$0.10. Finders' fees have been paid and consist of \$24,255 and 420,000 broker warrants exercisable for common shares on the same basis as the subscribers.
- b. On September 1, 2016, the Company issued 1,891,817 units at \$0.055 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at \$0.10. Finders' fees have been paid and consist of \$5,070 and 83,182 broker warrants exercisable for common shares on the same basis as the subscribers.

During the year ended June 30, 2016:

- a. On August 19, 2015, the Company issued 50,000 common shares at a deemed price of \$0.25 as consideration to acquire its interest in the New York Canyon Creek property.
- b. On August 27, 2015, the Company issued 100,000 common shares at \$0.25 as consideration for a forbearance agreement with respect to its New York Canyon Creek property.

FALCON GOLD CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Expressed in Canadian Dollars)

Years ended June 30, 2017 and 2016

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
Balance, June 30, 2015 and 2016	2,844,744	\$	0.60
Issued during the year	12,092,272	\$	0.10
Expired during the year	(2,844,744)	\$	(0.60)
Balance June 30, 2017	12,092,272	\$	0.10

The following warrants are outstanding at June 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
12,092,272		

Years ended June 30, 2017 and 2016

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 year ended June 30, 2017 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Exercised	Forfeited	Closing Balance	Vested and Exercisable
2017								
July 17, 2012	July 17, 2017	\$0.75	135,000	-	-	-	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
			415,000	1,200,000	-	-	1,615,000	1,615,000
Weighted average exercise price			\$0.75	\$0.10	-	-	\$0.27	\$0.27

The weighted average remaining contractual life of options outstanding at June 30, 2017 was 3.49 years (2016 – 2.46 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.

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 year ended June 30, 2017 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	\$0.08	\$0.10	1.20%	5 years	269%	0%

Years ended June 30, 2017 and 2016

7. SHARE-BASED PAYMENTS - continued

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 year as part of share-based compensation expense was \$89,734 (2016 - \$nil).

As at June 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 year as part of exploration and evaluation asset acquisition costs were \$nil (2016 - \$nil).

8. INCOME TAXES

The difference between tax expense for the year and the expected income taxes based on the statutory tax rate arises as follows:

	2017		2016
Loss before income taxes	\$ (607,806)	\$	(1,378,411)
Statutory tax rates	<u>26.00%</u>		26.00%
Recovery based on statutory rates	(158,000)		(358,000)
Non-deductible expenses	11,000		143,000
Difference in foreign tax rates	(1,000)		(157,000)
Change in unrecognized deferred tax assets	<u>148,000</u>		<u>372,000</u>
Income tax expense (recovery)	<u>\$ -</u>	\$	<u>-</u>

The nature and tax effect of the taxable temporary differences giving rise to deferred tax assets and liabilities are summarized as follows:

	2017		2016
Non-capital loss carry-forwards	\$ 798,000	\$	659,000
Share issuance costs	8,000		2,000
Capital property	22,000		16,000
Mineral property	<u>134,000</u>		<u>136,000</u>
	<u>962,000</u>		<u>813,000</u>
Unrecognized deferred tax asset	<u>(962,000)</u>		<u>(813,000)</u>
Net deferred tax assets	<u>-</u>		<u>-</u>

Years ended June 30, 2017 and 2016

8. INCOME TAXES – continued

The deferred tax assets related to the temporary differences were not recognized, as its recoverability was not considered to be probable. The Company has accumulated Canadian non-capital losses of \$3,179,000 up to June 30, 2017 for income tax purposes, which may be deducted in the calculation of taxable income in future years. These losses will expire between the years 2027 to 2037. The Company has US tax losses of \$154,000 expiring 2030 to 2037.

9. 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:

	Year Ended			
	\$	June 30, 2017	\$	June 30, 2016
Management fees (i)		100,650		42,250
Office rent and supplies (ii)		-		26,329
Consulting (iii)		75,000		40,000
Share-based payments		60,571		-

- (i) The Company paid or accrued \$64,650 (2016 - \$33,250) in management fees to the President of the Company; and \$36,000 (2016 - \$9,000) to the CFO of the Company.
- (ii) The Company paid or accrued \$nil (2016 - \$26,329) 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 \$75,000 (2016 - \$40,000).

Accounts payable and accrued liabilities include \$109,177 (2016 - \$257,080) due to related parties. Loans payable include \$25,000 (2016 - \$nil) 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.

During the year accounts payable in the amount of \$27,538 was forgiven by a related party.

Years ended June 30, 2017 and 2016

10. EVENTS AFTER THE REPORTING PERIOD

On July 13, 2017, the Company issued 1,820,000 units at \$0.05 per unit which is comprised of one common share and one common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at \$0.08. The financing included the conversion of loans payable in the amount of \$45,000.

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 that it has arranged a non-brokered private placement of up to 6 million units at \$0.05 per unit for gross proceeds of \$300,000. Each unit consists of one common share and one common share purchase warrant exercisable at \$0.08 for a period of two years from the date of issue. The financing is subject to regulatory approval.