



FALCON

GOLD CORP

Condensed Interim Consolidated Financial Statements

September 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

**NOTICE OF NO AUDITOR REVIEW OF THE
CONDENSED INTERIM FINANCIAL STATEMENTS**

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the condensed interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company for the three months ended September 30, 2020 have been prepared by and are the responsibility of the Company's management, and have not been reviewed by the Company's auditors.

FALCON GOLD CORP.

Consolidated Statements of Financial Position

As at September 30, 2020 and June 30, 2020

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	September 30, 2020	June 30, 2020
ASSETS		
Current		
Cash	\$ 741,380	\$ 121,333
Amount receivable	38,227	29,912
Marketable securities (Note 5)	158,000	60,000
Prepaid expenses	16,100	23,300
	953,707	234,545
Exploration and evaluation assets (Note 6)	669,077	626,350
	\$ 1,622,784	\$ 860,895
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 8)	\$ 254,054	\$ 437,166
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	8,012,908	6,962,208
Commitment to issue shares (Note 7)	5,000	-
Contributed surplus	1,535,520	1,179,520
Deficit	(8,183,698)	(7,717,999)
	1,369,730	423,729
	\$ 1,622,784	\$ 860,895

Nature of operations and continuance of business (Note 1)

Subsequent events (Notes 8 and 10)

Approved and authorized for issuance on behalf of the Board of Directors on November 27, 2020:

/s/ Karim Rayani

Karim Rayani

/s/ James Farley

James Farley

(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

For the three months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended	
	September 30,	
	2020	2019
Administrative expenses		
Consulting fees (Note 8)	\$ 17,500	\$ -
Exploration expenditures	4,834	-
Filing fees and communications	107,999	3,596
General and administration costs	19,636	46,827
Management fees (Note 8)	27,000	-
Professional fees	3,000	4,000
Share-based payments (Notes 7 and 8)	356,000	68,871
	<u>535,969</u>	<u>123,294</u>
Loss before other item	(535,969)	(123,294)
Other items		
Other income	47,020	-
Unrealized gain on marketable securities (Note 5)	23,250	-
	<u>70,270</u>	<u>-</u>
Net loss and comprehensive loss for the period	\$ (465,699)	\$ (123,294)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)
Weighted average number of common shares outstanding	<u>84,124,552</u>	<u>53,319,749</u>

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

FALCON GOLD CORP.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

For the three months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	Number of Shares	Capital Stock	Commitment to issue shares	Contributed Surplus	Deficit	Total Shareholders' Equity (Deficiency)
Balance, June 30, 2019	38,120,184	\$ 5,637,864	\$ -	\$ 948,971	\$ (7,046,503)	\$ (459,668)
Cash						
Private placement	18,680,000	467,000	-	-	-	467,000
Share issue cost	-	(3,735)	-	-	-	(3,735)
Share-based payments	-	-	-	68,871	-	68,871
Net loss for the period	-	-	-	-	(123,294)	(123,294)
Balance, September 30, 2019	56,800,184	\$ 6,101,129	\$ -	\$ 1,017,842	\$ (7,169,797)	\$ (50,826)
Balance, June 30, 2020	72,546,818	\$ 6,962,208	\$ -	\$ 1,179,520	\$ (7,717,999)	\$ 423,729
Cash						
Private placement	5,750,000	460,000	-	-	-	460,000
Exercise of warrants	10,264,000	590,700	-	-	-	590,700
Subscription received	-	-	5,000	-	-	5,000
Share-based payments	-	-	-	356,000	-	356,000
Net loss for the period	-	-	-	-	(465,699)	(465,699)
Balance, September 30, 2020	88,560,818	\$ 8,012,908	\$ 5,000	\$ 1,535,520	\$ (8,183,698)	\$ 1,369,730

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

FALCON GOLD CORP.

Condensed Interim Consolidated Statements of Cash Flows

For the three months ended September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

	For the three months ended September 30,	
	2020	2019
Operating Activities		
Net loss for the period	\$ (465,699)	\$ (123,294)
Items not affecting cash		
Unrealized gain on marketable securities	(23,250)	-
Share-based payment	356,000	68,871
Changes in non-cash working capital items related to operations:		
Amount receivable	(9,315)	(3,182)
Prepaid expenses and deposits	7,200	(20,000)
Accounts payable and accrued liabilities	(183,112)	(152,426)
Cash used in operating activities	(318,176)	(230,031)
Investing Activities		
Exploration and evaluation assets	(42,727)	(60,877)
Marketable securities	(74,750)	-
Cash used in investing activities	(117,477)	(60,877)
Financing Activities		
Shares issued for cash	1,055,700	467,000
Share issue cost	-	(3,735)
Loan payable repayment	-	(99,000)
Cash provided by financing activities	1,055,700	364,265
Change in cash during the period	620,047	73,357
Cash, beginning of period	121,333	52,883
Cash, end of the period	\$ 741,380	\$ 126,240
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the period:		
Interest	\$ -	\$ -
Income taxes	\$ -	\$ -

(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
September 30, 2020 and 2019
(Expressed in Canadian Dollars)
(Unaudited – Prepared by Management)

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 Company’s registered office is located at 110 – 175 Victory Ship Way, North Vancouver, BC, V7L 0B2.

These condensed interim consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As at September 30, 2020, the Company has no source of recurring revenue, generates negative cash flows from operating activities, and has an accumulated deficit of \$8,183,698. These factors raise significant doubt about the Company’s ability to continue as a going concern. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company’s liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that would be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The recent outbreak of the novel coronavirus COVID-19, which was declared a pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the Canadian and global economies, disruptions of financial markets, and created uncertainty regarding potential impacts to the Company’s supply chain and operations. The COVID-19 pandemic has impacted and could further impact the Company’s operations and the operations of the Company’s suppliers and vendors as a result of quarantines, facility closures, and travel and logistics restrictions. The extent to which the COVID-19 pandemic impacts the Company’s business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to the duration, spread, severity, and impact of the COVID-19 pandemic, the effects of the COVID-19 pandemic on the Company’s suppliers and vendors and the remedial actions and stimulus measures adopted by local and federal governments, and to what extent normal economic and operating conditions can resume. The management team is closely following the progression of COVID-19 and its potential impact on the Company. Even after the COVID-19 pandemic has subsided, the Company may experience adverse impacts to its business as a result of any economic recession or depression that has occurred or may occur in the future. Therefore, the Company cannot reasonably estimate the impact at this time on our business, liquidity, capital resources and financial results.

2. BASIS OF PREPARATION**Statement of compliance**

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) and in accordance with International Accounting Standard (“IAS”) 34 Interim Financial Reporting.

The condensed interim consolidated financial statements were authorized for issue by the Board of Directors on November 27, 2020.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

2. BASIS OF PREPARATION (continued)

Basis of Measurement

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information. The presentation currency and the functional currency of the Company and its subsidiaries is the Canadian dollar.

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.

3. SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial data is based on accounting principles and practices consistent with those used in the preparation of the audited consolidated financial statements as at June 30, 2020.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in net loss in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Impairment of Mineral Properties

In accordance with the Company's accounting policy for its mineral properties, exploration and evaluation expenditures on mineral properties are capitalized. There is no certainty that the expenditures made by the Company in the exploration of its property interests will result in discoveries of commercial quantities of minerals. The Company applies judgment to determine whether indicators of impairment exist for these capitalized costs.

Management uses several criteria in making this assessment, including the period for which the Company has the right to explore, expected renewals of exploration rights, whether substantive expenditures on further exploration and evaluation of mineral properties are budgeted, and evaluation of the results of exploration and evaluation activities up to the reporting date.

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4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Determining Amount and Timing of Reclamation Provisions

A reclamation provision represents the present value of estimated future costs for the reclamation of the Company's mineral properties. These estimates include assumptions as to the future activities, cost of services, timing of the reclamation work to be performed, inflation rates and interest rates. The actual cost to reclaim a mine or exploration property may vary from the estimated amounts because there are uncertainties with respect to the extent of required future remediation activities, as studies are currently ongoing, and uncertainties in factors used to estimate the cost and potential changes in regulations or laws governing the reclamation of a mineral property. Management periodically reviews the reclamation requirements and adjusts the liability as new information becomes available and will assess the impact of new regulations and laws as they are enacted.

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.

5. MARKETABLE SECURITIES

As at September 30, 2020, marketable securities consist of the following:

- During June 30, 2020, the Company received 1,000,000 common shares of International Montoro Resources Inc. ("IMT") from an option agreement entered into with IMT. These shares were fair valued at \$35,000 (Note 6). As at September 30, 2020, the common shares have a fair value of \$80,000 (June 30, 2020 \$60,000).
- On July 20, 2020, the Company received the 650,000 common shares of Portofino Resources Inc. ("Portofino") from an option agreement entered into with Portofino with a fair value of \$74,750 on the date of receipt. As at September 30, 2020, the common shares have a fair value of \$78,000 (June 30, 2020 - \$Nil).

6. EXPLORATION AND EVALUATION ASSETS

As at September 30, 2020	McCaul Hutchinson	Central Canada	Bruce Lake	Spitfire & Sunny	Camping Lake	Springpole West	Total
Balance, beginning of period	\$ 72,562	\$ 199,654	\$ 27,730	\$ 326,404	\$ -	\$ -	\$ 626,350
Cash payments	15,000	15,000	-	-	-	-	30,000
Option payment received	-	-	(74,750)	-	-	-	(74,750)
Option payment received in excess of cost	-	-	47,020	-	-	-	47,020
Exploration costs	-	30,476	-	7,731	-	2,250	40,457
Balance, end of period	\$ 72,562	\$ 199,654	\$ -	\$ 326,404	\$ -	\$ 2,250	\$ 669,077

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Notes to the Condensed Interim Consolidated Financial Statements

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6. EXPLORATION AND EVALUATION ASSETS (continued)

As at June 30, 2020	McCaul Hutchinson	Central Canada	Bruce Lake	Spitfire & Sunny	Camping Lake	Wabunk Bay	Esperanza	Total
Balance, beginning of year	\$ 33,562	\$ 11,500	\$ -	\$ -	\$ -	\$ -	\$ 41,770	\$ 86,832
Acquisition costs	39,000	55,000	26,000	313,883	28,000	-	-	461,883
Option payments received	-	-	-	-	(35,000)	-	-	(35,000)
Option payments received in excess of carrying costs	-	-	-	-	6,170	-	-	6,170
Exploration costs	-	133,154	1,730	12,521	830	86,526	20,048	254,808
Write-down	-	-	-	-	-	(86,526)	(61,818)	(148,343)
Balance, end of year	\$ 72,562	\$ 199,654	\$ 27,730	\$ 326,404	\$ -	\$ -	\$ -	\$ 626,350

McCaul Hutchinson Property

On December 28, 2017, the Company entered into an option agreement to acquire 100% of the McCaul Hutchinson Property which consists of a claim group located in McCaul and Hutchinson Townships, east of Atikokan in Northern Ontario. The McCaul Hutchinson Property consists of 6 unpatented mining claims consisting of 55 claim shares. As consideration, the Company is required to issue 400,000 common shares and make cash payments totalling \$250,000 as follows:

- Cash payment of \$5,000 on signing (paid);
- Issue 50,000 common shares on regulatory approval (issued);
- Cash payment of \$20,000 (paid) and issuance of 50,000 common shares on the first anniversary of the approval (issued);
- Cash payment of \$50,000 and issuance of 50,000 common shares on the second anniversary of the approval (see below);
- Cash payment of \$50,000 and issuance of 50,000 common shares on the third anniversary of the approval date; and
- Cash payment of \$125,000 and issuance of 200,000 common shares on the fourth anniversary of the approval date.

The McCaul Hutchinson Property is subject to a 1.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of \$1,000,000 at any time prior to the commencement of production.

During the year ended June 30, 2020, the Company entered into a debt settlement agreement to cover \$39,000 of the second anniversary payment by issuing 650,000 common shares and a cash payment of \$15,000, that was paid on August 8, 2020.

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Notes to the Condensed Interim Consolidated Financial Statements

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(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Central Canada Property

On January 10, 2018, the Company entered into an option agreement to acquire 100% of the Central Canada Property consisting of a claim group located in Hutchinson Township, east of Atikokan in Northern Ontario. The Central Canada Property consists of 7 unpatented mining claims consisting of 55 claim shares. As consideration, the Company is required to issue 325,000 common shares and make cash payments totalling \$141,500 and incur \$100,000 in exploration and evaluation expenditures as follows:

- a) Cash payment of \$6,500 on signing (paid);
- b) Issue 50,000 common shares on regulatory approval (issued);
- c) Cash payment of \$15,000 (paid), issuance of 50,000 common shares (issued) and incur \$10,000 in exploration expenditures on or before the first anniversary of the approval (incurred);
- d) Cash payment of \$30,000, issuance of 50,000 common shares (see below) and incur \$20,000 in exploration expenditures on or before the second anniversary of the approval (incurred);
- e) Cash payment of \$40,000, issuance of 75,000 common shares and incur \$30,000 in exploration expenditures on or before the third anniversary of the approval date; and
- f) Cash payment of \$50,000, issuance of 100,000 common shares and incur \$40,000 in exploration expenditures on or before the fourth anniversary of the approval date.

The Central Canada Property is subject to a 2.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the one-half of the net smelter return for an aggregate amount of \$1,000,000 at any time prior to the commencement of production.

During the year ended June 30, 2020, the Company entered into a debt settlement agreement to cover \$21,000 of the second anniversary payment by issuing 350,000 common shares and a cash payment of \$15,000, which was paid on August 8, 2020.

On July 23, 2020, the Company staked an additional 7,477 hectares of mineral claims consisting of 369 units in Atikokan gold camp. It increases the Company's land position to 10,392 hectares and additional 507 mining units.

Bruce Lake Property

On September 6, 2019, the Company entered into an option agreement to acquire 100% interest in the Bruce Lake Property, which consists of a claim group located in the Red Lake area of Northern Ontario. The Bruce Lake Property consists of 5 unpatented mining claims consisting of 72 claim cells. As consideration, the Company is required to issue 500,000 common shares (issued) and make cash payments totalling \$58,000 of which \$6,000 have been paid by the Company and the remaining \$50,000 over a four-year period as follows – \$8,000 on or before September 6, 2020 and \$10,000, \$14,000 and \$20,000 due on the second, third and fourth anniversary date respectively.

The Bruce Lake Property is subject to a 1.5% net smelter return ("NSR") in favour of the previous owner of the claims. The Company may purchase the one-half of the NSR for an aggregate amount of \$400,000 at any time prior to the commencement of production.

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Notes to the Condensed Interim Consolidated Financial Statements

September 30, 2020 and 2019

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Bruce Lake Property (cont'd)

On June 20, 2020, the Company entered into property assignment agreement with Portofino Resources Inc. (“Portofino”) whereby the Company has assigned 100% of the interest in the Bruce Lake Property as consideration, the Company will receive 650,000 common shares of Portofino and Portofino will assume the remaining cash payments of \$50,000 commencing on September 6, 2020. On July 20, 2020, the Company received the 650,000 common shares of Portofino with a fair value of \$74,750.

The Company will receive an additional 0.5% NSR for a total of 2% NSR of which 1.5% is payable to the previous owner.

Spitfire and Sunny Boy

On April 16, 2020, the Company acquired 100% interest in Spitfire and Sunny Boy claims in south central British Columbia. The claims are located approximately 16 kilometers east of Merritt and total 502 hectares. As consideration the Company paid cash of \$25,000, issued 2,500,000 common shares fair valued at \$175,000 and issued 2,500,000 warrants exercisable at \$0.10 for a period of two years with a fair value of \$113,883.

The vendor will retain a 2% net smelter royalty (NSR). The Company will have the right to purchase 0.5 of the total NSR 1% at any time up to commencement of production for a one-time payment of \$400,000.

Camping Lake

On September 6, 2019, the Company entered into an option agreement to acquire 100% interest in the Camping Lake Property which consists of a claim group located in Red Lake area of Northern Ontario. The Camping Lake Property consists of 5 unpatented mining claims consisting of 109 claim cells. As consideration, the Company is required to issue 500,000 common shares (issued) and make cash payments totalling \$65,000 of which \$8,000 have been paid by the Company and the remaining \$57,000 over a four-year period as follows – \$10,000 on or before September 6, 2020 and \$12,000, \$15,000 and \$20,000 due on the second, third and fourth anniversary date respectively.

The Camping Lake Property is subject to a 1.5% net smelter return in favour of the previous owner of the claims. The Company may purchase the one-half of the net smelter return for an aggregate amount of \$400,000 at any time prior to the commencement of production.

On December 9, 2019, the Company entered into an option agreement with IMT whereby IMT has the option to earn an initial 51% interest in the Camping Lake Property by assuming the Company’s underlying claim payment schedule of \$65,000 over a four-year period, incurring property expenditures of \$300,000 over 2 years and issuing 1,500,000 million shares of IMT to the Company. On January 18, 2020, the Company received 1,000,000 common shares with a fair value of \$35,000 from IMT and the remaining 500,000 shares will be due within one year of the effective date.

Upon exercising the option to earn an initial 51%, IMT can acquire an additional 24% interest for \$500,000 cash within 120 days from earning the 51% interest. The agreement is subject to a 2% NSR royalty, with the original vendor at 1.5% and Falcon at 0.5%.

On July 14, 2020, the Company staked 57 claims to its Camping Lake Property. The new claims add approximately 1,200 hectares (“ha”) to the Camping Lake Property that is located near the Red Lake gold camp in northwestern Ontario and increases the project size to 3,400 hectares of contiguous mining units.

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(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

6. EXPLORATION AND EVALUATION ASSETS (continued)

Springpole West Project

On August 25, 2020, the Company acquired 4,440 hectares of mining land 110 kilometers (“km”) northeast of Red Lake, ON in the Birch-Uchi Greenstone Belt on Springpole Lake. The Company’s new Springpole West Property comprises 197 claims containing 217 units and extends from McNaughton Township.

Wabunk Bay Property

The Wabunk Bay Property consists of a claim group located in Earngey Township in Northern Ontario. The Wabunk Bay Property consists of 2 unpatented mining claims consisting of 19 claim shares.

The Wabunk Bay Property is subject to a 1.0% net smelter return in favour of the previous owner of the claims. The Company may purchase the net smelter return for an aggregate amount of \$1,000,000 at any time prior to the commencement of production.

The Company can acquire a 100% interest in the Wabunk Bay Property by making escalating cash payments of \$200,000 and issuing 300,000 shares over a four- year period.

During the year ended June 30, 2018, the Company and Vatic Ventures Corp. entered into a memorandum of understanding whereby Vatic has an option to earn a 60% interest in the Wabunk Bay property by making an initial cash payment in the amount of \$25,000 and a further cash payment of \$275,000 before the first anniversary of the agreement. In addition, Vatic must issue an initial tranche of 200,000 shares of Vatic to the Company with each share consisting of one share and one share purchase warrant exercisable for a period of two years at \$0.25 per share followed by an additional 200,000 shares prior to the first anniversary of the agreement on the same terms as the initial shares. Vatic must also incur exploration and evaluation expenditures of \$750,000 within the twelve months prior to the first anniversary of the agreement.

During the year ended June 30, 2019, the Company received a non-refundable cash amount of \$25,000 as contemplated by the memorandum of understanding following which the memorandum of understanding was terminated by mutual consent.

During the year ended June 30, 2020, the Company terminated the option agreement.

Esperanza Property

The Esperanza Property is comprised of seven mineral concessions within the Sierra de Las Minas District of La Rioja and San Luis provinces in Argentina.

The Company can earn an 80% interest in the Esperanza Property by making escalating annual payments totalling US\$500,000 and issuing 4,000,000 shares over a six year period. In addition, the Company must incur exploration and evaluation expenditures of US\$1,750,000 over a six year period. Subsequent to acquiring an 80% interest in the Esperanza Property, the Company will have an option to acquire the remaining 20% of the property for a cash payment of US\$4,000,000 plus a 1% net smelter royalty.

On October 15, 2019, the Company amended the option agreement to acquire the Esperanza Property. The amended agreement requires the Company to issue 5,500,000 shares and carry out exploration and evaluation expenditures of \$1.6 million USD over a period of six years.

On December 12, 2019, the Company terminated the Option agreement.

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6. EXPLORATION AND EVALUATION ASSETS (continued)

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 year ended June 30, 2012, the Company entered into a Mining Option Agreement with Trelawney Mining and Exploration Inc. (now IAMGOLD Corporation) 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, 2019, the Company identified an impairment indicator with respect to the Burton Property as there was an absence of substantive exploration expenditures over the past four fiscal years, nor are substantive exploration expenditures budgeted or planned for the coming fiscal year. Consequently, the Company recorded impairment in the amount of \$1,308,291 in connection with the Burton Property.

As of June 30, 2020, and September 30, 2020, the Company owns 49% of the Property and the Property remain inactive.

7. SHARE CAPITAL

a) Authorized

Unlimited shares without par value.

b) Issued

During the three months ended September 30, 2020

On July 13, 2020, the Company completed a non-brokered private placement of 5,750,000 units at a price of \$0.08 per unit for total proceeds of \$460,000. Each unit consist of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$0.125 per share expiring three years form the date of issuance.

During the three months ended September 30, 2020, the Company issued an aggregate of 10,264,000 common shares pursuant to the exercise of share purchase warrants for total proceeds of \$590,700.

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7. SHARE CAPITAL (continued)

b) Issued (continued)

During the year ended June 30, 2020:

On July 12, 2019, the Company issued 15,580,000 units at \$0.025 per unit which comprise of one common share and one common share purchase warrant. Each warrant will be exercisable for one share for a period of two years at \$0.05.

On July 26, 2019, the Company issued 3,100,000 units at \$0.025 per unit which comprise of one common share and one common share purchase warrant. Each warrant will be exercisable for one share for a period of two years at \$0.05.

On October 9, 2019, the Company issued 1,000,000 common shares at \$0.04 per share as partial consideration for the acquisition of mineral properties.

During the year ended June 30, 2020, the Company entered into an agreement to settle debt of \$52,332 in exchange for the issue of 300,000 shares.

On December 10, 2019, the Company issued 2,085,000 flow-through units at \$0.05 per unit which comprise of one common share and one-half share purchase warrant. Each warrant will be exercisable for one share for a period of two years at \$0.075.

On January 17, 2020, the Company issued 250,000 common shares to the former CFO of the Company to settle debt of \$12,500.

On May 12, 2020, the Company issued 1,000,000 common shares at \$0.06 per share as partial consideration for the acquisition of mineral properties.

On May 22, 2020, the Company issued 2,096,634 units at \$0.075 per unit which comprise of one common share and one common share purchase warrant. Each warrant will be exercisable for one share for a period of two years at \$0.10. The Company has allocated the fair value of \$10,484 to the warrants using the residual value method.

On June 2, 2020, the Company issued 2,500,000 common shares at \$0.07 per share and 2,500,000 common share purchase warrants with a fair value of \$113,883 as partial consideration for the acquisition of mineral properties.

During the year ended 2020, the Company issued 6,115,000 shares for warrants exercised and 400,000 shares for options exercised.

FALCON GOLD CORP.

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(Unaudited – Prepared by Management)

7. SHARE CAPITAL (continued)

c) Share purchase warrants

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

	Number of Warrants	Weighted Average Exercise Price
Balance June 30, 2019	17,214,000	\$0.07
Issued	24,319,134	\$0.06
Exercised	(6,115,000)	\$ 0.05
Expired	(7,770,000)	\$0.06
Balance June 30, 2020	27,648,134	\$0.07
Issued	5,750,000	\$0.12
Exercised	(10,264,000)	\$0.06
	23,134,134	\$0.08

The following warrants are outstanding at September 30, 2020:

Number of warrants	Exercise price per warrant	Expiry date
375,000	\$0.05	November 7, 2020
2,870,000	\$0.10	May 18, 2021
7,500,000	\$0.05	July 12, 2021
1,000,000	\$0.05	July 26, 2021
1,042,500	\$0.08	December 12, 2021
2,096,634	\$0.10	May 22, 2022
2,500,000	\$0.10	June 2, 2022
5,750,000	\$0.12	July 13, 2023
23,134,134		

Subsequent to September 30, 2020, 1,128,300 share purchase warrants were exercised for total proceeds of \$73,180 of which \$5,000 is included in commitment to issue shares at September 30, 2020.

d) Stock options

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 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 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.

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7. SHARE CAPITAL (continued)

d) Stock options (continued)

On July 10, 2020, the Company granted 1,600,000 stock options exercisable to directors and officers of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.125 per share expiring on July 10, 2023 and vested on the grant date. The fair value of the stock options of \$176,000 or \$0.11 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.14; Risk-free interest rate of 0.27%; Dividend yield of NIL; Expected volatility of 138%; Expected life of 3 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

On August 21, 2020, the Company granted 1,000,000 stock options to directors of the Company. The stock options entitle the holders thereof the right to purchase one common share for each option at \$0.14 per share expiring on August 21, 2025 and vested on the grant date. The fair value of the stock options of \$180,000 or \$0.18 was determined using the Black Scholes option pricing model with the following assumptions – Share price on grant date of \$0.19; Risk-free interest rate of 0.41%; Dividend yield of NIL; Expected volatility of 212%; Expected life of 5 years and forfeiture rate of 0%. Volatility was determined based on the Company's historical data.

The following table summarizes the continuity of the Company's stock options:

	Number of Stock Options	Weighted Average Exercise Price
Balance June 30, 2019	2,680,000	\$0.15
Granted	4,000,000	\$0.05
Exercised	(400,000)	\$ 0.05
Expired/canceled	(2,680,000)	\$0.07
Balance, June 30, 2020	3,600,000	\$0.06
Granted	2,600,000	\$0.13
Balance, September 30, 2020	6,200,000	\$0.09

As at September 30, 2020, the Company had stock options outstanding enabling holders to acquire the following:

Number of options	Exercise price per option	Expiry date
250,000	\$0.10	September 7, 2021
1,200,000	\$0.05	April 3, 2022
400,000	\$0.06	May 1, 2023
1,600,000	\$0.125	Jul 10, 2023
1,550,000	\$0.05	August 23, 2024
200,000	\$0.05	January 15, 2025
1,000,000	\$0.135	August 21, 2025
6,200,000		

Subsequent to September 30, 2020, 100,000 stock options were exercised for total proceeds of \$5,000.

The weighted average remaining contractual life of options outstanding at September 30, 2020 was 5.36 years (June 30, 2020 – 3.02 years).

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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:

	For the three months ended September 30,	
	2020	2019
Management fees	\$ 27,000	\$ 29,000
Consulting fees	-	8,500
Share-based payments	254,250	34,435
	\$ 281,250	\$ 71,935

Accounts payable and accrued liabilities include \$9,112 (June 30, 2020 - \$50,005) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the year ended June 30, 2020 the Company issued 250,000 common shares to the former CFO of the Company to settle accounts payable of \$12,500, the remaining balance owing of \$74,102 was assigned by the former CFO to an unrelated party.

9. RISK MANGEMENT, 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 period ended September 30, 2020. The Company is not subject to externally imposed capital requirements.

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9. RISK MANGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)

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:

	September 30, 2020	June 30, 2020
Cash	\$ 741,380	\$ 121,333

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.

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.

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9. RISK MANGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS (continued)**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.

- 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, 2020. 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.

- Foreign currency risk

During the period ended September 30, 2020 the Company was not exposed to material foreign currency risk.

- 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's marketable securities are exposed to other price risk.