



FALCON GOLD CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2015

FALCON GOLD CORP.

Management's Discussion & Analysis

Year Ended June 30, 2015

Introduction

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Falcon Gold Corp. ("Falcon Gold" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the year ended June 30, 2015. This MD&A has been prepared in compliance with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended June 30, 2015 and 2014, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the period presented are not necessarily indicative of the results may be expected for any future period.

For the purposes of preparing this MD&A, management, in conjunction with the Board of Directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of Falcon Gold's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

The effective date of this report is October 27, 2015.

Forward Looking Information

Certain information regarding the Company within the MD&A may include "forward-looking statements" within the meaning of applicable Canadian securities legislation. All statements, other than statements of historical facts, included in this MD&A that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such thing as future business strategy, goals, expansion and growth of the Company's business, plans and other such matters are forward-looking statements. When used in this MD&A the words "estimate", "plan", "anticipate", "expect", "intend", "believe" and similar expressions are intended to identify forward-looking statements. Such statements by their nature involve certain risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. The Company considers the assumptions on which these forward-looking statements are based to be reasonable at the time they were prepared, but cautions the reader that these assumptions regarding future events, many of which are beyond the control of management, may ultimately prove to be incorrect. The reader should not rely solely on these forward-looking statements.

Nature of the Business and Corporate Overview

The Company was incorporated on November 24, 2006 under the Business Corporations Act (Ontario) and was continued under the Business Corporations Act (British Columbia) on May 2, 2013. The Company trades on the TSX Venture Exchange under the symbol "FG".

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Financing

The Company completed equity financing transactions for cash during the year in the amount of \$935,625 including the exercise of options in the amount of \$37,500. Cash consideration for share issue costs totaled \$61,483.

Selected Annual Information

| | Year Ended June 30, 2015 | Year ended June 30, 2014 | Year Ended June 30, 2013 |
|--------------------|---------------------------------|---------------------------------|---------------------------------|
| Revenue | \$ - | \$ - | \$ 22,512 |
| Net Loss | \$ 1,055,135 | \$ 340,567 | \$ 642,942 |
| Net Loss per Share | \$ (0.03) | \$ (0.01) | \$ (0.02) |
| Total Assets | \$ 2,481,217 | \$ 2,430,733 | \$ 2,638,303 |
| Total Liabilities | \$ 316,918 | \$ 434,683 | \$ 301,686 |
| Dividends | - | - | - |

The increase in net loss from 2014 to 2015 was as a result of an increase in general and administration expense of \$301,948, an increase in share based compensation of \$215,070, a decrease in a gain on settlement of accounts payable of \$29,270. In addition the Company recorded impairment of mineral properties in the amount of \$260,415 in fiscal 2015 compared to \$185,459 in fiscal 2014.

The decrease in total assets from 2013 to 2014 resulted from the write-down of exploration and evaluation assets in the amount of \$185,459.

The increase in total assets from 2014 to 2015 resulted from the acquisition of an additional exploration and evaluation asset.

Selected Quarterly Financial Information

| | Three Months Ended June 30, 2015 | Three Months Ended Mar 31, 2015 | Three Months Ended Dec 31, 2014 | Three Months Ended Sept 30, 2014 |
|------------------------------|---|--|--|---|
| Total assets | \$ 2,481,217 | \$ 2,688,718 | \$ 2,725,541 | \$ 2,749,548 |
| Working capital (deficiency) | \$ (252,615) | \$ (333,563) | \$ (172,170) | \$ (1,739) |
| Net loss for the period | \$ 355,536 | \$ 154,108 | \$ 157,389 | \$ 388,102 |
| Loss per share | \$ (0.01) | \$ (0.00) | \$ (0.01) | \$ (0.01) |
| | Three Months Ended June 30, 2014 | Three Months Ended Mar 31, 2014 | Three Months Ended Dec 31, 2013 | Three Months Ended Sep 30, 2013 |
| Total assets | \$ 2,430,733 | \$ 2,588,857 | \$ 2,600,933 | \$ 2,622,805 |

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|-------------------------|----|-----------|----|-----------|----|-----------|----|-----------|
| Working capital | \$ | (371,126) | \$ | (394,485) | \$ | (316,313) | \$ | (266,263) |
| Net loss for the period | \$ | 181,843 | \$ | 58,193 | \$ | 49,349 | \$ | 51,182 |
| Loss per share | \$ | (0.01) | \$ | (0.00) | \$ | (0.00) | \$ | (0.00) |

Falcon Gold reported no discontinued operations and declared no dividends for any period presented.

Results of OperationsYears ended June 30, 2015 and 2014

The Company incurred a net loss of \$1,055,135 for the year ended June 30, 2015, compared to a net loss of \$340,567 for the year ended June 30, 2014. Details of the more significant changes over last year are as follows:

- An increase in general and administration to \$437,645 (2014- \$135,697),
- An increase in share-based compensation to \$215,070 (2014 - \$ nil), and
- An increase in professional fees to \$127,743 (2014 - \$39,497).
- Write-down of exploration and evaluation assets of \$260,451 (2014-\$185,459).
- Gain on settlement of accounts payable and accrued liabilities of \$4,730 (2014-\$34,000).

The increases in general and administrative expenses are due primarily to an increase in consulting fees of \$165,000, increase in travel expense of \$17,000, an increase in office and administration costs of \$49,000, an increase in investor communications of \$20,000, an increase in rent expense of \$12,500, an increase in telephone expense of \$4,200, an increase in meals and entertainment of \$5,400 and an increase in administration and filing items of \$24,430.

The increase in share-based compensation reflects the fact that 1,600,000 options were granted during the year and no options were granted during 2014.

The increase in professional fees includes an increase in bookkeeping and accounting fees of \$42,000 and an increase in legal fees of \$42,000.

The general increase in fees relates to the option agreement entered into on the New York Canyon Copper property.

As at June 30, 2015, the Company has cash of \$13,936 (2014 - \$5,042), receivable of \$8,000 (2014 - \$nil), prepaid expenses of \$42,367 (2014 - \$58,515), accounts payable and accrued liabilities of \$316,918 (2014 - \$379,183), loans payable of \$nil (2014-\$55,000) for total working capital deficiency of \$252,615 (2014 - \$371,126).

Fourth Quarter Fiscal 2015 and 2014

General and administrative expenses for the fourth quarter of fiscal 2015 were higher by \$37,000 than for the fourth quarter of fiscal 2014. The more significant increases were for consultants \$20,500, management expense \$29,000, and office expense \$2,000 offset by decreases in administrative and filing items of \$12,215 and professional fees of \$4,000.

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Impairment charges for exploration and evaluation assets were \$260,451 in 2015 compared to \$185,459 in 2014.

Liquidity and Capital Resources

This section should be read in conjunction with the audited consolidated statement of financial position for the year ended June 30, 2015, and the corresponding notes thereto.

The Company has total assets of \$2,481,217 (2014 - \$2,430,733). The primary assets of the Company are cash of \$13,936 (2014 - \$5,042), receivable of \$8,000 (2014 - \$nil), prepaid expenses of \$42,367 (2014 - \$58,515), property and equipment of \$1,796 (2014 - \$2,528), and exploration and evaluation assets \$2,415,118 (2014 - \$2,364,648). The Company has no long-term liabilities and has a working capital deficiency of \$252,615 (2014 - \$371,126).

The Company currently has no revenue to finance its operations. It is therefore required to fund its activities through the issuance of equity securities and other financing alternatives. The Company's ability to continue its exploration mandate is therefore dependent upon its ability to raise funds.

The Company has not yet realized profitable operations and has incurred significant losses to date resulting in a cumulative deficit of \$2,916,530. As at June 30, 2015, the Company had cash of \$13,936 to settle current liabilities of \$316,918.

To continue operations and to fund future obligations, the Company will be required to raise funds through equity or other financing alternatives. Recent global economic conditions and market uncertainty may have an impact on the Company's ability to raise funds through the equity markets. Management believes that there are sources of financing available; however there can be no assurance that the Company will be successful in its future fund-raising activities.

The Company relies on issuance of equity securities and alternative sources of financing, if required, to maintain adequate liquidity to support its ongoing working capital commitments. The following table is a summary of quantitative data about what the Company manages as capital:

| | June 30, 2015 | | June 30, 2014 | | Change |
|---------------------------|----------------------|----|----------------------|----|---------------|
| Cash and cash equivalents | \$ 13,936 | \$ | 5,042 | \$ | 8,894 |
| Share capital | \$ 4,318,822 | \$ | 3,348,283 | \$ | 970,539 |
| Contributed surplus | \$ 762,007 | \$ | 509,162 | \$ | 252,845 |
| Deficit | \$ (2,916,530) | \$ | (1,861,395) | \$ | (1,055,135) |

The Company monitors these items to assess its ability to fulfill its ongoing financial obligations, including its flow-through obligations, and its exploration program.

Mineral Property Interests

| Opening Balance | Expenditures (Write-downs) | Ending Balance |
|----------------------------|---------------------------------------|---------------------------|
|----------------------------|---------------------------------------|---------------------------|

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| | | | |
|---------------------------------|------------------|------------------|------------------|
| Burton Property | 1,304,992 | 1,487 | 1,306,479 |
| Fenton Property | 185,459 | (185,459) | - |
| Washington Silver Property | 1,047,858 | 10,311 | 1,058,169 |
| Balance June 30, 2014 | 2,538,309 | (173,661) | 2,364,648 |
| Burton Property | 1,306,479 | 604 | 1,307,083 |
| Fenton Property | - | - | - |
| Washington Silver Property | 1,058,169 | 49,866 | 1,108,035 |
| New York Canyon Copper Property | - | 260,451 | 260,451 |
| | | (260,451) | (260,451) |
| Balance June 30, 2015 | 2,364,648 | 50,470 | 2,415,118 |

Burton Property

The Burton Property is situated in Esther Township, Porcupine Mining District, Ontario approximately 200 km north-northwest of Sudbury and approximately 150 km southwest of Timmins. Burton is located in a jurisdiction with a long established mining history and is comprised of 6 patented claims and 16 unpatented claims totaling approx. 350 ha. All unpatented claims are in good standing to the summer/fall of 2016.

The Burton Property lies within the Archean Swayze Greenstone Belt and has recently been correlated with and interpreted to be part of the Abitibi Greenstone Belt which hosts the world class Timmins and Kirkland Lake lode gold mining camps. The Burton Property occurs near the southern margin of the Swayze greenstone belt where the belt consists dominantly of mafic to intermediate metavolcanic rocks and Timiskaming-type metasedimentary rocks. The volcanic rocks are locally intruded by ultramafic intrusive rocks. Felsic to intermediate volcanic rocks occur to the north of the mafic volcanic rocks and sedimentary rocks. Bedding and foliations in the area strike dominantly east-southeast parallel to the trend of the southern contact of the Swayze belt and dip steeply to the southeast.

The Company has completed a phase 1 diamond drilling program of 2935 meters in 25 holes on the Burton Property. For results of this program please see the news releases of July 27, 2011 and September 12, 2011 on the company's website at www.falcongold.ca.

During fiscal 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.

In addition to the cash payment of \$150,000, the Company received an amount of \$619,278 as advances for exploration and evaluation expenditures to be incurred as part of the Trelawney Agreement. As of June 30, 2015, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property.

Washington Silver Property

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

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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.

A first phase exploration program was completed and results of the diamond drilling program were reported in news releases of October 24, 2012 and November 15, 2012 and can be viewed on the Company's website at www.falcongold.ca.

The Company has recently completed the field portion of an Induced Polarization ("IP") survey on the Silver Bell Property in Republic, Washington. The IP survey was intended to test the on-strike extension of the silver and gold mineralization previously mined in the Silver Bell open pit. The results of the IP survey are presently being evaluated and upon completion will be integrated with previous exploration and drilling results and will form the basis of establishing high priority drill targets.

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, issuing 1,500,000 common shares and 500,000 common share purchase warrants and incurring 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 1,000,000 common shares and completing a Preliminary Economic Assessment over a two year period subsequent to the period covered by the 60% option.

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.

The Company has established a database which incorporates the location of the majority of the historical drill holes, some of which date back approximately 50 years. A mineralization model is being developed utilizing this database in order to follow-up a porphyry-style target that could be up to 400 million tonnes in size as reported in the 2010 NI 43-101 report prepared on behalf of Canyon Copper. The model will include the historical drilling of several identified zones within the property including, the Copper Queen, the Ideal, the Champion and the Cu-oxide historical resources of the Longshot zone. This database has also identified areas where assay or geological data is incomplete or missing. The compilation of this information has enabled Falcon's technical team to develop and implement a new exploitation strategy for the project.

Falcon believes that a significant value-added undertaking will be to complete those tasks that are needed to upgrade and possibly expand the historical resources of the NYC Property to comply with NI43-101 standards. To this end, the Company is implementing a plan to recover and catalog existing sample material currently stored underground in one of the historical mining adits within the Champion (patented claim) zone. The majority of samples that include drill core, drill cuttings and assay reject material and pulps are in good condition and may be instrumental in the completion of the new property interpretation and potentially in developing a new NI43-101 compliant resource estimate.

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Subject to financing, Falcon also intends to conduct an exploration program on the Property's northern claim block which will include geological mapping, bedrock sampling, and soil sampling. The field work will initially focus on the gold and silver potential within the northern claims which are contiguous with the past producing Santa Fe gold mine property. The objective of this program will be to determine if gold mineralization similar to the Santa Fe gold mine extends onto the NYC property claims. (See press release dated October 30, 2014)

On October 16, 2015 the Agreement with Canyon Copper Corp. was terminated and an impairment charge was recorded for the carrying amount of the New York Canyon Copper property.

The Company is required by the various government agencies to incur annual qualifying exploration and development expenditures and/or to make annual payments in order to maintain its claims in good standing. As at June 30, 2015, the Company believes it has incurred the required amount of expenditures and believes to the best of its knowledge that all claims are in good standing.

Critical Accounting Estimates

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 off 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.

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 8.

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Cash

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

Changes in Accounting Policies

New accounting standards and interpretations adopted

Effective July 1, 2014, the Company adopted the following accounting standards issued by IASB.

IAS 24— Related Party Disclosures

The amendments to IAS 24 clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The application of this IAS did not have a material impact on the amounts reported for the current or prior years but may affect the disclosure for future transactions or arrangements.

IFRIC 21 – Levies

The IASB issued IFRIC 21 – Levies (“IFRIC 21”), an interpretation of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets (“IAS 37”), on the accounting for levies imposed by governments. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (“Obligating Event”). IFRIC 21 clarifies that the Obligating Event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. The application of this IFRS did not have a material impact on the amounts reported for the current or prior years but may affect the accounting for future transactions or arrangements.

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 is in the process of evaluating the impact of the new standard.

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Financial Instruments

Financial risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and receivables. The Company has no significant concentration of credit risk arising from operations. Cash is held with a Canadian Schedule A bank, from which management believes the risk of loss to be minimal.

Amounts receivable consist of an advance from a related party. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company receives cash flow primarily from its financing activities. As at June 30, 2015, the Company had cash of \$13,936 (June 30, 2014 - \$5,042) to settle current liabilities of \$316,918 (June 30, 2014 - \$434,683). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity.

(c) Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(i) Interest rate risk

Cash and cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported consolidated net loss and comprehensive consolidated net loss for the year ended June 30, 2015.

(ii) Foreign currency risk

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional

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currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company. Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of June 30, 2015, the Company was not a precious mineral, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

Related Party Transactions

During the three months and the year ended June 30, 2015, the Company entered into the following transactions with related parties and paid or accrued the following amounts, excluding share-based payment charges in connection therewith:

| Name | Relationship | Purpose of Transaction | Three Months Ended | Year Ended |
|-----------------------------|--|--|---------------------------|-------------------|
| Stephen Wilkinson | CEO, Director of the Company | Consulting Services | \$Nil | \$50,250 |
| Francis Mineral Ltd. | Company controlled by the Chief Geologist of the Company | Consulting/technical services | \$Nil | \$23,100 |
| Brant Capital Partners Inc. | Company controlled by the CFO of the Company | Consulting services | \$9,000 | \$36,000 |
| Centurion Minerals Ltd. | Company of which a director of Falcon Gold is the CEO | Rent | \$Nil | \$3,000 |
| Brant Capital Partners Inc. | Company controlled by the CFO of the Company | Rent, office supplies, administrative expenses | \$4,500 | \$18,000 |
| Pacific Capital Advisors | Entity of which a director of Falcon Gold is the CEO | Consulting Services | \$20,468 | \$81,968 |
| James Farley | Director of the | Consulting Services | \$Nil | \$8,000 |

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|--|---------|--|--|--|
| | Company | | | |
|--|---------|--|--|--|

During the year ended June 30, 2015, the following stock options were granted to insiders.

| Name | Relationship | Grant Date | Number Granted | Exercise Price |
|-------------------|---|-----------------|----------------|----------------|
| Stephen Wilkinson | CEO, Director of the Company | August 21, 2014 | 250,000 | \$ 0.15 |
| David Tafel | Director of the Company | August 21, 2014 | 250,000 | \$ 0.15 |
| James Lavigne | Chief Geologist and Director of the Company | August 21, 2014 | 200,000 | \$ 0.15 |
| Brian Crawford | CFO and Director of the Company | August 21, 2014 | 100,000 | \$ 0.15 |
| James Farley | Director of the Company | August 21, 2014 | 100,000 | \$ 0.15 |

Accounts payable and accrued liabilities include \$134,326 (2014 - \$198,804) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. The receivable of \$8,000 is from a related party. The amount is non-interest bearing and has no fixed terms of repayment.

Off-Balance-Sheet Arrangements

As of the date of this MD&A, the Company does not have any off balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity, capital expenditures and capital resources that would be material to investors.

Proposed Transactions

As of the date of this MD&A the Company has no proposed transactions.

Financial Instruments and Other Instruments

The Company's financial instruments consist of cash, receivable, accounts payable and accrued liabilities. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values.

Outstanding Share Data

As of the date of this MD&A, the Company has 42,185,496 common shares issued and outstanding as well as: (a) stock options to purchase an aggregate of 2,775,000 common shares expiring at various date between May 2016 and August 2019 and exercisable at prices ranging from \$0.15 to \$0.20 per common share and, (b) share purchase warrants to purchase an aggregate of 14,223,722 common shares expiring between July 2016 and May 2017 exercisable at prices ranging from \$0.10 to \$0.13 per common share for the first twelve months from the date of issue and exercisable at prices ranging from \$0.10 to \$0.20 per common share for the period from twelve months to twenty-four months from the date of issue. Included in the warrants outstanding are 150,000 broker warrants. For

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additional details of share data, please refer to Notes 5, 6, and 7 of the June 30, 2015 audited consolidated financial statements.

Capital Management

The Company's objectives when managing capital are as follows:

- i) To safeguard the Company's ability to continue as a going concern;
- ii) To raise sufficient capital to finance its exploration and development activities on its mineral exploration properties;
- iii) To raise sufficient capital to meet its general and administrative expenditures.

The Company manages its capital structure and makes adjustments to it based on the general economic conditions, its short term working capital requirements, and its planned exploration and development program expenditure requirements. The capital structure of the Company is comprised of shareholders' equity which includes share capital, warrants, contributed surplus and deficit. The Company may manage its capital by issuing flow through or common shares, or by obtaining additional financing.

The Company utilizes annual capital and operating expenditure budgets to facilitate the management of its capital requirement. These budgets are approved by management and updated for changes in the budgets underlying assumptions as necessary.

There were no changes in the Company's approach to managing capital during the period.

Risks and Uncertainties

Liquidity and Additional Financing

The Company has limited financial resources and no current revenues. There can be no assurance that additional funding will be available to it for further exploration and development of its projects or to fulfill its obligations under applicable agreements. Although the Company has been successful in the past in obtaining financing through the sale of equity securities, there can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could cause the Company to reduce or terminate its operations.

Regulatory Requirements

Even if the Company's properties are proven to host economic reserves of gold or other precious or non-precious metals, factors such as governmental expropriation or regulation may prevent or restrict mining of any such deposits. Exploration and mining activities may be affected in varying degrees by government policies and regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and mine safety.

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Nature of Mineral Exploration and Mining

At the present time, the Company does not hold any interest in a mining property in production. The Company's viability and potential success lie in its ability to discover, develop, exploit and generate revenue out of mineral deposits. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines. The profitability of the Company's operations will be in part directly related to the cost and success of its exploration programs, if any, which may be affected by a number of factors beyond the Company's control. Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of diamond, precious and non-precious metals, any of which could result in work stoppages, damage to the property, and possible environmental damage. Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fires, power outages, labor disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable adequate machinery, equipment or labor are involved in mineral exploration, development and operation. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure. The payment of such liabilities may have a material, adverse effect on the financial position of the Company.

The Company will continue to rely upon consultants and others for exploration and development expertise. Substantial expenditures are required to determine if mineralization reserves exist through drilling, to develop processes to extract the precious and non-precious metals from the mineralization and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis or at all. The economics of developing mineral properties are affected by many factors including the cost of operations, variations in the grade of mineralization mined, fluctuations in markets, costs of processing equipment and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals and environmental protection. The remoteness and restrictions on access to any properties in which the Company has or may have an interest may have an adverse effect on profitability in that infrastructure costs will be higher.

Uninsurable Risks

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur. It is not always possible to fully insure against such risks and the Company may decide not to take out insurance against such risks as a result of high premiums or for other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and cause insolvency and/or a decline in the value of the securities of the Company.

No Assurance of Title to Properties

The acquisition of title to mineral projects is a very detailed and time consuming process. Although the Company has taken precautions to ensure that legal title to its property interests is properly recorded in the name of the Company where possible, there can be no assurance that such title will ultimately be secured. Furthermore, there is no assurance that the interest of the Company in any of its properties may not be challenged or impugned.

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Permits and Licenses

The operations of the Company may require licenses and permits from various governmental authorities. The company believes that it presently holds all necessary licences and permits to carry on with activities which it is currently conducting under applicable laws and regulations and the Company believes it is currently complying in all material respects with the terms of such laws and regulations. However, such laws and regulations are subject to change. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects.

Competition

The mineral exploitation industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than itself for the acquisition of mineral properties, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that even if commercial quantities of minerals are discovered, a ready market will exist for their sale. Factors beyond the control of the Company may affect the marketability of any minerals discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing its invested capital.

Environmental Regulations

The Company's operations are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Infrastructure

Mining, processing, development and exploration activities depend, to one degree or another, on adequate infrastructure. Reliable roads, bridges, power sources and water supply are important requirements, which affect capital and operating costs. Unusual or infrequent weather, phenomena, sabotage, government or other interference in the maintenance or provision of such infrastructure could adversely affect the Company's operations.

Fluctuating Prices

Factors beyond the control of the Company may affect the marketability of any copper, nickel, gold, platinum or any other minerals discovered. The price of those commodities has fluctuated widely, particularly in recent years,

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and is affected by numerous factors beyond the Company's control including international economic and political trends, expectations of inflation, currency exchange fluctuations, interest rates, consumption patterns, speculative activities and increased production due to new mine developments and improved mining and production methods.

The effect of these factors on the price of gold, base and precious metals and therefore the economic viability of any of the Company's projects cannot be accurately predicted.

Reliance on Key Personnel

The Company is dependent on a relatively small number of key people, the loss of any of whom could have an adverse effect on its operations. The Company does not carry any key man insurance.

Internal Control over Financial Reporting

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the audited consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the audited consolidated financial statements, and (ii) the audited consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR") as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Subsequent Events

On August 19, 2015, the Company issued 250,000 common shares at \$0.05 to Canyon Copper Corp. as part of the Agreement disclosed in Note 4 of the June 30, 2015 audited consolidated financial statements.

On August 27, 2015, Falcon and Canyon Copper executed a Limited Forbearance Agreement that extends the August 2015 cash and lease payments (\$50,000) and unpatented claim payments (approx. US\$30,000) to September 30, 2015. As consideration, the Company issued 500,000 common shares to Canyon Copper in August 2015. Pursuant to the Agreement, the shares were originally due to be issued in August 2016.

On October 16, 2015 Canyon Copper Corp. and the Company terminated the Agreement and impairment was recorded in the amount of \$260,451 against the carrying value of the New York Copper Canyon property.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com.