



**FALCON GOLD CORP.**

**Condensed Interim Consolidated Financial Statements**

**December 31, 2018**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

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

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***December 31, 2018 and 2017***

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

|                                            | As at<br>December 31,<br>2018 | As at<br>June 30,<br>2018 |
|--------------------------------------------|-------------------------------|---------------------------|
| <b>Assets</b>                              |                               |                           |
| <b>Current assets</b>                      |                               |                           |
| Cash                                       | \$ 8,011                      | \$ 31,928                 |
| Receivable                                 | 7,906                         | 9,913                     |
| Prepaid expenses                           | 43,681                        | 65,683                    |
|                                            | 59,598                        | 107,524                   |
| Exploration and evaluation assets (Note 4) | 1,376,041                     | 1,353,334                 |
|                                            | \$ 1,435,639                  | \$ 1,460,858              |
| <b>Liabilities</b>                         |                               |                           |
| <b>Current liabilities</b>                 |                               |                           |
| Accounts payable and accrued liabilities   | \$ 405,826                    | \$ 416,170                |
|                                            | 405,826                       | 416,170                   |
| <b>Shareholders' equity</b>                |                               |                           |
| Share capital (Note 5)                     | 5,632,864                     | 5,484,381                 |
| Contributed surplus (Note 5)               | 948,971                       | 943,764                   |
| Deficit                                    | (5,552,022)                   | (5,383,457)               |
|                                            | 1,029,813                     | 1,044,688                 |
|                                            | \$ 1,435,639                  | \$ 1,460,858              |

Approved by the Board of Directors

“Stephen Wilkinson”

\_\_\_\_\_  
Director

“Brian Crawford”

\_\_\_\_\_  
Director

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

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

|                                                                 | <b>Three Months Ended<br/>December 31</b> |                   | <b>Six Months Ended<br/>December 31</b> |                     |
|-----------------------------------------------------------------|-------------------------------------------|-------------------|-----------------------------------------|---------------------|
|                                                                 | <b>2018</b>                               | <b>2017</b>       | <b>2018</b>                             | <b>2017</b>         |
| <b>Operating expenses</b>                                       |                                           |                   |                                         |                     |
| Filing and transfer agent fees                                  | \$ 8,469                                  | \$ 2,377          | \$ 11,064                               | \$ 4,320            |
| General and administration costs                                | 83,806                                    | 67,611            | 153,360                                 | 128,777             |
| Professional fees                                               | 13,141                                    | 6,360             | 23,141                                  | 13,860              |
|                                                                 | 105,516                                   | 76,348            | 187,565                                 | 146,957             |
| Loss before other income                                        | (105,416)                                 | (76,348)          | (187,565)                               | (146,957)           |
| Other income (expense)                                          |                                           |                   |                                         |                     |
| Mineral property option payments in excess of capitalized costs | -                                         | -                 | 19,000                                  | -                   |
| <b>Net loss and comprehensive loss</b>                          | <b>\$ (105,416)</b>                       | <b>\$(76,348)</b> | <b>\$ (168,565)</b>                     | <b>\$ (146,957)</b> |
| <b>Basic and diluted loss per share</b>                         | <b>\$ (0.00)</b>                          | <b>\$ (0.01)</b>  | <b>\$ (0.00)</b>                        | <b>\$ (0.02)</b>    |
| <b>Weighted average number of shares outstanding</b>            | <b>35,934,467</b>                         | <b>20,026,189</b> | <b>35,170,717</b>                       | <b>16,479,806</b>   |

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

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

|                                      | Number of<br>Shares | Common<br>Shares<br>Issued and<br>Fully Paid | Share<br>Subscriptions | Contributed<br>Surplus | Accumulated<br>Deficit | Total        |
|--------------------------------------|---------------------|----------------------------------------------|------------------------|------------------------|------------------------|--------------|
| <b>Balance, June 30, 2017</b>        | 20,026,184          | 4,920,328                                    | -                      | 888,310                | (4,902,747)            | 905,891      |
| Shares issued for cash               | 8,070,000           | 293,000                                      | -                      | -                      | -                      | 293,000      |
| Share subscription receivable        | -                   | -                                            | 48,000                 | -                      | -                      | 48,000       |
| Share issue costs-cash               | -                   | (9,700)                                      | -                      | -                      | -                      | (9,700)      |
| Share issue costs-broker warrants    | -                   | (8,247)                                      | -                      | 8,247                  | -                      | -            |
| Loss and comprehensive loss          | -                   | -                                            | -                      | -                      | (146,957)              | (146,957)    |
| <b>Balance, December 31, 2017</b>    | 28,096,184          | 5,195,381                                    | 48,000                 | 896,557                | (5,049,704)            | 1,090,234    |
| Shares issued for cash               | 4,420,000           | 221,000                                      | -                      | -                      | -                      | 221,000      |
| Share subscription receivable        | -                   | 48,000                                       | (48,000)               | -                      | -                      | -            |
| Shares issued-exercise of warrants   | 300,000             | 15,000                                       | -                      | -                      | -                      | 15,000       |
| Shares issued for mineral properties | 100,000             | 5,000                                        | -                      | -                      | -                      | 5,000        |
| Share-based compensation             | -                   | -                                            | -                      | 47,207                 | -                      | 47,207       |
| Loss and comprehensive loss          | -                   | -                                            | -                      | -                      | (333,753)              | (333,753)    |
| <b>Balance, June 30, 2018</b>        | 32,916,184          | 5,484,381                                    | -                      | 943,764                | (5,383,457)            | 1,044,688    |
| Shares issued for mineral properties | 80,000              | 3,200                                        | -                      | -                      | -                      | 3,200        |
| Shares issued for cash               | 5,024,000           | 175,840                                      | -                      | -                      | -                      | 175,840      |
| Share issue cost-cash                | -                   | (25,350)                                     | -                      | -                      | -                      | (25,350)     |
| Share issue costs-broker warrants    | -                   | (5,207)                                      | -                      | 5,207                  | -                      | -            |
| Loss and comprehensive loss          | -                   | -                                            | -                      | -                      | (168,565)              | (168,565)    |
| <b>Balance, December 31, 2018</b>    | 38,020,184          | \$ 5,632,864                                 | \$ -                   | \$ 948,971             | \$ (5,552,022)         | \$ 1,029,813 |

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

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

(Expressed in Canadian Dollars)  
(Unaudited)

Six months ended December 31, 2018 and 2017

| Six months ended December 31                                             | 2018         | 2017         |
|--------------------------------------------------------------------------|--------------|--------------|
| <b>Operating activities</b>                                              |              |              |
| Net loss for the period                                                  | \$ (168,565) | \$ (146,957) |
| Items not affecting cash                                                 |              |              |
| Mineral property option payments received in excess of capitalized costs | (19,000)     | -            |
| Change in non-cash working capital:                                      |              |              |
| Receivables                                                              | 2,007        | (47,772)     |
| Prepaid expenses                                                         | 22,002       | 209          |
| Accounts payable and accrued liabilities                                 | (10,344)     | 67,463       |
| Net cash used in operating activities                                    | (173,900)    | (127,057)    |
| <b>Financing activities</b>                                              |              |              |
| Issuance of common shares                                                | 150,490      | 331,300      |
| Loan payable                                                             | -            | (50,000)     |
| Net cash provided by financing activities                                | 150,490      | 281,300      |
| <b>Investing activities</b>                                              |              |              |
| Investment in and expenditures on exploration and evaluation assets      | (25,507)     | (5,000)      |
| Mineral property option payments received                                | 25,000       | -            |
| Net cash used in investing activities                                    | (507)        | (5,000)      |
| <b>Net change in cash</b>                                                | (23,917)     | 149,243      |
| <b>Cash, beginning of period</b>                                         | 31,928       | 5,779        |
| <b>Cash, end of period</b>                                               | \$ 8,011     | \$ 155,022   |

Supplemental schedule of non-cash transactions

|                                      |       |      |
|--------------------------------------|-------|------|
| Interest paid                        | \$ -  | \$ - |
| Taxes paid                           | -     | -    |
| Shares issued for mineral properties | 3,200 | -    |

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

**FALCON GOLD CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)  
(Unaudited)

Six months ended December 31, 2018 and 2017

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

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

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

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. At September 30, 2018, the Company has accumulated losses of \$5,446,608 since inception and will continue to incur further losses in the development of its business. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

These condensed interim consolidated financial statements were approved by the Board of Directors on February 26, 2019.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of compliance**

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

**Basis of Presentation**

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting policies consistent with those applied in the Company's June 30, 2018 annual financial statements.

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

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

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

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

(Expressed in Canadian Dollars)  
(Unaudited)

Six months ended December 31, 2018 and 2017

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**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 period ended December 31, 2018. The Company is not subject to externally imposed capital requirements.

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

**(a) Credit risk**

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

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

|      | <b>December 31, 2018</b> | <b>June 30, 2018</b> |
|------|--------------------------|----------------------|
| Cash | \$ 8,011                 | \$ 31,928            |

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.



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

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

**(c) Market risk**

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

i. Interest rate risk

The Company's cash consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of December 31, 2018. The Company manages interest rate risk by maintaining an investment policy that focuses primarily on preservation of capital and liquidity. Accordingly, the Company is not subject to interest rate risk.

ii. Foreign currency risk

During the period ended December 31, 2018, 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.

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(Expressed in Canadian Dollars)  
(Unaudited)

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**4. EXPLORATION AND EVALUATION ASSETS**

|                                                         | <b>McCaul<br/>Hutchinson<br/>Property</b> | <b>Central<br/>Canada<br/>Property</b> | <b>Burton<br/>Property</b> | <b>Wabunk<br/>Bay<br/>Property</b> | <b>Esperanza<br/>Property</b> | <b>Coomer<br/>Lake<br/>Property</b> | <b>Total</b> |
|---------------------------------------------------------|-------------------------------------------|----------------------------------------|----------------------------|------------------------------------|-------------------------------|-------------------------------------|--------------|
| <b>Balance December 31, 2016</b>                        | \$ -                                      | \$ -                                   | \$1,307,687                | \$ -                               | \$ -                          | \$ -                                | \$1,307,687  |
| Acquisition cost                                        | 5,000                                     | -                                      | -                          | -                                  | -                             | -                                   | 5,000        |
| Deferred exploration expenditures                       | -                                         | -                                      | 604                        | -                                  | -                             | -                                   | 604          |
| Write-down                                              | -                                         | -                                      | -                          | -                                  | -                             | -                                   | -            |
| <b>Balance December 31, 2017</b>                        | \$ 5,000                                  | \$ -                                   | \$1,308,291                | \$ -                               | \$ -                          | \$ -                                | \$1,313,291  |
| Acquisition cost                                        | 2,500                                     | 9,000                                  | -                          | 7,200                              | 27,750                        | 22,300                              | 68,750       |
| Option payments received                                | -                                         | -                                      | -                          | (25,000)                           | -                             | -                                   | (25,000)     |
| Option payments received in excess of capitalized costs | -                                         | -                                      | -                          | 19,000                             | -                             | -                                   | 19,000       |
| <b>Balance December 31, 2018</b>                        | \$ 7,500                                  | \$ 9,000                               | \$1,308,291                | \$ 1,200                           | \$ 27,750                     | \$22,300                            | \$1,376,041  |

**McCaul Hutchinson Property**

The McCaul Hutchinson Property 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 units.

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.

The Company can acquire a 100% interest in the McCaul Hutchinson Property by making escalating cash payments of \$250,000 and issuing 400,000 common shares over a four- year period.

**Central Canada Property**

The Central Canada Property consists 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 units.

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.

The Company can acquire a 100% interest in the Central Canada Property by making escalating cash payments of \$141,500 and issuing 325,000 common shares over a four- year period. In addition, the Company must carry out

**FALCON GOLD CORP.**

**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

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(Unaudited)

Six months ended December 31, 2018 and 2017

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**4. EXPLORATION AND EVALUATION ASSETS – continued**

exploration and evaluation expenditures of \$10,000, \$20,000, \$30,000 and \$40,000 during years 1 through 4 respectively.

**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 units.

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 common 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 units of Vatic to the Company with each unit consisting of one common share and one common share purchase warrant exercisable for a period of two years at \$0.25 per share followed by an additional 200,000 units prior to the first anniversary of the agreement on the same terms as the initial units. 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 period, 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.

**Coomer Lake Property**

The Coomer Lake Property consists of 50 claim units located in the James Bay lowlands approximately 250 km north of Nakina, Ontario.

The Coomer Lake Property is subject to a 2.0% 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 Coomer Lake Property by making escalating cash payments of \$185,000 issuing 400,000 common shares over a four- year period and incurring exploration and evaluation expenditures totalling \$400,000 over a five-year period.

Six months ended December 31, 2018 and 2017

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#### **4. EXPLORATION AND EVALUATION ASSETS – continued**

##### **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 common 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.

##### **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, 2018, 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.

#### **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. The exercise price

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**NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Expressed in Canadian Dollars)  
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**5. SHARE CAPITAL – continued**

and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

**Issued**

|                                      | Number of<br>Shares | Share Capital | Share<br>Subscriptions | Contributed<br>Surplus |
|--------------------------------------|---------------------|---------------|------------------------|------------------------|
| Balance June 30, 2017                | 20,026,184          | \$ 4,920,328  | \$ -                   | 888,310                |
| Shares issued for cash               | 8,070,000           | 293,000       | 48,000                 | -                      |
| Share issue costs-cash               | -                   | (9,700)       |                        |                        |
| -broker warrants                     | -                   | (8,247)       |                        | 8,247                  |
| Balance December 31, 2017            | 28,096,184          | 5,195,381     | 48,000                 | \$ 896,557             |
| Shares issued for cash               | 4,420,000           | 269,000       | (48,000)               | -                      |
| Shares issued-exercise of warrants   | 300,000             | 15,000        | -                      | -                      |
| Shares issued for mineral properties | 100,000             | 5,000         | -                      | -                      |
| Share based compensation             | -                   | -             | -                      | 47,207                 |
| Balance June 30, 2018                | 32,916,184          | 5,484,381     | -                      | \$ 943,764             |
| Shares issued for cash               | 5,024,000           | 175,840       |                        |                        |
| Share issue costs-cash               |                     | (25,350)      |                        |                        |
| -broker warrants                     |                     | (5,207)       |                        | 5,207                  |
| Shares issued for mineral properties | 80,000              | 3,200         | -                      | -                      |
| Balance December 31, 2018            | 38,020,184          | \$ 5,632,864  | \$ -                   | \$ 948,971             |

**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<br>Exercise Price |
|-----------------------------------|--------------------|------------------------------------|
| <b>Balance June 30, 2017</b>      | 12,092,272         | \$ 0.10                            |
| Issued during the period          | 1,820,000          | \$ 0.08                            |
| <b>Balance September 30, 2017</b> | 13,912,272         | \$ 0.10                            |
| Issued during the period          | 10,670,000         | \$ 0.08                            |
| Exercised during the period       | (300,000)          | \$ 0.05                            |
| <b>Balance June 30, 2018</b>      | 24,282,272         | \$ 0.09                            |
| Issued during the period          | 5,024,000          | \$ 0.05                            |
| Expired during the period         | (12,092,272)       | \$ 0.10                            |
| <b>Balance December 31, 2018</b>  | 17,214,000         | \$ 0.07                            |

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

(Expressed in Canadian Dollars)  
(Unaudited)

Six months ended December 31, 2018 and 2017

**6. WARRANTS – continued**

The following warrants are outstanding at December 31, 2018:

| Number of warrants | Exercise price per warrant | Expiry date       |
|--------------------|----------------------------|-------------------|
| 1,820,000          | \$0.08                     | July 13, 2019     |
| 5,950,000          | \$0.05                     | December 29, 2019 |
| 4,420,000          | \$0.10                     | May 18, 2020      |
| 5,024,000          | \$0.05                     | November 7, 2020  |
| 17,214,000         |                            |                   |

In addition, there are 392,500 broker warrants outstanding at December 31, 2018 of which 242,500 are exercisable at \$0.08 and expire on December 29, 2019 and 150,000 are exercisable at \$0.10 and expire on November 9, 2022.

**7. SHARE-BASED PAYMENTS**

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

A summary of the status of the stock option plan and changes for the period ended December 31, 2018 are presented below:

| Grant date                             | Expiry date  | Exercise Price | Opening Balance | Granted | Exercised | Forfeited | Closing Balance | Vested and Exercisable |
|----------------------------------------|--------------|----------------|-----------------|---------|-----------|-----------|-----------------|------------------------|
| <b>2018</b>                            |              |                |                 |         |           |           |                 |                        |
| 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              |
| May 1, 2018                            | May 1, 2023  | \$0.06         | 1,200,000       |         |           |           | 1,200,000       | 1,200,000              |
|                                        |              |                | 2,680,000       | -       | -         | -         | 2,680,000       | 2,680,000              |
| <b>Weighted average exercise price</b> |              |                | \$0.15          | -       | -         | -         | \$0.15          | \$0.15                 |

The weighted average remaining contractual life of options outstanding at December 31, 2018 was 3.21 years (2017 – 3.55 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

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underlying share, the expected dividend yield, expected forfeitures and the risk free interest rate for the term of the option.

## 7. SHARE-BASED PAYMENTS - continued

### Options Issued to Non-Employees

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

The model inputs for options granted during the periods ended December 31, 2018 and 2017 include:

| Grant date  | Expiry date | Share price<br>at grant date | Exercise<br>price | Risk-free<br>interest rate | Expected<br>life | Volatility<br>factor | Dividend<br>yield |
|-------------|-------------|------------------------------|-------------------|----------------------------|------------------|----------------------|-------------------|
| May 1, 2018 | May 1, 2023 | \$0.04                       | \$0.06            | 2.18%                      | 5 years          | 235%                 | 0%                |

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

Total expenses arising from the share-based payment transactions recognized during the period as part of share-based compensation expense was \$nil (2017 - \$nil).

As at December 31, 2018 there was \$nil (2017 - \$nil) of unrecognized compensation cost related to unvested share-based compensation.

Total expenses arising from the share-based payment transactions that were capitalized during the period as part of exploration and evaluation asset acquisition costs were \$nil (2017 - \$nil).

## 8. RELATED PARTY TRANSACTIONS

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

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

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**8. RELATED PARTY TRANSACTIONS**

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

|                     | Six Months Ended  |                   |
|---------------------|-------------------|-------------------|
|                     | December 31, 2018 | December 31, 2017 |
| Management fees (i) | \$ 55,875         | \$ 45,000         |
| Consulting (ii)     | \$ 26,500         | \$ 20,000         |

(i) The Company paid or accrued \$37,875 (2017 - \$27,000) in management fees to the President of the Company; and \$18,000 (2017 - \$18,000) to the CFO of the Company.

(ii) The Company paid or accrued consulting fees to a director in the amount of \$26,500 (2017 - \$20,000).

Accounts payable and accrued liabilities include \$151,879 (2017 - \$142,484) 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.