FALCON GOLD CORP.

Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in Canadian Dollars)

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MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

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

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

(signed)	(signed)
Stephen Wilkinson	Brian Crawford
Chief Executive Officer	Chief Financial Officer

Vancouver, British Columbia
October 26, 2018

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Falcon Gold Corp.

We have audited the accompanying consolidated financial statements of Falcon Gold Corp. which comprise the consolidated statement of financial position as at June 30, 2018, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the year then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Falcon Gold Corp. as at June 30, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of Falcon Gold Corp. to continue as a going concern.

Other Matter

The consolidated financial statements of Falcon Gold Corp. for the year ended June 30, 2017 were audited by another auditor who express an unmodified opinion on those consolidated financial statements on October 30, 2017.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
October 26, 2018

(Expressed in Canadian Dollars)

	As at June 30, 2018	As at June 30, 2017
Assets		
Current assets		
Cash	$ 31,928	$ 5,779
Receivable	9,913	6,391
Prepaid expenses	65,683	25,559
	107,524	37,729
Exploration and evaluation assets (Note 4)	1,353,334	1,308,291
	$ 1,460,858	$ 1,346,020
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 416,170	$ 390,129
Loans payable (Note 9)	-	50,000
	416,170	440,129
Shareholders' equity		
Share capital (Note 5)	5,484,381	4,920,328
Contributed surplus (Note 5)	943,764	888,310
Deficit	(5,383,457)	(4,902,747)
	1,044,688	905,891
	$ 1,460,858	$ 1,346,020

Nature of Operations and Going Concern (Note 1)
Events after the Reporting Period (Note 10)

Approved by the Board of Directors

"Stephen Wilkinson" _____________________ Director

"Brian Crawford" _____________________ Director

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

(Expressed in Canadian Dollars)

Years ended June 30	**2018**	**2017**
Operating expenses		
Filing fees and communication	$ 23,845	$ 24,618
General and administration costs (Note 9)	362,939	439,970
Property investigation	24,743	26,738
Professional fees	21,976	54,239
Share-based payments (Note 7)	47,207	89,734
	480,710	635,334
Gain on settlement of accounts payable	-	27,538
Loss and comprehensive loss	$ 480,710	$ 607,806
Basic and diluted loss per share	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding	25,451,937	18,238,423

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

(Expressed in Canadian Dollars)

	Number of Shares	Common Shares Issued and Fully Paid	Contributed Surplus	Accumulated Deficit	Total
Balance, June 30, 2016	8,437,094	$ 4,348,822	$ 762,007	$ (4,294,941)	$ 815,888
Shares issued for cash	11,589,090	637,400	-	-	637,400
Share issue costs-cash	-	(29,325)	-	-	(29,325)
Shares issue costs-broker warrants	-	(36,569)	36,569	-	-
Share based compensation	-	-	89,734	-	89,734
Loss and comprehensive loss	-	-	-	(607,806)	(607,806)
Balance, June 30, 2017	20,026,184	4,920,328	888,310	(4,902,747)	905,891
Shares issued for cash	12,490,000	562,000	-	-	562,000
Share issue costs-cash	-	(9,700)	-	-	(9,700)
Share issue costs-broker warrants	-	(8,247)	8,247	-	-
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	-	-	-	(480,710)	(480,710)
Balance, June 30, 2018	32,916,184	$ 5,484,381	$ 943,764	$ (5,383,457)	$ 1,044,688

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

Years ended June 30	2018	2017
Operating activities		
Net loss for the year	$ (480,710)	$ (607,806)
Items not affecting cash		
Share-based payments	47,207	89,734
Gain on settlement of accounts payable and accrued liabilities	-	(27,538)
Change in non-cash working capital:		
Receivables	(3,522)	(2,206)
Prepaid expenses	(40,124)	(209)
Accounts payable and accrued liabilities	26,041	(104,490)
Net cash used in operating activities	(451,108)	(652,515)
Financing activities		
Issuance of common shares	517,300	608,075
Share subscriptions receivable	-	50,000
Net cash provided by financing activities	517,300	658,075
Investing activities		
Investment in and expenditures on exploration and evaluation assets	(40,043)	(604)
Net cash used in investing activities	(40,043)	(604)
Net change in cash	26,149	4,956
Cash, beginning of year	5,779	823
Cash, end of year	$ 31,928	$ 5,779

Supplemental schedule of non-cash transactions:

Mineral property acquisition	$ 5,000	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The Company needs equity capital and financing for its working capital and for the costs of exploration and development of its properties. At June 30, 2018, the Company has accumulated losses of $5,383,457 since inception and will continue to incur further losses in the development of its business. Although the Company has been successful in raising funds to date, there can be no assurance that adequate funding will be available in the future, or available under terms favourable to the Company. These material uncertainties cast significant doubt upon the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis that assumes the Company will be able to continue to realize its assets and discharge its liabilities and commitments in the normal course of business. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

The policies applied in these consolidated financial statements are based on IFRS issued and effective as of June 30, 2018. The Board of Directors approved the consolidated financial statements on October 26, 2018.

Basis of Presentation

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

Functional Currency

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Functional Currency - continued

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

Basis of Consolidation

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

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

Critical Accounting Estimates and Judgments

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

Exploration and evaluation assets

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

Title to mineral property interests

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based payments

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

Cash

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

Mineral Exploration and Evaluation Expenditures

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of Non-financial Assets

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

Restoration, Rehabilitation and Environmental Obligations

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

The Company has no material restoration, rehabilitation and environmental costs as at June 30, 2018 and June 30, 2017 as the disturbance to date is minimal.

Income Taxes

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Share-based Payments

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

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

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

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

Share Capital

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

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

Valuation of equity units issued in private placements

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

Loss per share

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Provisions

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

The Company had no material provisions at June 30, 2018 and June 30, 2017.

Financial Instruments

Financial assets

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

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

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

Financial liabilities

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

Other financial liabilities:

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

De-recognition of financial liabilities:

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

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash	Loans and receivables

Financial liabilities:	Classification:
Amounts payable and accrued liabilities	Other financial liabilities

Impairment of financial assets:

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

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

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

Financial instruments recorded at fair value:

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

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

2. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Instruments – continued

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

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

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

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

IFRS 9 — Financial instruments, classification and measurement

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

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

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

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

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

(Expressed in Canadian Dollars)

3. RISK MANAGEMENT, CAPITAL MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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

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

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

The Company currently has no source of revenues, and therefore is dependent upon external financings to fund activities. In order to carry future projects and pay for administrative costs, the Company will spend its existing working capital and raise additional funds as needed. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the year ended June 30, 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:

	June 30, 2018	June 30, 2017
Cash	$ 31,928	$ 5,779

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

(b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they fall due. The Company's approach to managing liquidity risk is to provide reasonable assurance that it will have sufficient funds to meet liabilities when due. The Company manages its liquidity risk by forecasting cash flows required for operations and

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

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.

(c) Market risk

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

i. Interest rate risk

The Company's cash consist primarily of cash held in bank accounts and term deposits with banks. Due to the short-term nature of this financial instrument, fluctuations in market rates do not have a significant impact on estimated fair value as of June 30, 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 year ended June 30, 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.

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS

	McCaul Hutchison Property	Central Canada Property	Burton Property	Wabunk Bay Property	Esperanza Property	Total
Balance June 30, 2016	$ -	$ -	$ 1,307,687	$ -	$ -	$ 1,307,687
Acquisition cost	-	-	-	-	-	-
Deferred exploration expenditures	-	-	604	-	-	604
Write-down	-	-		-	-	-
Balance June 30, 2017	$ -	$ -	$ 1,308,291	$ -	$ -	$ 1,308,291
Acquisition cost	7,500	9,000	-	6,000	22,543	45,043
Deferred exploration expenditures	-		-	-		-
Balance June 30, 2018	$ 7,500	$ 9,000	$ 1,308,291	$ 6,000	$ 22,543	$ 1,353,334

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

4. EXPLORATION AND EVALUATION ASSETS – continued

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, 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.

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 Ezperanza 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

(Expressed in Canadian Dollars)

4. EXPLORATION AND EVALUATION ASSETS – continued

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 four 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 8,437,099. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

Issued

	Number of Shares	Share Capital	Contributed Surplus
Balance June 30, 2016	8,437,094	$ 4,348,822	$ 762,007
Shares issued for cash	11,589,090	637,400	-
Share issue costs-cash	-	(29,325)	-
-broker warrants	-	(36,569)	36,569
Share based compensation	-	-	89,734
Balance June 30, 2017	20,026,184	4,920,328	888,310
Shares issued for cash	12,490,000	562,000	-
Share issue costs-cash	-	(9,700)	-
-broker warrants	-	(8,247)	8,247
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

5. SHARE CAPITAL – continued

Share Issuances

During the year ended June 30, 2018:

a. On July 13, 2017, the Company issued 1,820,000 units at $0.05 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.08. The financing included $45,000 of shares subscriptions receivable.

b. On December 29, 2017, the Company issued 6,250,000 units at $0.04 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share at a price of $0.05 for the first twelve months following the date of issue and at a price of $0.08 for the second twelve months from the date of issue. Finders' fees have been paid and consist of $9,700 and 242,500 broker warrants exercisable for common shares on the same basis as the subscribers. The financing included $5,000 of share subscriptions receivable.

c. On April 12, 2018, the Company issued 100,000 common shares at $0.05 per share as partial consideration for the acquisition of mineral properties.

d. On May 18, 2018, the Company issued 4,420,000 units at $0.05 per unit which is comprised of one (post-consolidated) share and one (post-consolidated) common share purchase warrant. Each warrant will be exercisable for one common share for a period of two years at $0.10.

e. On June 6, 2018, the Company issued 300,000 common shares at $0.05 per share pursuant to the exercise of share purchase warrants.

During the year ended June 30, 2017:

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

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

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:

(Expressed in Canadian Dollars)

6. WARRANTS – continued

	Number of Warrants		Weighted Average Exercise Price
Balance, June 30, 2016	2,844,744	$	0.60
Issued during the year	12,092,272	$	0.10
Expired during the year	(2,844,744)	$	(0.60)
Balance June 30, 2017	12,092,272	$	0.10
Issued during the year	12,490,000	$	0.08
Exercised during the year	(300,000)	$	0.05
Balance June 30, 2018	**24,282,272**	**$**	**0.09**

The following warrants are outstanding at June 30, 2018:

Number of warrants	Exercise price per warrant	Expiry date
9,697,273	$0.10	August 24, 2018
1,891,817	$0.10	September 1, 2018
420,000	$0.10	August 24, 2018
83,182	$0.10	September 1, 2018
1,820,000	$0.08	July 13, 2019
5,950,000	$0.05	December 29, 2019
4,420,000	$0.10	May 18, 2020
24,282,272		

During the year ended June 30, 2018 the Company granted 242,500 broker warrants as part of the private placement. The broker warrants have been valued using the black scholes valuation model using a share price at grant date of $0.04, exercise price of $0.05, annual volatility of 193%, risk-free interest rate of 1.69%, dividend yield of 0%, forfeiture rate of 0% and expected life of 2 years

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.

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS - continued

A summary of the status of the stock option plan and changes for the year ended June 30, 2018 are presented below:

Grant date	Expiry date	Exercise Price	Opening Balance	Granted	Expired	Closing Balance	Vested and Exercisable
2018							
July 17, 2012	July 17, 2017	$0.75	135,000	-	(135,000)	-	-
Aug 21, 2014	Aug 21, 2019	$0.75	280,000	-	-	280,000	280,000
Sept 7, 2016	Sept 7, 2021	$0.10	1,200,000	-		1,200,000	1,200,000
May 1, 2018	May 1, 2023	$0.06	-	1,200,000	-	1,200,000	1,200,000
			1,615,000	1,200,000	(135,000)	2,680,000	2,680,000
Weighted average exercise price			$0.22	$0.06	-	$0.15	$0.15

The weighted average remaining contractual life of options outstanding at June 30, 2018 was 3.71 years (2017 – 3.49 years).

Options Issued to Employees

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

Options Issued to Non-Employees

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

The model inputs for options granted during the years ended June 30, 2018 and 2017 include:

Grant date	Expiry date	Share price at grant date	Exercise price	Risk-free interest rate	Expected life	Volatility factor	Dividend yield
September 7, 2016	September 7, 2021	$0.08	$0.10	1.20%	5 years	269%	0%
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.

(Expressed in Canadian Dollars)

7. SHARE-BASED PAYMENTS - continued

Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

Total expenses arising from the share-based payment transactions recognized during the year as part of share-based compensation expense was $47,207 (2017- $89,734).

As at June 30, 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 year as part of exploration and evaluation asset acquisition costs were $nil (2017- $nil).

8. INCOME TAXES

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

		2018		2017
Loss before income taxes	$	(480,710)	$	(607,806)
Statutory tax rates		26.00%		26.00%
Recovery based on statutory rates		(125,000)		(158,000)
Non-deductible expenses		12,000		11,000
Difference in foreign tax rates		-		1,000
Change in unrecognized deferred tax assets		113,000		148,000
Deferred income tax recovery	$	-	$	-

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

		2018		2017
Non-capital loss carry-forwards	$	1,004,000	$	798,000
Share issuance costs		7,000		8,000
Capital property		14,000		22000
Mineral property		136,000		134,000
		1,161,000		962,000
Offset against deferred tax liabilities		-		-
Unrecognized deferred tax asset		(1,161,000)		(962,000)
Deferred tax assets		-		-
Mineral property		-		-
Offset against deferred tax assets		-		-
Deferred tax liabilities		-		-
Net deferred tax balance	$	-	$	-

(Expressed in Canadian Dollars)

8. INCOME TAXES – continued

The Company has accumulated Canadian non-capital losses of $3,463,000 up to June 30, 2018 for income tax purposes, which may be deducted in the calculation of taxable income in future years. These losses will expire between the years 2027 to 2038. The Company has US tax losses of $154,000 expiring 2030 to 2038.

9. RELATED PARTY TRANSACTIONS

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

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

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

	Year Ended	
	$ June 30, 2018	$ June 30, 2017
Management fees (i)	93,950	100,650
Consulting (ii)	63,195	75,000
Share-based payments	15,841	60,571

(i) The Company paid or accrued $57,950 (2017 - $64,650) in management fees to the President of the Company; and $36,000 (2017 - $36,000) to the CFO of the Company.

(ii) The Company paid or accrued consulting fees to directors in the amount of $63,195 (2017 - $75,000).

Accounts payable and accrued liabilities include $130,683 (2017 - $109,177) due to related parties. Loans payable include $Nil (2017 - $25,000) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

During the 2018 fiscal year accounts payable in the amount of $Nil (2017 - $27,538) was forgiven by a related party.

10. EVENTS AFTER THE REPORTING PERIOD

On July 11, 2018, the Company issued 30,000 common shares in accordance with the acquisition of the Wabunk Bay Property.

On August 24, 2018, 10,117,273 share purchase warrants expired unexercised.

On September 1, 2018, 1,974,999 share purchase warrants expired unexercised.

On September 4, 2018, the Company entered into an option agreement to acquire a 100% interest in the Coomer Lake Property located in the James Bay Lowlands in Northern Ontario. The Company can earn a 100% interest in the Coomer Lake property by making escalating cash payments totalling $185,000 and issuing 400,000 common shares over a five year period.

On September 18, 2018, the Company staked 41 claim units contiguous to the Coomer Lake Property.

10. EVENTS AFTER THE REPORTING PERIOD - continued

On October 4, 2018, the Company announced a non-brokered private placement of up to 5,000,000 units at $0.035 for gross proceeds of up to $175,000. Each unit consists of one common share and one common share purchase warrant exercisable for twenty four months at $0.05.

On October 11, 2018, in accordance with the option agreement to acquire the Coomer Lake Property, the company issued 50,000 common shares.

FALCON GOLD CORP.

MANAGEMENT'S DISCUSSION & ANALYSIS

YEAR ENDED JUNE 30, 2018

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, 2018. 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, 2018 and 2017, 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 26, 2018.

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".

Financing

The Company completed equity financing of $562,000 for cash during the year. Subsequent to the year end the Company announced that it had arranged equity financing of up to $175,000.

Share Data

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 at June 30, 2016 equaled 8,437,094. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

All references to shares, stock options and warrants are to post consolidation shares, stock options and warrants.

Selected Annual Information

	Year Ended June 30, 2018	Year ended June 30, 2017	Year Ended June 30, 2016
Revenue	$ -	$ -	$ -
Net Loss	$ 480,710	$ 607,806	$ 1,378,411
Net Loss per Share	$ (0.02)	$ (0.03)	$ (0.16)
Total Assets	$ 1,460,858	$ 1,346,020	$ 1,338,045
Total Liabilities	$ 416,170	$ 440,129	$ 522,157
Dividends	-	-	-

The decrease in net loss from 2017 to 2018 was a decrease in general and administration expense of $77,031, a decrease in share-based compensation of $42,527 and a decrease in professional fees of $32,263.

The increase in total assets from 2017 to 2018 resulted from an increase in cash of $26,149, an increase in prepaid expenses of $40,124 and increase in exploration and evaluation assets of $45,043.

Selected Quarterly Financial Information

		Three Months Ended June 30, 2018		Three Months Ended Mar 31, 2018		Three Months Ended Dec 31, 2017		Three Months Ended Sept 30, 2017
Total assets	$	1,460,858	$	1,386,442	$	1,547,826	$	1,358,767
Working capital (deficiency)	$	(308,646)	$	(323,108)	$	(223,057)	$	(384,628)
Net loss for the period	$	251,206	$	79,928	$	76,348	$	73,228
Loss per share	$	(0.02)	$	(0.00)	$	(0.00)	$	(0.00)

		Three Months Ended June 30, 2017		Three Months Ended Mar 31, 2017		Three Months Ended Dec 31, 2016		Three Months Ended Sep 30, 2016
Total assets	$	1,346,020	$	1,352,633	$	1,397,296	$	1,554,903
Working capital	$	(402,400)	$	(282,297)	$	(156,108)	$	(34,930)
Net loss for the period	$	124,964	$	124,160	$	117,742	$	240,9403
Loss per share	$	(0.01)	$	(0.01)	$	(0.01)	$	(0.02)

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

Results of Operations

Years ended June 30, 2018 and 2017

The Company incurred a net loss of $480,710 for the year ended June 30, 2018, compared to a net loss of $607,806 for the year ended June 30, 2017. Details of the more significant changes over last year are as follows:

- A decrease in general and administration to $362,939 (2017- $447,414),
- A decrease in share-based compensation to $47,207 (2017 - $ 89,734), and
- A decrease in professional fees to $21,976 (2017- $54,239),

The decreases in general and administrative expenses are due primarily to a decrease in consulting fees of $29,000 to reflect less time and resources to source new mineral properties and financing during fiscal 2018, a decrease in travel expense of $51,000 due to less frequent trips to Argentina and other countries to source and negotiate the acquisition of new mineral properties.

The decrease in share-based compensation reflects the fact that although the same number of options were granted during the year as in the previous year, input factors in determining fair value of the options granted during the current year had changed.

The decrease in professional fees includes a decrease in bookkeeping and accounting fees of $15,000, a decrease in legal fees of $5,000, and a decrease in audit fees of $3,000.

As at June 30, 2018, the Company has cash of $31,928 (2017 - $5,779), receivable of $9,913 (2017 - $6,391), prepaid expenses of $65,683 (2017 - $25,559), and accounts payable and accrued liabilities of $416,170 (2017 - $390,129) for total working capital deficiency of $308,646 (2017 - $402,400).

Fourth Quarter Fiscal 2018 and 2017

General and administrative expenses for the fourth quarter of fiscal 2018 were higher by $76,000 than for the fourth quarter of fiscal 2017. The more significant increases were for administrative expense $16,000, and consultants $44,000 offset by decreases in rent $5,000 and travel $11,000. Professional fees increased by $13,000.

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, 2018, and the corresponding notes thereto.

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 $5,383,457. As at June 30, 2018 the Company had cash of $31,928 to settle current liabilities of $416,170.

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. During the year Company raised $529,000 in additional cash equity. Subsequent to year end the company announced a private placement of up to $175,000. See Subsequent Events section for details.

Mineral Property Interests

	Opening Balance	**Expenditures**	**Ending Balance**
McCaul Hutchison Property	-	-	-
Central Canada Property	-	-	-
Wabunk Bay Property	-	-	-
Esperenza Property	-	-	-
Burton Property	1,307,687	604	1,307,291
Balance June 30, 2017	1,307,687	604	1,308,291

McCaul Hutchison Property	-	7,500	7,500
Central Canada Property	-	9,000	9,000
Wabunk Bay Property	-	6,000	6,000
Esperenza Property	-	22,543	22,543
Burton Property	1,308,291	-	1,308,291
Balance June 30, 2018	1,308,291	45,043	1,353,334

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 Hutchison 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 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, 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.

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 Ezperanza 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 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, 2016, sufficient amounts have been expended with respect to the Trelawney Agreement to enable Trelawney to earn a 51% interest in the Burton Property.

During the year ended June 30, 2017 and 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.

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, 2018, 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 to the consolidated financial statements.

Changes in Accounting Policies

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 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.

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

The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018, with early adoption permitted.

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

The new leasing standard is applicable to all entities and will supersede current lease accounting standards under IFRS. Prospective application is required is required beginning on or after January 1, 2019 with early adoption permitted only if an entity early adopts IFRS 15 as well.

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

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

The amendments are effective for annual periods beginning on or after January 1, 2018

The Company intends to adopt the above standards as applicable and does not anticipate a material impact on its consolidated financial statements.

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.

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.

(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.

(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, 2018, the Company had cash of $31,928 (June 30, 2017 - $5,779) to settle current liabilities of $416,170 (June 30, 2017 - $440,129). 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 is 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, 2018.

(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 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, 2018, 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, 2018, 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	$27,000	$54,950
Brant Capital Partners Inc.	Company controlled by the CFO of the Company	Consulting services	$9,000	$36,000
Pacific Capital Advisors	Entity of which a director of Falcon Gold is the CEO	Consulting Services	$25,000	$50,000

During the year ended June 30, 2018, the following stock options were granted to insiders:

Name	Relationship	Grant Date	Number Granted	Exercise Price
Stephen Wilkinson	CEO and Director of the Company	May 1, 2018	125,000	$ 0.06

Brian Crawford	CFO and Director of the Company	May 1, 2018	50,000	$ 0.06
David Tafel	Director of the Company	May 1, 2018	125,000	$ 0.06
James Farley	Director of the Company	May 1, 2018	50,000	$ 0.06
Kenneth Cawkell	Corporate Secretary	May 1, 2018	50,000	$0.06

Accounts payable and accrued liabilities include $159,817 (2017 - $109,177) due to related parties. These amounts are unsecured, non-interest bearing and have no fixed terms of repayment. Loans payable include $Nil (2017 - $25,000) due to related parties.

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 other than disclosed under Subsequent Events caption.

Outstanding Share Data

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 at June 30, 2016 equaled 8,437,094. The exercise price and number of common shares issuable pursuant to all outstanding stock options and warrants have been adjusted in accordance with the consolidation ratio.

All references to shares, stock options and warrants are to post consolidation shares, stock options and warrants.
As of the date of this MD&A, the Company has 32,996,184 post consolidation common shares issued and outstanding as well as: (a) stock options to purchase an aggregate of 2,680,000 post consolidation common shares expiring at various date between August 2019 and May 2023 and exercisable at prices ranging from $0.06 to $0.75 per common share and, (b) share purchase warrants to purchase an aggregate of 12,190,000 post consolidation common shares expiring between Jul 2019 and May 2020 exercisable at prices ranging from $0.08 to $1.00 per common share. Included in the warrants outstanding are 503,182 broker warrants. For additional details of share data, please refer to Notes 6, 7, and 8 of the June 30, 2018 audited consolidated financial statements.

Risks and Uncertainties

<u>Liquidity and Additional Financing</u>

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.

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.

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, 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.

Subsequent Events

On July 11, 2018, the Company issued 30,000 common shares in accordance with the acquisition of the Wabunk Bay property.

On August 24, 2018, 10,117,273 share purchase warrants expired unexercised.

On September 1, 2018, 1,974,999 share purchase warrants expired unexercised.

On September 4, 2018, the Company entered into an option agreement to acquire a 100% interest in the Coomer Lake Property located in the James Bay Lowlands in Northern Ontario. The Company can earn a 100% interest in the Coomer Lake property by making escalating cash payments totalling $185,000 and issuing 400,000 common shares over a five year period.

On September 18, 2018, the Company staked 41 claim units contiguous to the Coomer Lake Property.

On October 4, 2018, the Company announced a non-brokered private placement of up to 5,000,000 units at $0.035 for gross proceeds of up to $175,000. Each unit consists of one common share and one common share purchase warrant exercisable at $0.05 for twenty four months from the date of issue. The financing is subject to regulatory approval.

On October 11, 2018, in accordance with the option agreement to acquire the Coomer Lake Property, the company issued 50,000 common shares.

Additional Information

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