Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Financial Statements
Three Months Ended 31 March 2015 and 2014

(Presented in U.S. Dollars)

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Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Operations and Comprehensive Loss
(Unaudited)

	Notes	Three months ended 31 March 2015 $'000	Three months ended 31 March 2014 $'000
Revenue			
Oil and natural gas revenue	3	**3**	10
		3	10
Expenses			
Exploration and evaluation expenses		**(376)**	(198)
Production and operating expenses		**(6)**	(7)
Depreciation	7	**(8)**	(43)
General and administrative expenses		**(616)**	(1,019)
Share based compensation	8	**(162)**	(195)
Foreign exchange gain / (loss)		**921**	(33)
Other income		**-**	137
		(247)	(1,358)
Results from operating activities		**(244)**	(1,348)
Fair value gain - outstanding warrants	11	**128**	991
Finance income	4	**4**	59
Finance expense	4	**(125)**	(35)
Net finance (expense) \ income		**(121)**	24
Loss and comprehensive loss for the period		**(237)**	(333)
Loss and comprehensive loss attributable to:			
Equity holders of the company		**(235)**	(329)
Non-controlling interests		**(2)**	(4)
Loss and comprehensive loss for the period		**(237)**	(333)
Loss per share attributable to equity holders of the company:			
Basic and diluted	5	**($0.000)**	($0.000)

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

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Financial Position
(Unaudited)

	Notes	At 31 March 2015 $'000	At 31 December 2014 $'000
Assets			
Non-current assets			
Exploration and evaluation assets	6	**39,616**	39,619
Property, plant and equipment	7	**95**	103
Trade and other receivables		**100**	104
Restricted cash	15	**2,210**	331
		42,021	40,157
Current assets			
Cash and cash on deposit	13	**11,465**	14,753
Trade and other receivables		**504**	443
		11,969	15,196
Total assets		**53,990**	55,353
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		**382,853**	382,853
Contributed surplus		**42,822**	42,660
Retained deficit		**(382,584)**	(382,349)
		43,091	43,164
Non-controlling interests		**711**	713
Total equity		**43,802**	43,877
Liabilities			
Non-current liabilities			
Decommissioning provision	12	**8,356**	9,493
		8,356	9,493
Current liabilities			
Accounts payable and accrued expenses	14	**1,446**	1,469
Derivative financial liabilities	11	**386**	514
		1,832	1,983
Total liabilities		**10,188**	11,476
Total equity and liabilities		**53,990**	55,353

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

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Changes in Equity
(Unaudited)

	Notes	Share capital $'000	Contributed surplus $'000	Retained deficit $'000	Equity interests of the parent $'000	Non-Controlling interests ("NCI") $'000	Total equity $'000
At 1 January 2014		382,853	42,463	(350,605)	**74,711**	737	**75,448**
Share based compensation	8	-	195	-	**195**	-	195
Net loss for the period		-	-	(329)	**(329)**	(4)	**(333)**
At 31 March 2014		382,853	42,658	(350,934)	**74,577**	733	**75,310**
At 1 January 2015		382,853	42,660	(382,349)	**43,164**	713	**43,877**
Share based compensation	8	-	162	-	**162**	-	**162**
Net loss for the period		-	-	(235)	**(235)**	(2)	**(237)**
At 31 March 2015		**382,853**	**42,822**	**(382,584)**	**43,091**	**711**	**43,802**

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

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Statement of Cash Flows
(Unaudited)

		Three months ended 31 March	
		2015	2014
	Notes	**$'000**	$'000
Cash flows from operating activities			
Net loss for the period		**(237)**	(333)
Adjustments for:			
Share based compensation	8	**162**	195
Depreciation	7	**8**	43
Fair value gain - outstanding warrants	11	**(128)**	(991)
Net finance expense / (income)	4	**121**	(24)
Effect of exchange rates on operating activities		**(921)**	33
Change in non-cash working capital:			
Trade and other receivables		**(57)**	(269)
Accounts payable and accrued expenses		**244**	108
Restructuring spend		**(219)**	-
Interest received	4	**4**	17
Net cash used in operating activities		**(1,023)**	(1,221)
Cash flows from investing activities			
Increase in restricted cash		**(1,991)**	-
Exploration and evaluation assets		**-**	(373)
Property, plant and equipment		**-**	(8)
Net cash used in investing activities		**(1,991)**	(381)
Change in cash and cash equivalents		**(3,014)**	(1,602)
Effect of exchange rates on cash & cash equivalents		**(274)**	50
Cash and cash equivalents at beginning of period		**8,753**	8,431
Cash and cash equivalents at end of period	13	**5,465**	6,879

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

1. General Information

Falcon Oil & Gas Ltd. ("**Falcon**") is an oil and gas company engaged in the acquisition, exploration and development of unconventional and conventional oil and gas assets. Falcon's interests are located in Australia, Hungary, South Africa and Canada.

Falcon is incorporated in British Columbia, Canada and headquartered in Dublin, Ireland with a technical team based in Budapest, Hungary. Falcon's Common Shares are traded on Toronto's TSX Venture Exchange ("**TSX-V**") (symbol: FO.V); AIM, a market operated by the London Stock Exchange (symbol: FOG) and ESM, a market regulated by the Irish Stock Exchange (symbol: FAC).

The information provided herein in respect of Falcon includes information in respect of its wholly-owned subsidiaries: Mako Energy Corporation, a Delaware company ("**Mako**"); TXM Oil and Gas Exploration Kft., a Hungarian limited liability company ("**TXM**"); TXM Marketing Trading & Service Kft., a Hungarian limited liability company ("**TXM Marketing**"); Falcon Oil & Gas Ireland Ltd., an Irish limited liability company ("**Falcon Ireland**"); Falcon Oil & Gas Holdings Ireland Ltd., an Irish limited liability company ("**Falcon Holdings Ireland**"); Falcon Oil & Gas USA Inc., a Colorado company ("**Falcon USA**"); Falcon Exploration and Production South Africa (Pty) Ltd., a South African limited liability company ("**Falcon South Africa**") and its 98.1% majority owned subsidiary, Falcon Oil & Gas Australia Limited, an Australian limited liability company ("**Falcon Australia**") (collectively, the "**Company**" or the "**Group**").

2. Accounting policies

Basis of preparation and going concern

These Interim Condensed Consolidated Financial Statements ("**Interim Statements**") of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' and, except as described below, on the basis of the same accounting principles as, and should be read in conjunction with, the Consolidated Financial Statements for the year ended 31 December 2014 (pages 9 to 17) as filed on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

There are no amended accounting standards or new accounting standards that have any significant impact on these interim financial statements applicable as at 1 January 2015.

The Interim Statements are presented in United States dollars ("**$**"). All amounts, except as otherwise indicated, are presented in thousands of dollars. "**CDN$**" where referenced in the Interim Statements represents Canadian Dollars. "**£**" where referenced in the Interim Statements represents British Pounds Sterling. "**HUF**" where referenced in the Interim Statements represents Hungarian Forints. "**A$**" where referenced in the Interim Statements represents Australian Dollars.

The Group's interim financial statements have been prepared on a going concern basis which assumes that the Group will be able to meet its liabilities as they fall due for the foreseeable future.

3. Segment information

Based on internal reporting information, it was determined that there is one reportable segment. All of The Group's operations are in the petroleum and natural gas industry with its principal business activity being in the acquisition, exploration and development of petroleum and natural gas properties. The Group has producing petroleum and natural gas properties located in Canada and considers the results from its operations to relate to the petroleum and natural gas properties. The Group has unproven petroleum and natural gas interests in Australia, South Africa and Hungary.

The key performance measures reviewed for the segment which management believes are the most relevant information when evaluating the results of the Group are:

- the progress and extent to which farm-out agreements have been executed over the Group's acreage; and
- cash flow, capital expenditure and operating expenses.

3. Segment information (continued)

An analysis of the geographic areas is as follows:

	Australia $'000	**South Africa $'000**	**Hungary $'000**	**Other $'000**	**Total $'000**
Three months ended 31 March 2015					
Revenue	**-**	**-**	**-**	**3**	**3**
Net (loss) \ income (i)	**(81)**	**(123)**	**574**	**(605)**	**(235)**
At 31 March 2015					
Capital assets (ii)	**39,616**	**-**	**-**	**95**	**39,711**

	Australia $'000	South Africa $'000	Hungary $'000	Other $'000	Total $'000
Three months ended 31 March 2014					
Revenue	-	-	-	10	10
Net (loss) \ income (i)	(257)	(21)	(415)	364	(329)
At 31 March 2014					
Capital assets (ii)	51,630	-	28,322	134	80,086

(i) Net (loss) / income attributable to equity holders of the company.
(ii) Capital assets consist of exploration & evaluation assets and property, plant and equipment.

4. Finance income and expense

		For the three months ended 31 March	
	Notes	**2015 $'000**	2014 $'000
Finance income			
Interest income on bank deposits		**4**	17
Net foreign exchange gain		**-**	42
		4	59
Finance expense			
Accretion of decommissioning provisions	12	**(31)**	(35)
Net foreign exchange loss		**(94)**	-
		(125)	(35)
Net finance (expense) / income		**(121)**	24

5. Net loss per share

Basic and diluted loss per share is calculated as follows:

	For the three months ended 31 March	
	2015	2014
	$'000	$'000
Loss attributable to equity holders of the company	**(235)**	(329)
Weighted average number of common shares in issue - (thousands)	**921,537**	921,537
Loss / diluted loss per share	**($0.000)**	($0.000)

6. Exploration and Evaluation ("E&E") assets

	Australia $'000	**South Africa $'000**	**Hungary $'000**	**Total $'000**
At 1 January 2015	**39,619**	**-**	**-**	**39,619**
Disposals	**(3)**	**-**	**-**	**(3)**
At 31 March 2015	**39,616**	**-**	**-**	**39,616**

	Australia $'000	**South Africa $'000**	**Hungary $'000**	**Total $'000**
At 1 January 2014	51,444	-	23,073	74,517
Additions	6,785	-	127	6,912
Farm out	(18,610)	-	-	(18,610)
Impairment	-	-	(21,471)	(21,471)
Disposals	-	-	(41)	(41)
Decommissioning provision	-	-	(1,688)	(1,688)
At 31 December 2014	39,619	-	-	39,619

E&E assets consist of the Group's exploration projects which are pending the determination of proven or probable reserves. Additions represent the Group's costs incurred on E&E assets during the period.

An impairment of intangible exploration assets was recognised as an expense in the statement of operations and comprehensive loss as impairment of non-current assets at 31 December 2014. At 31 December 2014, the Group's Hungarian assets were impaired to zero.

Beetaloo Basin, Northern Territory, Australia

Falcon Australia, Falcon's 98.1% owned subsidiary, is one of three registered holders of three exploration permits covering approximately 4.6 million gross acres (approximately 18,362 km^2), 1.4 million net acres in the Beetaloo Basin, a sparsely populated area of the Northern Territory.

On 21 August 2014, Falcon Australia completed its Farm-Out Agreement and Joint Operating Agreement (collectively "**the Agreements**") with Origin Energy Resources Limited, a subsidiary of Origin Energy Limited ("**Origin**") and Sasol Petroleum Australia Limited, a subsidiary of Sasol Limited ("**Sasol**"), (collectively referred to herein as the "**Farminees**"), each farming into 35% of Falcon Australia's Exploration Permits in the Beetaloo Basin, Australia (the **"Permits**").

The transaction details were:

- Falcon Australia received A$20 million cash from the farminees.
- Origin was appointed as Operator.
- Farminees to carry Falcon Australia in a nine well exploration and appraisal program over 2014 to 2018 inclusive, detailed as follows:

6. Exploration and Evaluation ("E&E") assets (continued)

  - 3 vertical exploration/stratigraphic wells and core studies;
  - 1 hydraulic fracture stimulated vertical exploration well and core study;
  - 1 hydraulic fracture stimulated horizontal exploration well, commercial study and 3C resource assessment; and
  - 4 hydraulic fracture stimulated horizontal exploration/appraisal wells, micro-seismic and 90 day production tests.
- Drilling/testing specifically planned to take the project towards commerciality. Falcon Australia retains a 30% interest in the Permits.
- Farminees will pay for the full cost of completing the first five wells estimated at A$64 million, and will fund any cost overruns. This work is expected to be completed within two years (2015 - 2016).
- Farminees to pay the full cost of the following two horizontally fracture stimulated wells, 90 day production tests and micro seismic with a capped expenditure of A$53 million, any cost overrun funded by each party in proportion to their working interest. This work programme is expected to be undertaken in 2017.
- Farminees to pay the full cost of the final two horizontally fracture stimulated wells and 90 day production tests capped at A$48 million, any cost overrun funded by each party in proportion to their working interest. This work programme is expected to be undertaken in 2018.
- Farminees may reduce or surrender their interests back to Falcon Australia only after:
  - the drilling of the first five wells or
  - the drilling and testing of the next two horizontally fracture stimulated wells.

Karoo Basin, South Africa

Falcon holds a Technical Cooperation Permit ("**TCP**") covering an area of approximately 7.5 million acres (approximately 30,327 km^2) onshore Karoo Basin, South Africa. The TCP grants Falcon an exclusive right to apply for an exploration right over the underlying acreage.

On 12 March 2014, South Africa's parliament approved the Mineral and Petroleum Resources Development Amendment Bill ("**MPRDA Bill**") which amends the Mineral and Petroleum Resources Development Act (28 of 2002), South Africa's main petroleum law. Among the proposed changes, the law provides the state with a free carried interest of 20% in all new gas and oil exploration and production ventures. In addition to this 20% free carried interest, the government introduced a new clause entitling it to further participation in the form of an acquisition at an agreed price or production sharing agreements. No percentage limit on this entitlement has been stated in the amendments. The MPRDA Bill only provides a framework and regulations must be promulgated to give effect to it. In Q2 2014, the new Minister of Mineral Resources requested the President to delay the signature of the MPRDA Bill in order to give him time to investigate the matter. In January 2015, the President referred the MPRDA Bill back to the National Assembly for reconsideration.

On 3 November 2014 Falcon announced it has been notified by the Petroleum Agency of South Africa that a decision had been taken to proceed with processing of the Company's application for a shale gas exploration licence in South Africa's Karoo Basin.

In December 2012, Falcon entered into a cooperation agreement (the "**Chevron Agreement**") with Chevron Business Development South Africa Ltd. ("**Chevron**") to jointly seek unconventional exploration opportunities in the Karoo Basin. The Chevron Agreement provides for Falcon to work exclusively with Chevron for a period of five years to jointly seek to obtain exploration rights in the Karoo Basin subject to the parties mutually agreeing participation terms applicable to each right.

As part of the Chevron Agreement, Chevron made a cash payment to Falcon of $1 million as a contribution to past costs. This was received in February 2013. All expenditures and recoveries of costs associated with the TCP and with the application for the exploration permit are charged / credited to operations as E&E expenses.

Makó Trough, Hungary

Falcon began operations in Hungary in 2005. Falcon's subsidiary, TXM, holds the 35-year Makó Production Licence covering an area of approximately 245,775 acres (approximately 1,000 km^2) located in the Makó Trough, part of the greater Pannonian Basin of central Europe. The Makó Licence is located approximately ten kilometres from the MOL Group owned and operated Algyő field. The Makó Licence area is transected by existing gas pipelines, including a 12 kilometre gas pipeline built by Falcon in 2007, which together offer potential access to local and international markets.

6. Exploration and Evaluation (“E&E”) assets (continued)

The Makó Trough contains two distinct plays:

- a play targeting gas prospects in the shallower Algyő Play at depths between 2,300 metres and 3,500 metres; and
- a deeper unconventional play targeting significant contingent resources in the Deep Makó Trough.

An impairment test was completed on the assets in the Hungarian cost pool at 31 December 2014. The test demonstrated that the estimated recoverable amount of the E&E and property, plant and equipment in the pool was insufficient to cover the carrying amount of these assets. The carrying value of the assets is nil at 31 March 2015 and 31 December 2014.

7. Property, plant and equipment

	Canadian natural gas interests $’000	**Pipeline and facilities $’000**	**Furniture and equipment $’000**	**Total $’000**
Cost:				
At 1 January 2015	466	4,108	2,713	7,287
Disposals	-	-	(2,523)	(2,523)
At 31 March 2015	**466**	**4,108**	**190**	**4,764**
Depreciation and impairment:				
At 1 January 2015	(466)	(4,108)	(2,610)	(7,184)
Depreciation	-	-	(8)	(8)
Disposals	-	-	2,523	2,523
At 31 March 2015	**(466)**	**(4,108)**	**(95)**	**(4,669)**
Net book value:				
At 31 March 2015	**-**	**-**	**95**	**95**

	Canadian natural gas interests $’000	**Pipeline and facilities $’000**	**Furniture and equipment $’000**	**Total $’000**
Cost:				
At 1 January 2014	466	4,234	2,704	7,404
Additions	-	-	9	9
Decommissioning provision	-	(126)	-	(126)
At 31 December 2014	466	4,108	2,713	7,287
Depreciation and impairment:				
At 1 January 2014	(466)	-	(1,535)	(2,001)
Depreciation	-	-	(128)	(128)
Impairment	-	(4,108)	(947)	(5,055)
At 31 December 2014	(466)	(4,108)	(2,610)	(7,184)
Net book value:				
At 31 December 2014	-	-	103	103

8. Share based compensation

The Group, in accordance with the policies of the TSX-V, may grant options to directors, officers, employees and consultants, to acquire up to 10% of the Group's issued and outstanding common stock. The exercise price of each option is based on the market price of the Group's stock at the date of grant, which may be discounted in accordance with TSX-V policies. The exercise price of all options granted to date has been based on the market price of the Group's stock at the date of grant, and no options have been granted at a discount to the market price. The options can be granted for a maximum term of five years. The Group records compensation expense over the vesting period based on the fair value at the grant date of the options granted. These amounts are recorded as contributed surplus.

Any consideration paid on the exercise of these options together with the related contributed surplus associated with the exercised options is recorded as share capital. The Group incurred share based expense of $0.2 million during the period ended 31 March 2015 (2014: $0.2 million).

6 million options were granted in the period to 31 March 2015 at an average exercise price of CDN$0.15 (2014: no options were granted during period ended 31 March 2014). 3 million of the options will vest equally at the grant anniversary date over three years; with the remaining 3 million options having vested at the time of grant.

A summary of the Group's stock option plan as of 31 March 2015 and 31 December 2014 and changes during the periods then ended, is presented below:

	Three months ended 31 March 2015		Year ended 31 December 2014	
	Number of options	**Weighted average exercise price CDN$**	Number of options	Weighted average exercise price CDN$
Outstanding as at beginning of period	**30,085,333**	**0.15**	34,952,000	0.16
Granted	**6,000,000**	**0.15**	-	-
Forfeited	**(1,333,333)**	**0.22**	(4,866,667)	0.22
Outstanding as at end of period	**34,752,000**	**0.15**	30,085,333	0.15
Exercisable as at end of period	**26,396,445**	**0.14**	25,352,000	0.15

The exercise prices of the outstanding options are as follows:

Date of grant	**Options**	**Exercise price CDN$**	**Date of Expiry**	**Weighted average contractual life remaining (years)**
30 August 2010	3,312,000	0.170	30 August 2015	0.42
23 May 2011	15,190,000	0.145	23 May 2016	1.15
1 June 2011	150,000	0.145	1 June 2016	1.17
1 May 2012	6,000,000	0.100	1 May 2017	2.09
30 April 2013	4,100,000	0.240	29 April 2018	3.08
26 January 2015	6,000,000	0.150	25 January 2020	4.82
	34,752,000			

8. Share based compensation (continued)

The fair value of granted options was estimated using a Black Scholes model with the following inputs:

	2015
Fair value as at grant date	**CDN$0.05**
Share price as at grant date	**CDN$0.11**
Exercise price	**CDN$0.15**
Volatility	**75.35%**
Expected option life	**3.88 years**
Dividends	**Nil**
Risk - free interest rate	**0.788%**

9. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Cash & cash on deposit, restricted cash, accounts receivable, accounts payable and accrued expenses
The fair value of cash & cash on deposit, restricted cash, accounts receivable, accounts payable and accrued expenses is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. As at 31 March 2015 and 31 December 2014, the fair value of cash and cash on deposit, restricted cash, accounts receivable, accounts payable and accrued expenses approximated their carrying value due to their short term to maturity.

10. Financial Instruments and risk management

The following tables provide fair value measurement information for financial assets and liabilities as at 31 March 2015 and 31 December 2014. The carrying value of cash and cash on deposit, restricted cash, accounts receivable, and accounts payable and accrued expenses included in the consolidated statement of financial position approximate fair value due to the short term nature of those instruments.

	31 March 2015		31 December 2014	
	Carrying value $'000	**Fair value $'000**	Carrying value $'000	Fair value $'000
Financial assets:				
Cash and cash on deposit including restricted cash	**13,675**	**13,675**	15,084	15,084
Loans and receivables:				
Accounts receivable	**604**	**604**	547	547
Financial Liabilities:				
Other financial liabilities				
Accounts payable and accrued expenses	**1,446**	**1,446**	1,469	1,469

10. Financial Instruments and risk management (continued)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Fair Value Measurements
- Level 1 fair value measurements are based on unadjusted quoted market prices.

Level 2 Fair Value Measurements
- Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 Fair Value Measurements
- Level 3 fair value measurements are based on unobservable information. No financial assets or liabilities have been valued using the Level 3 fair value measurements.

	Carrying amount $'000	**Fair value $'000**
31 March 2015		
Financial liabilities:		
Hess warrant	386	386
31 December 2014		
Financial liabilities:		
Hess warrant	514	514

The instrument in the table is a Level 2 instrument.

11. Derivative liabilities

Derivative liabilities consist of the fair value of a warrant. Changes in the fair value of the derivative liabilities are recorded in the Consolidated Statement of Operations and Comprehensive Loss. The composition of the derivative liabilities as at 31 March 2015 and 31 December 2014, and the changes therein for the period then ended, are as follows:

	Private Placement Warrants $'000	**Hess Warrant $'000**	**Total $'000**
At 1 January 2014	949	448	1,397
Derivative (gains) / loss – unrealised – outstanding warrant	(949)	66	(883)
At 31 December 2014 – non current	-	514	514
Derivative (gains) – outstanding warrant	-	**(128)**	**(128)**
At 31 March 2015 – non current	-	**386**	**386**

11. Derivative liabilities (continued)

The term of the warrant is as follows:

Warrant issue	Date of issue	Number of common shares issuable under warrant	Exercise Price CDN$	Proceeds from warrant* CDN$'000	Expiry date
Hess Warrant	13 July 2011	10,000,000	0.19	1,900	13 January 2020
Total		**10,000,000**		**1,900**	

*Proceeds from warrant are subject to the warrant holder exercising their warrant.

The fair value of the warrant was estimated using a Black Scholes Model with the following inputs:

	Hess Warrant 31 March 2015	Hess Warrant 31 December 2014
Number	**10,000,000**	10,000,000
Expiry	**13 January 2020**	13 January 2020
Exercise price	**CDN$0.19**	CDN$0.19
Volatility	**74.3%**	76.09%
Expected warrant life	**4.79 years**	5.04 years
Dividends	**Nil**	Nil
Risk-free rate	**0.74%**	1.34%

12. Decommissioning provision

A reconciliation of the decommissioning provision for the period ended 31 March 2015 and the year ended 31 December 2014 is provided below:

	2015 $'000	2014 $'000
Balance as at beginning of period	**9,493**	11,138
Revision to provisions – primarily movement on foreign exchange	**(1,168)**	(1,818)
Accretion	**31**	173
Non – current; Balance at end of period	**8,356**	9,493

The Group's decommissioning provision results from its ownership interest in oil and natural gas assets. The total decommissioning provision is estimated based on the Group's net ownership interest in the wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Group's has estimated the net present value of the decommissioning provision to be $8.4 million as at 31 March 2015 (31 December 2014: $9.5 million). This is based on an undiscounted total future liability of $9.8 million (31 December 2014: $11.1 million). These payments are expected to be made over approximately the next 20 years. The discount factor, being the risk free rate related to the liability, was 1.3% as at 31 March 2015 and 31 December 2014.

13. Cash and cash on deposit

Cash and cash equivalents includes cash on hand, deposits held on call with banks, other short term highly liquid investments with initial maturities of three months or less at inception and bank overdrafts where a legal right of offset exists. Cash on deposit represents cash on deposit with a maturity in excess of three months.

	31 March 2015 $'000	31 December 2014 $'000
Cash and cash equivalents	**5,465**	8,753
Cash on deposit	**6,000**	6,000
	11,465	14,753

14. Accounts payable and accrued expenses

	Note	**31 March 2015 $'000**	31 December 2014 $'000
Current			
Accounts payable		**379**	304
Accrued expenses		**801**	680
Royalties payable		**7**	7
Restructuring provision	(i)	**259**	478
		1,446	1,469

(i) *Restructuring provision*

The movement in the provision to 31 March 2015 and 31 December 2014 is as follows:

	Note	**Severance benefits $'000**	**Rent expense & associated costs $'000**	**Other $'000**	**Total $'000**
At 1 January 2014			92	6	98
Utilised during the year	*(i)*	-	(58)	(6)	(64)
Increase in provision		143	255	46	444
At 31 December 2014		143	289	46	478
Utilised during the period	*(ii)*	**(143)**	**(64)**	**(12)**	**(219)**
At 31 March 2015		**-**	**225**	**34**	**259**

(i) During 2012 the Group relocated its corporate headquarters from Denver, Colorado to Dublin, Ireland. The finance and executive function moved to Dublin while the primary technical function shifted to the company's Hungarian office in Budapest where the company operates exploration and producing interests. In connection with that decision, all individuals and consultants in Denver were terminated. The Denver office closed on 28 September 2012.

(ii) The Group restructured its technical function in Budapest during Quarter 4, 2014 to meet the changing needs to the Group. This resulted in provision of $0.5 million. These provisions will continue to be utilised in 2015.

15. Restricted cash

Restricted cash includes cash held by financial institutions as collateral for ongoing Group operations. During the period, the Group placed US$2.0 million on deposit for the benefit of the Hungarian mining authority as a security deposit with regards the Group's decommissioning obligations.

	31 March 2015 $'000	31 December 2014 $'000
Restricted cash	**2,210**	331
	2,210	331

16. Related party transactions

The following are the related party transactions which occurred during the period:

Senzus Kft
On 1 January 2013, Dr. Gábor Bada verbally agreed the terms on which he was to provide geological services to TXM as a consultant. Dr. Bada invoices TXM through his company Senzus Kft. Dr. Gábor Bada received a consultancy fee of $5,000 through his company during the period ended 31 March 2015. This agreement terminated on 30 April 2015.

Oakridge Financial Management Inc.
The Group has engaged Oakridge Financial Management Inc. to assist in submitting returns to the Canadian Revenue Agency. Mr. Greg Smith, a current director of Falcon, is the sole shareholder in Oakridge Financial Management Inc.. The Group has incurred costs of approximately CDN$157 to Oakridge Financial Management Inc. during the period ended 31 March 2015.

17. Commitments

Australia - Beetaloo Basin, Northern Territory, Australia
The work commitment on the Beetaloo Basin, Northern Territory, Australia is aligned with the farm-out agreement entered into by Falcon Australia with Sasol and Origin in August 2014.

The Group is planning a 9 well drilling programme with its farm-out partners. The details are as follows:

- Farminees will pay for the full cost of completing the first five wells estimated at A$64 million, and will fund any cost overruns. This work is expected to be completed within two years (2015 – 2016).
- Farminees to pay the full cost of the following two horizontally fracture stimulated wells, 90 day production tests and micro seismic with a capped expenditure of A$53 million, any cost overrun funded by each party in proportion to their working interest. This work programme is expected to be undertaken in 2017.
- Farminees to pay the full cost of the final two horizontally fracture stimulated wells and 90 day production tests capped at A$48 million, any cost overrun funded by each Party in proportion to their working interest. This work programme is expected to be undertaken in 2018.

South Africa - Karoo Basin, South Africa
On granting of an approved exploration right in South Africa, the Group will be required to make a payment to the South African government of approximately $0.7 million.

Hungary - Makó Trough, Hungary
The Group is not committed to any independent technical operations in Hungary.

18. Approval of Interim financial statements

These Interim Financial Statements were approved by the Audit Committee as delegated by the Board of Directors and authorised for issue on 27 May 2015.

[End of document]