Falcon Oil & Gas Ltd.

Annual Information Form
For the Fiscal Year Ended 31 December 2020

26 April 2021

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1. INTRODUCTION

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**"); 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**").

References to "**Falcon**" refers to Falcon Oil & Gas Ltd. only.

Unless stated otherwise, the information given herein is as at 31 December 2020.

Forward-looking statements

Certain statements contained in this Annual Information Form constitute forward-looking statements and are based on Falcon's beliefs and assumptions based on information available at the time the assumption was made. By its nature, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Any statements not of historical fact may be deemed to be forward-looking information. Forward-looking information typically contains statements with words such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "projects", "dependent", "potential", "scheduled", "forecast", "outlook", "budget", "hope", "support" "ongoing", "objective", "measure", "depends", "could" or the negative of those terms or similar words suggesting future outcomes. In particular forward-looking statements in this Annual Information Form include, but are not limited to, statements with respect to: strategy of the Board of Directors of Falcon (the "**Board**") and countries it believes support the exploitation of unconventional oil and gas; the shale oil and shale gas potential of the Beetaloo Sub-basin; the Beetaloo Sub-basin work programme, expectations and bringing the project to commerciality; treatment under governmental regulatory regimes and tax laws; the quantity of petroleum and natural gas resources or reserves including details of what was submitted to the Northern Territory Government; statements relating to the Group's activities in the Beetaloo Sub-basin; plans for longer term measures to be put in place to flow back sufficient hydraulic fracture stimulation water to allow Kyalla 117 N2-1H ST2 ("**Kyalla 117**") to flow continually without assistance and enable an extended production test and the likelihood of such operations being successful; information relating to the 2021 work programme, the contingent resource estimate for the Amungee NW-1H Velkerri B shale gas pool; COVID-19 and the impact on the work programme; fiscal terms regarding the Karoo basin, South Africa, the Mineral and Petroleum Resources Development Amendment Bill ("**MPRDA Bill**"), and the awarding of exploration rights; liquidity and financial capital including the going concern capabilities of the Company; expectations regarding the ability of Falcon to access additional sources of funding including those not currently available; and Falcon's ability to leverage its experience in the unconventional oil and gas industry to acquire interests in licenses.

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the Republic of Hungary, the Commonwealth of Australia, the Republic of South Africa and globally; supply and demand for petroleum and natural gas; industry conditions, including fluctuations in the price of petroleum and natural gas; governmental regulation of the petroleum and natural gas industry, including income tax, environmental and regulatory matters adversely impacting the exploitation of unconventional oil and gas resources; introduction of a moratorium; fluctuation in foreign exchange or interest rates; risks and liabilities inherent in petroleum and natural gas operations, including exploration, development, exploitation, marketing and transportation risk and for relatively under-explored basins such as the Beetaloo Sub-basin there may not be the shale oil and gas commercial potential; need to obtain regulatory approvals before development commences; environmental risks and hazards and cost of compliance with environmental regulations; aboriginal claims; risks and uncertainties associated with wellbore or reservoir conditions geological, technical, drilling and processing problems; unanticipated operating events which can delay exploration and appraisal or reduce production or cause production to be shut-in or delayed; willingness of joint venture partners to continue with a work programme and bringing towards commerciality; the ability of our joint venture partners to pay their proportionate share of joint interest billings; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, processing and transportation capacity, undeveloped land and skilled personnel; uncertainties inherent in estimating quantities of reserves and resources and bringing to commerciality; the need to obtain required approvals from regulatory authorities with delays impacting work programmes and associated costs or not receiving the requisite license to explore; risks associated with drilling wells which is speculative and often involves significant costs that may be more than estimated and may not result in any discoveries; cash availability to meet unforeseen expenses as they fall due; pandemics such as COVID-19 may be prolonged delaying work programmes and increasing cost and the other factors considered under "**Risk Factors**" in this document.

With respect to forward-looking statements contained in this Annual Information Form, Falcon has made assumptions regarding: the countries where the Group operates supporting the exploitation of unconventional oil and gas; the shale oil and shale gas commercial potential of the Beetaloo Sub-basin while it remains relatively under-explored; the continuation of the Beetaloo Sub-basin work programme and the project being brought towards commerciality; the original gas in place and contingent gas resource calculated with respect to the Beetaloo Sub-basin are the best estimates based on the drilling results to date and other data (including seismic) available; work with Falcon's joint venture partner, Origin Energy B2 Pty Ltd. ("**Origin**"), will continue, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme; the pause to operations in the Beetaloo Sub-basin was temporary while COVID-19 was controlled; estimated date for the awarding of the exploration right over the acreage in the Karoo Basin; the Group's ability to continue as a going concern; the Beetaloo Sub-basin project being brought towards commerciality.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this Annual Information Form in order to provide readers with a more complete perspective on Falcon's future operations and such information may not be appropriate for other purposes. Falcon's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Falcon disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulation. In addition, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

Documents incorporated by reference

The following documents, referenced herein, have been filed on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com and are incorporated by reference herein:

1. Statement of Reserves Data and Other Oil and Gas Information with an effective date of 31 December 2020 (the "**51-101F1 Report**").
2. Report on Reserves Data prepared by Chapman Petroleum Engineering Ltd. ("**Chapman**") dated 26 March 2021 (the "**51-101F2 Report**").
3. Report of Management and Directors on Reserves Data and Other Information dated 26 April 2021 (the "**51-101F3 Report**").

Dollar amounts

All dollar amounts in this document are in United States dollars (**"$"**), except as otherwise indicated. "**CDN$**" where referenced represents Canadian Dollars; "**£**" represents British Pounds sterling, "**HUF**" represents Hungarian Forints **"A$**" represents Australian Dollars and "**€**" represents the Euro.

The financial information provided herein has been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

2. CORPORATE STRUCTURE

Falcon was incorporated and registered in British Columbia, Canada on 18 January 1980 under the laws of the Province of British Columbia with the name Sanfred Resources Ltd. ("**Sanfred**").

On 21 December 1999, Sanfred consolidated its authorised and issued share capital. On the same date Sanfred changed its name to Falcon Oil & Gas Ltd. On 2 March 2005, Falcon transitioned from the British Columbia Company Act to the new *Business Corporations Act* (British Columbia) ("**BCA**"). Other than the subsidiaries through which Falcon acts, Falcon has no commercial name other than its registered name and does not operate under any other name.

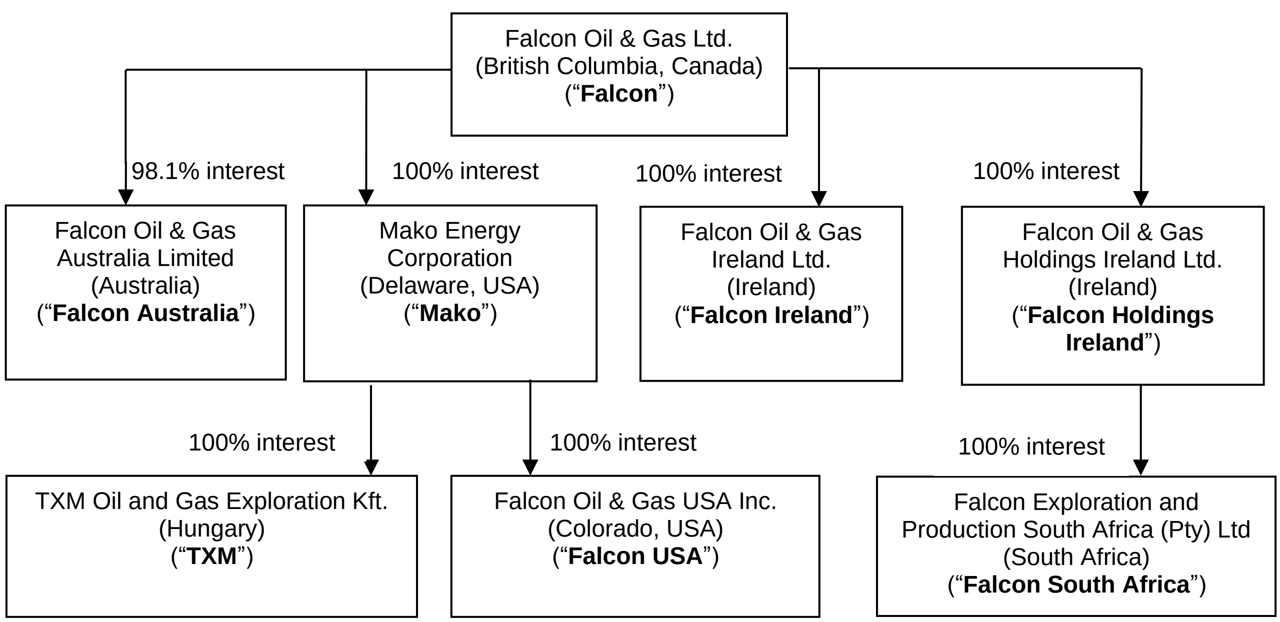
Falcon is a reporting issuer and the principal corporate legislation under which it operates is the BCA and the regulations made thereunder.

Falcon's registered office is at 1200 Waterfront Centre, 200 Burrard Street, Vancouver BC V7X 1T2, Canada. Falcon's head office is at 68 Merrion Square South, Dublin 2, Ireland, telephone number +353 1 676 8702. The Company's corporate website address is www.falconoilandgas.com.

Falcon has no administrative, management or supervisory bodies other than the Board of Directors ("**the Board**"), and the committees as set out in in this document, namely the Audit Committee, the Compensation Committee and the Reserves, Health Safety and Environment Committee.

Organisational structure

The following chart depicts the organisation of the Company as at the date hereof, including its subsidiaries:



Falcon Australia was formed in August 2008 to acquire working interests in certain properties in the Beetaloo Sub-basin located in the Northern Territory, Commonwealth of Australia.

Mako was incorporated under the laws of the State of Delaware, United States of America on 8 November 2004 for the purpose of acquiring, exploring, and developing oil and gas properties.

Falcon Ireland was incorporated on 25 April 2012 and functions as a service company for corporate headquarters.

Falcon Holdings Ireland was incorporated on 6 November 2013 and functions as a holding company for the Group's investment in Falcon South Africa.

TXM was formed in 2004 to conduct oil and gas exploration and development business in the Republic of Hungary.

Falcon USA was formed in August 2008 to hold the Company's working interest in the Buckskin Mesa Project located in the Piceance Basin, Colorado. On 24 February 2009, the Company reassigned its interest in the Buckskin Mesa Project to PetroHunter Energy Corporation ("**PetroHunter**") and the Company was relieved of all obligations related to the project. Falcon USA is now dormant.

Falcon South Africa was incorporated on 17 March 2014 to conduct oil and gas exploration and development in South Africa.

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3. GENERAL DEVELOPMENT OF THE BUSINESS

The development of the business from 2018 to date is chronicled below:

Developments of the business during 2018

On **12 February 2018** Falcon announced that Burlingame Asset Management, LLC were the beneficial owners of 48,772,302 common shares of Falcon, representing 5.24% of Falcon's issued and outstanding shares at that date.

On **21 February 2018** Falcon noted that Origin had presented a technical paper on the potential of the Kyalla Formation in the Beetaloo Sub-basin at the Australia Exploration Geoscience Conference ("**AEGC**") in Sydney. Details are included on page 14.

On **27 March 2018** Falcon noted the publication of the Final Report by the scientific inquiry into hydraulic fracturing. Details of the announcement are included on page 15.

On **17 April 2018** Falcon welcomed the decision by the Northern Territory ("**NT**") government to lift the moratorium on hydraulic fracturing.

On **15 May 2018** Falcon reported that Origin had presented a technical paper, headlined - "Australia's premier shale basin: 5 plays 1,000,000,000 years in the making", at the Australian Petroleum Production and Exploration Association ("APPEA") Conference in Adelaide. Details are included on page 15.

On **07 August 2018** Falcon was informed by Swiss Energy Partners (formerly Persistency Private Equity) that they no longer held common shares in Falcon.

On **16 August 2018** Falcon announced it had signed an agreement to amend the farm out agreement with Origin, to deem Stage 1 of the exploration and appraisal drilling programme in the Beetaloo Sub-basin complete and to commence Stage 2 with an A$15 million increase to the Stage 2 Cost Cap. Full details are on page 12.

On **03 October 2018** Falcon noted that CR Innovations AG ("**CRIAG**") was adjudicated bankrupt on 21 March 2017 following which Falcon and Origin approached the liquidator of CRIAG (the "**Liquidator**") with a view to terminating the overriding royalty interest ("**ORRI**"). Falcon and Origin signed a termination agreement with the Liquidator and paid CHF150,000 (approximately US$151,000) to the Liquidator and the 1% ORRI was terminated.

On **10 October 2018** Falcon announced the appointment of Cenkos Securities plc as joint broker, alongside Davy and RBC Capital Markets, Falcon's brokers at that time.

Developments of the business during 2019

On **16 January 2019** Falcon announced it had been informed that Sweetpea Petroleum Pty Ltd. was the beneficial owner of 61,708,000 common shares of Falcon, representing 6.63% of Falcon's issued and outstanding shares at that date.

On **21 January 2019** Falcon announced that Origin had signed a rig contract with Ensign Australia Pty Ltd. for Rig 963 for the 2019 Stage 2 Beetaloo drilling programme, with an option to extend the contract into 2020.

On **23 April 2019** it was announced that Falcon Australia had successfully negotiated a two-year extension of the call option up to and including 31 August 2021 ("the **Extension**"), to acquire it's 30% portion of the 2% ORRI from the TOG Group. The Extension would be submitted to the Northern Territory government, Australia for review, approval and registration if required. Falcon Australia would pay US$500,000 to the TOG Group for granting the Extension, with the cost of exercising the call option increasing from US$4.5 million to US$7.5 million.

On **3 May 2019** Falcon announced that the Environmental Management Plan ("**EMP**") for the Kyalla 117 N2 exploration well, for the planned 2019 drilling, stimulation, and well testing prepared by Origin on behalf of the joint venture ("**JV**"), has been accepted for assessment by the Northern Territory Department of Environment and Natural Resources ("**DENR**").

On **17 May 2019** Falcon announced a proposed placing of new Common Shares of the Company (the "**Placing Shares**") at a price of 14p per Placing Share (the "**Placing Price**") in order to raise gross proceeds of up to US$10 million (c.£7.76 million) (**the "Placing**") by way of a conditional placing of the Placing Shares with institutional investors.

On **17 May 2019** Falcon confirmed the results of the proposed Placing announced by the Company on 17 May 2019. The Bookbuild was completed and Falcon raised gross proceeds of c. £7 million (c.US$9 million) through the Placing, with Placees agreeing to subscribe for a total of 50,543,242 Placing Shares at a Placing Price of £0.14 per Placing Share. The net proceeds of the Placing to be primarily used to fund Falcon's share capital expenditure in respect of the drilling and hydraulic fracture stimulation of four horizontal wells in the Beetaloo Sub-basin, Australia.

On **31 July 2019** Falcon noted the operational update on the Beetaloo Sub-Basin provided by Origin as part of their June 2019 Quarterly Production Report, which read as follows:

- Preparatory work ongoing in the Beetaloo, two horizontal appraisal wells planned in CY2019.
- Kyalla liquids rich gas play - water extraction licence in place, drilling approval anticipated in August. Water bores drilled and access road and well pad construction nearing completion.
- Velkerri liquids rich gas play – water extraction licence in place, water bore and access roads approved, awaiting well pad civils and drilling approval.

On **22 August 2019** Falcon noted that the EMP for the Kyalla 117 N2 horizontal well, for the planned 2019 drilling, stimulation, and well testing prepared by Origin on behalf of the JV, had been approved by DENR.

On **29 August 2019** Falcon announced that it had formally notified Euronext Dublin of its intention to seek cancellation of admission of Common Shares of Falcon to trading on Euronext Growth. The last trading day for Falcon's Common Shares on Euronext Growth was 25 September 2019.

On **26 September 2019** Falcon announced the appointment of Cenkos Securities plc as NOMAD and sole broker to the Company.

On **9 October 2019** Falcon announced the spudding of the Kyalla 117 N2-1 appraisal well in the Beetaloo Sub-Basin.

On **20 November 2019** Falcon announced that drilling of the vertical section of the Kyalla 117 N2-1 appraisal well in the Beetaloo Sub-Basin had been completed to a vertical total depth ("**TD**") of 1,895 metres. Full details are on page 16.

On **10 December 2019** Falcon announced the commencement of the drilling of the horizontal section of the Kyalla 117 N2-1H appraisal well, along with the advancement of the vertical well evaluation. Details of the announcement are included on page 16.

Developments of the business during 2020

On **13 January 2020** Falcon provided an operational update on the drilling of the Kyalla 117 N2-1H well in the Beetaloo Sub-Basin, Australia, details are included on page 16.

On **30 January 2020** Falcon announced the commencement of the sidetrack to drill the new horizontal production hole section of Kyalla 117. This new horizontal section will again target a lateral length of 1,000 to 2,000 metres within the Lower Kyalla shale, at a depth of ~1,800m true vertical depth ("**TVD**").

On **20 February 2020** Falcon announced that drilling operations, including casing and cementing, of Kyalla 117 were successfully completed. Full details are included on page 16.

On **26 March 2020,** Falcon provided an operational update on the Beetaloo project in the Northern Territory, Australia in light of COVID-19. Full details are included on page 16-17.

On **7 April 2020** Falcon announced that Falcon Australia had agreed to farm down 7.5% of its 30% participating interest ("**PI**") and in consideration of this Origin would increase the gross cap of the work program by A$150.5million. Full details are included on page 17.

On **7 July 2020** Falcon Australia agreed to a further extension of the call option up to and including 30 April 2022 ("**Additional Extension**"), to acquire it's 22.5% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Additional Extension from the Northern Territory government Falcon Australia will pay $150,000 to the TOG Group for granting the Additional Extension, with the cost of exercising the call option increasing from $5.625 million to $6 million.

On **20 August 2020** Falcon noted that Kyalla 117 results obtained demonstrated good reservoir continuity, conductive natural fractures and continuous gas shows.

Following the pause of operations in the Beetaloo in response to the COVID-19 pandemic, the Ensign rig was secured and maintained locally, and by mid-May all personnel had left the Kyalla Well site.

Subject to COVID-19 related conditions, fracture stimulation of Kyalla 117 was expected to commence in Q3/Q4 2020 with extended production testing of the well to follow. Initial results from the production test were expected during Q4 2020 with final results expected by the end of Q1 2021. These results would inform the decision to either further evaluate this liquids-rich gas play or commence activities in the Velkerri liquids-rich gas play.

Construction of the Velkerri 76 well lease pad was completed in early December 2019 and environmental approval to drill and fracture stimulate the Velkerri Flank well was granted in late December 2019.

On **21 September 2020** Falcon noted that operations had recommenced at Kyalla 117 with the fracture stimulation of the well and extended production testing to follow. Initial production test results were expected during Q4 2020 with final results expected by the end of Q1 2021. The results of which would inform the decision to either further evaluate the liquids-rich gas play or commence activities in the Velkerri liquids-rich gas play.

On **2 October 2020** Falcon provided a technical update regarding the hydraulic stimulation of Kyalla 117. Details are included on page 18.

On **21 October 2020** Falcon was informed that the Bankruptcy Estate of PetroHunter Energy Corporation is the beneficial owner of 48,101,000 common shares of Falcon, representing 4.9% of Falcon's issued and outstanding shares. Sweetpea Petroleum Pty. Ltd. was no longer a beneficial owner of Falcon shares.

On **4 November 2020** Falcon noted that operations were continuing following the hydraulic stimulation at Kyalla 117. Following a short initial flow back of hydraulic fracture stimulation fluid to surface the well was subsequently shut in and production tubing was successfully installed and tested. Flow back operations recommenced in late October, with the well flowing back fracture stimulation fluid at a rate of approximately 500 barrels per day with minor gas breakthroughs observed to that date.

On **25 November 2020** Falcon noted that Kyalla 117 continued to flow back fracture stimulation fluid, with some gas shows; however, a measurable gas breakthrough that would allow the commencement of extended production testing to assess the extent of the resource that may be present had yet to occur. Full details are included on page 18.

On **10 December 2020** Falcon noted that the JV had decided to execute operations without delay with all of the necessary equipment and consumables for the nitrogen lift being prepared to mobilise to the Kyalla 117 well site.

On **17 December 2020** Falcon noted the announcement by the Australian Government and its plans to provide up to A$50 million to accelerate exploration activity in the Beetaloo Sub-basin. The funding is designed to fast-track drilling by providing grants to cover 25% of eligible exploration costs, capped at A$7.5 million per well and three wells per exploration venture. The funding to be put towards exploration that occurs before June 2022.

The Northern Territory's Geological Survey estimated that the Beetaloo Sub-basin could hold more than 200,000 petajoules of gas (190 trillion cubic feet) and that, even if a very conservative 10% of that gas was recovered, it could still supply Australia's domestic gas demand for more than 10 years.

On **24 December 2020** Falcon noted that the coiled tubing unit and all necessary consumables had arrived at the Kyalla 117 wellsite and the rigging up of the equipment was in progress. Nitrogen lift operations were expected to commence in the following few days.

Developments of the business during 2021

On **19 January 2021** Falcon announced that Origin had submitted a notification of discovery and an initial report on discovery ("**Notification of Discovery**") to the Department of Industry, Tourism and Trade of the Northern Territory ("**DITT**") on the Kyalla 117. Full details are included on pages 18-19.

Australian Government
It was also noted that the Australian Government announced the previous week that it would invest A$217m in economic enabling infrastructure and upgrades to remote roads in the Northern Territory. These upgrades will provide quality infrastructure to support gas development and other industries in and around the Beetaloo Sub-basin. This is in addition to the A$50m being provided by the Australian Government to accelerate exploration activity in the Beetaloo announced last December.

On **22 January 2021** Falcon provided details on the first gas composition data obtained during the 17-hour unassisted flow period of the Kyalla 117. The data is presented on page 19.

On **19 February 2021** Falcon announced that on 18 February 2021 it granted incentive stock options ("**Options**") to purchase an aggregate of 38,000,000 common shares of Falcon to a number of recipients, including directors and officers under the stock option plan approved at Falcon's annual shareholders meeting held on 10 December 2020.

The Options were granted at an exercise price of GBP£0.08 (equivalent to CDN$0.14) and GBP£0.12 (equivalent to CDN$0.21) respectively, details are included in the table below:

Name	Number of Options granted at GBP£0.08	Number of Options granted at GBP£0.12	Total number of Options held after grant
JoAchim Conrad – Non - Executive Chairman	1,000,000	1,000,000	2,000,000
Philip O'Quigley – CEO	10,000,000	10,000,000	20,000,000
Anne Flynn – CFO	5,000,000	-	11,000,000
Daryl Gilbert – Non - Executive Director	1,000,000	1,000,000	2,000,000
Gregory Smith – Non - Executive Director	1,000,000	1,000,000	2,000,000
Maxim Mayorets – Non - Executive Director	1,000,000	1,000,000	2,000,000

The remaining 5,000,000 Options were granted to a consultant of Falcon and to a non-executive director of Falcon Oil & Gas Australia Limited, with 2,500,000 at an exercise price of GBP£0.08 and a further 2,500,000 at an exercise price of GBP£0.12.

All of the Options granted have a vesting schedule allowing for 1/3 of the Options to vest immediately with an additional 1/3 vesting on each subsequent anniversary until the Options are fully vested on 18 February 2023. The Options have an expiry date of 17 February 2026.

After this grant, there are 44,000,000 Options outstanding, representing 4.48% of the issued and outstanding common shares of Falcon.

On **22 February 2021** Falcon announced that it agreed to assign its working interest in three gross producing wells and one gross shut-in well and associated infrastructure in Alberta, Canada to a large Canadian-based company. These wells have been loss making and have generated minimal revenues to Falcon over the last number of years. Collective revenues for nine months to September 2020 were US$3,000 and the associated costs for the same period were US$6,000. For the twelve months to December 2019 there were revenues of US$5,000 and costs of US$10,000. Under the terms of the assignment, Falcon has agreed to pay a total of CAD$37,000 to cover its net working interest share of the abandonment and reclamation obligations of the wells and associated infrastructure.

On **19 March 2021** Falcon provided details of the planned 2021 work programme in the Beetaloo Sub-basin, Australia. Full details are included on pages 19-20.

4. BUSINESS DESCRIPTION

General

Falcon is an international oil and gas company engaged in the exploration and development of unconventional oil and gas assets. The Company's interests are located in internationally diversified countries that are characterised by a high regional demand for energy and are close to existing infrastructure allowing rapid delivery of oil and gas to market in Australia and Hungary.

Falcon's strategy is to leverage the Group's expertise in the unconventional oil and gas industry to acquire interests in licences covering large acreages of land and to build on its internationally diversified portfolio of unconventional assets and interests, which are located in countries that the Board believes support the exploitation of unconventional oil and gas. Falcon seeks to add value to its assets by entering into farm-out arrangements with major oil and gas companies that will fully or partially carry Falcon through seismic and drilling work programmes. The Group's principal interests are located in two major underexplored basins in Australia and South Africa and further interests in Hungary, covering approximately 12.3 million gross acres in total. The carrying value at 31 December 2020 of the Company's interest in Australia is $40.4 million, while the Hungarian asset is nil due to a determination in 2014 that the estimated recoverable amount was insufficient to cover the carrying value of the asset. For the South African interest, costs associated with the technical cooperation permit are expensed as incurred.

Falcon is incorporated in British Columbia, Canada and headquartered in Dublin, Ireland. Falcon's Common Shares are traded on the TSX-V (symbol: FO.V) and AIM, a market operated by the London Stock Exchange (symbol: FOG).

Summary of Operations

The following table summarises the principal oil and gas interests of the Company in Australia, South Africa and Hungary:

Assets (Country)	Interest (%)	Operator	Status	Area (km^2)
Exploration Permit EP-76 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Origin [(iii)]	Exploration	1,891.3
Exploration Permit EP-98 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Origin [(iii)]	Exploration	10,316.0
Exploration Permit EP-117 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Origin [(iii)]	Exploration	6,412.0
Technical Cooperation Permit, (Karoo Basin, South Africa) [(ii)]	100	Falcon	TCP	30,327.9
Makó Production Licence (Makó Trough, Hungary)	100	TXM	Production	994.6

Notes:
(i) Falcon owns 98.1% of Falcon Australia, which holds a 22.5% interest (revised as of 7 April 2020 with the farm down of 7.5% of its participating interest to Origin, previously held a participating interest of 30%) in EP-76, EP-98 and EP-117 (collectively the "**Exploration Permits**"). Northern Territory government approval remains outstanding for the farm down of the 7.5%; however, management expects this will be received in due course. The remaining 1.9% interest of Falcon Australia is held by others.

(ii) In compliance with the terms of the Technical Cooperation Permit ("**TCP**"), the Company submitted its application for an exploration licence in August 2010. Local counsel has confirmed that despite the TCP having an expiry date of October 2010, the Company's interests remain valid and enforceable.

(iii) Falcon completed its farm-out with Origin and Sasol Petroleum Australia Limited, a subsidiary of Sasol Limited ("**Sasol**"), collectively referred to herein as (the **"Farminees**") on 21 August 2014. On completion, Origin was appointed as operator of the Exploration Permits. On 5 May 2017, it was announced that Origin had acquired Sasol's 35% interest, bringing its overall interest to 70% in the Beetaloo Exploration Permits. That overall interest increased to 77.5% with the farm down in April 2020.

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Beetaloo Sub-basin, Northern Territory, Australia

Overview

Falcon Australia is one of the two registered holders of approximately 4.6 million gross acres (~ 18,619 km^2), 1 million net acres, of three exploration permits in the Beetaloo Sub-basin, Northern Territory, Australia. The Beetaloo Sub-basin is located 600 kilometres south of Darwin, close to infrastructure including a highway, a pipeline and a railway, offering transport options to the Australian market and beyond via the existing and developing liquified natural gas capacity in Darwin.

The Beetaloo Sub-basin is a Proterozoic and Cambrian tight oil and gas basin. In its entirety, the Beetaloo Sub-basin covers approximately 8.7 million acres (~ 35,260 km2) and is a relatively underexplored onshore exploration basin. The area is also remote and sparsely populated. In consideration of these factors, the Board believes the Beetaloo Sub-basin has shale oil and shale gas potential.

Exploration Permits

A summary of Falcon Australia's Beetaloo exploration permits is included on the previous page.

In accordance with local law and regulations, Falcon Australia's acreage interests are subject to combined government and Northern Land Council royalties on production values of up to approximately 12% and 1% (subject to the exercise of Falcon Australia's call option - see "Overriding Royalty Beetaloo Sub-basin Exploration Permits" for details) to other parties. Falcon Australia is subject to Commonwealth Government corporation tax of 30%, however where the entity has aggregated annual turnover of less than A$50 million for the financial year and 'base rate entity passive income' of 80% or less of assessable income, Falcon Australia would be considered a 'base rate entity' for Australian tax purposes and would be taxed at a lower rate of 26%. Falcon Australia is also subject to the Commonwealth Government's Petroleum Resource Rent Tax ("**PRRT**") levied at the rate of 40% on taxable profits derived from the petroleum projects. The PRRT is calculated on the individual projects, and royalties are deductible for PRRT purposes. The PRRT tax system is separate from the company income tax system and is based on cash flow. Both royalties and PRRT are deductible for corporate income tax purposes.

Overriding Royalty Beetaloo Sub-basin exploration permits

In 2013, Falcon Australia entered an agreement with Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC ("**TOG Group**") to acquire 7% of their 8% private overriding royalty interest ("**ORRI**") over the Exploration Permits. Falcon Australia made a payment of $5 million to acquire 5% of the ORRI in 2014. The Group also agreed to acquire a further 2% based on a five year call option granted to Falcon Australia at a future cost of $15 million to the joint venture in proportion to their interest, with the TOG Group retaining a 1% royalty.

On **23 April 2019** it was announced that Falcon Australia had negotiated the Extension, to acquire it's 30% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Extension from the Northern Territory government in August 2019, Falcon Australia paid $500,000 to the TOG Group for granting the Extension, with the cost of exercising the call option increasing from $4.5 million to $7.5 million.

On **7 April 2020** it was announced that Falcon Australia had agreed to farm down 7.5% of its participating interest ("**PI**") in the Exploration Permits, such that following the transaction, Falcon Australia now holds a 22.5% PI. As part of that deal Origin assumes 25% of the cost of Falcon Australia's remaining call option to reduce the overriding royalties with the TOG Group. The cost to Falcon Australia to exercise the call option, reduced from $7.5million to $5.625 million, in line with the reduced PI.

On **7 July 2020** Falcon Australia agreed to an Additional Extension up to 30 April 2022, to acquire it's 22.5% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Additional Extension from the Northern Territory government Falcon Australia will pay $150,000 to the TOG Group for granting the Additional Extension, with the cost of exercising the call option increasing from $5.625 million to $6 million.

Transformational Farm Out of Beetaloo unconventional acreage

On 21 August 2014, Falcon Australia completed its farm-out agreement and joint operating agreement (collectively the **"Agreements**") with the Farminees, each farming into 35% of Falcon Australia's exploration permits in the Beetaloo Sub-basin.

On **5 May 2017**, it was announced that Origin had acquired Sasol's 35% interest in the Beetaloo joint venture. The transaction did not impact Falcon's 2014 farm-out agreement detailed above, as Origin assumed 100% of the future costs of the farm-out. Sasol departed the Joint Venture to focus its capital investment on its African and North American footprint.

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On **16 August 2018**, Falcon announced it had signed an agreement to amend the farm-out agreement with Origin to deem Stage 1 of the exploration and appraisal drilling programme in the Beetaloo Sub-basin complete and to commence Stage 2, with an A$15 million increase to the Stage 2 capped expenditure. Details of the announcement were as follows:

Stage 1 Early Completion
The Joint Venture "**JV**" agreed that, following the success of the fracture stimulated horizontal well in 2016, accelerating into the Stage 2 horizontal drilling programme was far more beneficial than fracture stimulating the final vertical well under Stage 1.

Stage 2 - A$15 million Cost Cap Increase
With the removal of the fracture stimulation of the vertical well and accelerating the commencement of Stage 2, Origin agreed to increase the Stage 2 expenditure by A$15 million, to approximately A$65 million for the exploration and appraisal programme. Any portion of the A$15 million increase not utilised during Stage 2 would transfer to the Stage 3 capped expenditure, which stood at A$48 million.

Stage 2 Exploration and Appraisal Drilling Program
The JV agreed to evaluate the potential of the liquid-rich gas fairways in both the Kyalla and Velkerri plays. Planned exploration and appraisal activities for 2019 included the drilling of one vertical well and the drilling and hydraulic fracture stimulation of two horizontal wells.

Stage 3 Early Capital Commitments
The Stage 2 exploration and appraisal drilling programme will determine the most commercially prospective play to be targeted during Stage 3. The JV agreed to the early commitment of Stage 3 capital expenditure during 2019, allowing for an efficient transition from Stage 2 to Stage 3, where Origin and Falcon agree to proceed to Stage 3.

On **7 April 2020** it was announced that Falcon Australia had executed an agreement which included a restated Farm-Out Agreement and Joint Operating Agreement (collectively "**the Agreements**") with Origin to farm down 7.5% of Falcon Australia's 30% PI in the Exploration Permits. Following the transaction Falcon Australia now holds a 22.5% PI. Full details of the announcement are included on page 17.

Discoveries and Prospectivity
Work was previously undertaken by a Rio Tinto Group subsidiary company, Sweetpea Petroleum Pty Ltd. ("**Sweetpea**"), Hess Oil & Gas Holdings Inc.("**Hess**") and Falcon Australia. Sweetpea drilled the Shenandoah-1 vertical well, which was deepened by Falcon Australia. Hess acquired 3,490 kilometres of 2D seismic data. The seismic database, along with existing well data, provided a solid platform to extrapolate a detailed structural and stratigraphic model for the Beetaloo Sub-basin, concluding the basin was an active petroleum system. 2015 saw the commencement of the work programme with the drilling of three wells, Kalala S-1 to a total depth ("**TD**") of 2,619 metres, Amungee NW-1 to a TD of 2,611 metres and the first horizontal well, Amungee NW-1H to a TD of 3,808 metres, including a 1,100 metre horizontal section. In 2016, the Beetaloo W-1 well was drilled to a TD of 3,173 metres and the horizontal Amungee NW-1H well was hydraulic stimulated.

On **12 October 2016**, Falcon announced that Origin had submitted a notification of discovery and an initial report on discovery ("**Notification of Discovery**") to the Department of Primary Industry and Resources on the Amungee NW-1H well in the Beetaloo Sub-basin and on **15 February 2017** it was announced that Origin had submitted the Results of Evaluation of the Discovery and Preliminary Estimate of Petroleum in Place for the Amungee NW-1H Velkerri B Shale Gas Pool ("**Discovery Evaluation Report**") to the Northern Territory Government.

The submission followed the completion of extended production testing at the Amungee NW-1H exploration well of the "B Shale" member of the Middle Velkerri formation.

In addition, Origin undertook a resource study based on the Amungee NW-1H well results and other key wells in the Beetaloo Sub-basin including regional seismic data to determine a best estimate ("**2C**") contingent gas resource estimate for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117.

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Key Details of the Discovery Evaluation Report

The Discovery Evaluation Report was submitted in compliance with Section 64 of the Northern Territory Petroleum Act (2016) and as per the Reporting a Petroleum Discovery Guideline. The Report provides the following volumetric estimates and recovery / utilisation factors for the B Shale member of the Middle Velkerri formation within permits EP76, EP98, and EP117.

Middle Velkerri B Shale Volumetric Estimates as of 15 February 2017 (1)		
	Gross	**Net Attributable (2)**
	Best Estimate	**Best Estimate**
Area km^2 (3)	16,145	3,564
Original Gas In Place ("**OGIP**") (TCF)(4)	496	109
Combined Recovery / Utilisation Factor (5)	16%	16%
Technically Recoverable Resource (TCF)	85	19
OGIP Concentration (BCF/km^2) (6)	31	31

[1] The Report and estimates included in the table above were not prepared in accordance with the Canadian Oil and Gas Evaluation Handbook ("**COGEH**")
[2] Falcon's working interest is 22.07% (revised as of 7 April 2020 following the farm down, previously 29.43%), net attributable numbers do not incorporate royalties over the permits
[3] Area defined by a depth range at a maturity cut-off consistent with the dry gas window within the Beetaloo JV Permits (EP76, EP98, EP117)
[4] Trillion cubic feet
[5] The combined recovery/utilization factor range was applied stochastically to the OGIP range to calculate the range of technically recoverable resource within the Beetaloo JV permits.
[6] Billion cubic feet per square kilometre

Understanding the factors controlling deliverability and recovery as well as spatial variation within the gas play/shale pool are in their infancy. A quantitative assessment of the aggregated estimated recoverable resource of the gas play that can handle these complexities will require a statistically significant number of wells testing the gas play. As there is only a single production test within the gas play Origin decided upon a qualitative assessment approach instead to estimate the technically recoverable resource. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Factors considered in the qualitative assessment of technically recoverable hydrocarbon resource in the gas play were the stimulated rock volume recovery factor range, the subsurface utilization factor range and surface utilization factor range.

Origin's Contingent Gas Resource Estimates for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117

Origin also prepared a contingent resource estimate using probabilistic methods and reservoir evaluation data, in addition to regional seismic data.

Assessment of 2C Contingent Gas Resource Estimates for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117 as of 15 February, 2017[1]		
Measured and Estimated Parameters	**Units**	**Best Estimate**
Area [2]	km^2	1,968
OGIP [3]	TCF	61.0
Gross Contingent Resource[4]	TCF	6.6
Net Contingent Resource[4,5]	TCF	1.46

[1] Contingent resource estimates were prepared on a statistical aggregation basis and in accordance with the Society of Petroleum Engineers Petroleum Resources Management System ("**SPE-PRMS**"). SPE-PRMS was developed by an international group of reserves evaluation experts and endorsed by the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, and the Society of Exploration Geophysicists. Contingent resource estimates are those quantities of gas (produced gas minus carbon dioxide and inert gasses) that are potentially recoverable from known accumulations but which are not yet considered commercially recoverable due to the need for additional delineation drilling, further validation of deliverability and original gas in place, and confirmation of prices and development costs. If the estimates were to be prepared in accordance with COGEH, Falcon is highly confident that there would be no change to the contingent resource estimates above.
[2] P50 area from the Contingent Resource area distribution
[3] OGIP presented is the product of the P50 Area by the P50 OGIP per km^2
[4] Estimated gas contingent resource category of 2C. There is no certainty that it will be commercially viable to produce any portion of the resources
[5] Net to Falcon's 22.07% (revised as of 7 April 2020 following the farm down, previously 29.43%) working interest in EP76, EP98, and EP117, the net contingent resource number does not incorporate royalties over the permits

As noted in Origin's press release the "*The contingent resource estimates contained in [their] report are based on, and fairly represents, information and supporting documentation that have been prepared by Alexander Côté who is a full-time Origin employee and a Qualified Reserves and Resource Evaluator. Mr Côté is a registered professional engineer with specialised unconventional gas resource characterisation and development experience. Mr Côté has consented to the form and context in which these statements appear*". Mr Côté is a member of the Association of Professional Engineers and Geoscientists of Alberta.

Further information relating to the disclosure of the contingent gas resource estimates

Well Name	Amungee NW-1H
Permit / location	EP98 (onshore Beetaloo Sub-basin Northern Territory, Australia)
Working interest in well	Falcon 22.07% (previously 29.43% prior to the farm down on 7 April 2020)
Product type	Shale gas
Geological rock type of formation drilled	Organic rich shale (mudstone and siltstone)
Depth of zones tested	~2170-2190 metres below sea level
Type of test	Production test following hydraulic fracture stimulation
Hydrocarbon phases recovered	Gas (Approximate composition: methane ~92%, ethane+ ~3%, carbon dioxide and inerts ~5%)
Flow rates and volumes	Average rate (57 days): 1.1 MMscf/d, Final production rate: 1.07 MMscf/d, Cumulative production: 63 MMscf
Number of fracture stimulation stages	11 stages (average size ~ 100 ton per stage)
Risks and level of uncertainty with recovery of resources	Risks and uncertainties include the lifting of the Northern Territory moratorium on hydraulic fracture stimulation, completing longer-duration production testing above the 57 days conducted on Amungee NW-1H, reducing well costs with scale of activity, establishing gas sales agreements and building infrastructure to connect the resource to market. Contingent on the moratorium being lifted, additional appraisal drilling is planned (as per the work program associated with the permits), along with hydraulic fracture stimulation and testing to assess deliverability and move the project towards commercialisation.
Significant positive and negative factors relevant to the estimate	Significant positive factors relevant to the estimate of the contingent resources include the successful well test at Amungee NW-1H which produced enough gas to surface to be of commercial interest; core and log data from Amungee NW-1H, Beetaloo W-1, Kalala S-1, Tanumbirini-1, McManus-1, Altree-2 and Walton-2 provide convincing evidence of a significant volume of moveable hydrocarbons; and the Marcellus Shale (Pa., USA) and Barnett Shale (Tx., USA) are analogous, commercially-productive fields that are similar to the Velkerri B Shale reservoir. Significant negative factors include the lifting of the Northern Territory moratorium on hydraulic fracture stimulation, the limited number of wells on the Company's acreage, lack of a developed service sector providing uncertainty regarding estimates of capital and operating costs, developing hydrocarbon regulations and environmental legislation and the requirement to obtain social acceptability for oil and gas operations.
Commerciality	Currently this project is based on a conceptual study. The economic status is undetermined at this time. The contingent resources will continue to be assessed as additional appraisal wells are drilled and tested in order to better evaluate the commercial potential of the play. After a sufficient number of wells have been drilled to demonstrate that the project is technically feasible and a development plan has been generated, economics can be run to determine commerciality of production.

On **21 February 2018**, Falcon announced that Origin had presented a technical paper on the potential of the Kyalla formation in the Beetaloo Sub-basin at the Australia Exploration Geoscience Conference (AEGC) in Sydney. The key conclusions by Origin were the following:

- Reservoir and geomechanical analysis acquired at the Beetaloo W-1 well indicate the presence of two potential Source Rock Reservoir ("**SRR**") intervals; the middle Kyalla SRR and the lower Kyalla SRR.
- Geomechanical properties of the lower Kyalla SRR suggest it has the greater potential and could be conducive to successful hydraulic fracture stimulation.
- Development of the lower Kyalla SRR, if viable, could have significant cost advantages over that of the middle Velkerri SRR due to expected lower drilling costs.
- Mudgas and core analysis indicate the reservoir is likely to be wet gas which could also improve the economics considerably.
- There is also the possibility that a successful lower Kyalla SRR test could lead to a 'stacked' play development with the middle Velkerri SRR. Infrastructure sharing synergies, with a greater portion of centralised infrastructure, could result in significant cost savings and an optimised surface footprint.
- Further appraisal work would be required to determine the deliverability of the identified Kyalla SRRs.

On **15 May 2018** Origin presented a technical paper, headlined - "Australia's premier shale basin: 5 plays 1,000,000,000 years in the making", at the Australian Petroleum Production and Exploration Association ("**APPEA**") Conference. The key findings are summarised as follows:

Origin identified four additional potential plays in the Beetaloo Sub-basin in addition to the existing and explored Velkerri shale dry gas play, namely;

- Velkerri shale liquids rich gas play,
- Kyalla shale and hybrid liquids rich gas plays, and
- Hayfield sandstone oil/condensate play.

The Velkerri shale dry gas remains the most materially and technically mature resource. Origin stated, "as such, the Beetaloo provides the JV with a diversified portfolio of material multi-trillion standard cubic feet ("**TCF** ") plays, each with the potential to redefine Australia's energy market."

<u>Velkerri shale liquids rich gas play</u>
Located along the northern and south-eastern flanks of the Beetaloo Sub-basin.

- Indications that porosity and permeability are higher in these areas.
- Gas composition and maturity modelling indicate a possible condensate to gas ratio ("**CGR**") in the region of 5-40 stock tank barrels of oil / million standard cubic feet ("**bbl/MMscf**").
- A horizontal fracture stimulated well is required to assess technical viability.

<u>Kyalla shale and hybrid lithology liquids rich gas play</u>

- Two related liquid rich gas play types have been identified for further appraisal:
  - shale play targets, and
  - hybrid play targets.
- Prospective areas are interpreted to be confined to the JV's permits.
- There is likely a cost advantage over the Velkerri shale dry gas play as it is shallower.
- Liquid yields could be in the range of 15-60 bbl/MMscf.
- Additional work is required to rank these plays for further appraisal.

<u>Hayfield sandstone oil/condensate play</u>

- Interpreted as a thin but regionally extensive sandstone confined to the north of the JV permits.
- Strong wet gas shows in the Amungee NW-1 and other regional wells suggest the presence of liquid hydrocarbons without significant formation water.
- The Hayfield Sandstone is a tight sandstone with a significant secondary porosity network (but low matrix permeability) and potentially the presence of open, uncemented, hydrocarbon filled natural fractures.
- Anticipated to have the highest liquid yields and lowest well costs that could contribute to improved economics of a stacked play development.
- Success will be dependent on the combination of system permeability and resource density.
- Would require a horizontal fracture stimulated well to assess the technical viability of the play.

On **19 January 2021** Falcon announced that Origin had submitted a Notification of Discovery to DITT on Kyalla 117. Full details are included on pages 18-19.

Northern Territory Government Moratorium

In September 2016, the Northern Territory introduced a moratorium on hydraulic fracturing and a scientific inquiry into hydraulic fracturing was duly established. On **27 March 2018**, Falcon noted the publication of the Final Report by the scientific inquiry into hydraulic fracturing.

Justice Rachel Pepper noted in Community Update #31 that the overall conclusion is that risk is inherent for the onshore shale gas industry, however if all of the recommendations are implemented, the identified risks associated with any onshore shale gas industry can be mitigated or reduced to an acceptable level, and in some cases, the risks can be eliminated.

On **17 April 2018** Falcon welcomed the decision by the NT government to lift the moratorium on hydraulic fracturing.

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Current Activity

On **20 November 2019** Falcon announced that drilling of the vertical section of the Kyalla 117 N2-1 appraisal well had been completed to a vertical TD of 1,895 metres.

Preliminary drilling data from the vertical section of the Kyalla 117 N2-1 appraisal well confirmed:

- The continuation of the regionally pervasive Kyalla Formation between the Beetaloo W-1 and Amungee NW-1H wells.
- Elevated gas show with relatively high constituents of natural gas propane, butane and pentane respectively ("**C_3, C_4 and C_5 components**") were observed across the carbonaceous shales.

Other work carried out as part of this drilling operation included:

- 45 metres of conventional coring was acquired in each of the Upper and Lower Kyalla reservoir sections.
- Sidewall cores and extensive wireline logging were acquired.

On **10 December 2019** Falcon announced the commencement of the drilling of the horizontal section of the Kyalla 117 N2-1H appraisal well, along with the advancement of the vertical well evaluation. The JV elected to land the horizontal well within the Lower Kyalla shale, at a depth of ~1800m tvd.

Evaluation of the Kyalla 117 N2-1 vertical well advanced, with the following noted:

- Three source rock reservoir ("**SRR"**) sections were identified within the Kyalla Shale Formation, characterised as the Lower, Middle and Upper Kyalla.
- The thickness of the entire Kyalla Shale Formation measured almost 900 metres.
- Gross thickness of each SRR interval is between 75 and 125 metres.
- Each SRR exhibited elevated gas shows with relatively high C_3, C_4 and C_5 components.
- Diagnostic fracture injection tests ("**DFITs"**) were performed on each SRR.

The analysis of conventional cores acquired in each of the Upper and Lower Kyalla reservoir sections, along with sidewall cores, DFITs and extensive wireline logging, enables a full-scale evaluation of prospectivity of the Kyalla Formation in the central part of the Beetaloo Sub-Basin.

On **13 January 2020** Falcon provided an operational update on the drilling of the Kyalla 117 N2-1H well and noted the below.

The vertical section of Kyalla 117 well was successfully and safely completed in late November 2019. Drilling of the horizontal production hole section with a target length of 1,000 to 2,000 metres, commenced in early December. However, after reaching a horizontal length of 700 metres, operational challenges were experienced in maintaining adequate clean hole conditions and stability over portions of the horizontal production hole section appropriate to complete operations.

The initial horizontal production hole section was plugged, in line with regulatory requirements with subsequent sidetracking and drilling a new horizontal production hole section. Plugging back and drilling a new horizontal section from an existing vertical well is not uncommon in an exploration drilling program such as this.

With the drilling rig and equipment on-site and in position, it was estimated that drilling operations would recommence on the new horizontal well section within a month. It was further noted that fracture stimulation activity would only occur after the successful completion of drilling and the integrity of the well was tested and verified.

Results obtained from operations in the target shale formation demonstrated good reservoir continuity, conductive natural fractures, and continuous gas shows. The JV remained positive about the potential of the Lower Kyalla Formation, resulting in the decision to continue with drilling operations.

On **30 January 2020** Falcon announced the commencement of the sidetrack to drill the new horizontal production hole section of Kyalla 117. This new horizontal section would again target a lateral length of 1,000 to 2,000 metres within the Lower Kyalla shale, at a depth of ~1,800mTVD.

On **20 February 2020** Falcon announced that drilling operations, including casing and cementing, of Kyalla 117 were successfully completed. The well was drilled to a total measured depth of 3,809 metres, including a 1,579-metre lateral section (from 90 degrees) in the Lower Kyalla Formation. Preparatory work, including the drilling of water impact monitoring bores - a new requirement of the Code of Practice for onshore petroleum activities in the NT - would commence in the following month ahead of the next stage of operations. The JV would continue its in-depth shale evaluation program of all the technical data gathered from the conventional cores, sidewall cores, DFITs and extensive wireline logging, to build an understanding of the prospectivity of the Kyalla Formation.

On **26 March 2020**, Falcon provided the following operational update on the Beetaloo project considering COVID-19.

Following the successful completion of drilling operations, including cementing and casing of the horizontal well section of Kyalla 117, the JV completed the installation of water monitoring bores and preparatory work continued towards the next phase of operations, which included the fracture stimulation of Kyalla 117.

Given the unprecedented circumstances brought about by COVID-19, the JV made changes to its operations to protect the health and well-being of Origin employees, contractors and communities across the Northern Territory. Adhering to the latest guidelines and advice from the Northern Territory and Federal Government on health and safety and social distancing were of the utmost importance to the JV and all present on site were observing health authority requirements.

Following the implementation of the necessary control procedures, the JV elected to temporarily pause activities at the Kyalla 117 well site, reducing those on site to essential personnel only, whilst ensuring the required regulatory and environmental management conditions to monitor and maintain the site could be met.

While the JV is committed to the Beetaloo project which, if successful, has the potential to deliver long-term economic and social benefits for the Northern Territory, Australia the circumstances presented by COVID-19 led the JV to conclude that the immediate focus in March 2020 was to protect the people and communities of the Northern Territory.

On **7 April 2020** Falcon announced that Falcon Australia had executed a restated Farm-Out Agreement and Joint Operating Agreement (collectively the "**2020 Agreements**") with Origin to farm down 7.5% of Falcon Australia's 30% PI in the Exploration Permits. Falcon and Origin were obligated to seek the Northern Territory government and TSXV stock exchange approvals, in respect of the 2020 Agreements. The Northern Territory government approval remains outstanding.

Transaction details

- With the necessary approvals, the PI of the respective JV partners will be:
  - Falcon Australia 22.5%
  - Origin 77.5%
- In consideration of Falcon Australia transferring 7.5% of its PI, Origin increases the gross cost cap of the work program by A$150.5 million.
- The previous farm-in arrangement included a Stage 2 gross cost cap of A$65.3 million and a Stage 3 gross cost cap of A$48 million, or A$113.3 million in total. Under the 2020 Agreements, the Stage 2 and Stage 3 gross cost caps will be combined and increased by A$150.5 million to A$263.8 million (the "**Overall Cost Cap**"),
- This Overall Cost Cap will be applied to the completion of the Stage 2 and Stage 3 work programmes.
- Amounts of the Overall Cost Cap not utilised during Stage 2 and Stage 3 will be applied to future work programmes.
- Expenditure above the Overall Cost Cap will be borne by the JV partners in proportion to their PI.
- Origin will assume 25% of the cost of Falcon Australia's remaining call option to reduce the overriding royalties with the TOG Group. The cost to Falcon Australia, should it wish to exercise the call option, will reduce from US$7.5 million to US$5.625 million, in line with its reduced PI.

Operational Update

Drilling operations on the Kyalla 117 were successfully completed in February 2020, reaching a total measured depth of 3,809 metres, including a 1,579-metre lateral section (from 90 degrees) in the Lower Kyalla Formation. Water impact monitoring bore drilling was completed in March and final preparatory work continued ahead of the next stage of operations.

On **7 July 2020** Falcon Australia agreed to a further extension of the call option up to and including 30 April 2022, to acquire it's 22.5% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Additional Extension from the Northern Territory government, Falcon Australia will pay $150,000 to the TOG Group for granting the Additional Extension, with the cost of exercising the call option increasing from $5.625 million to $6 million.

On **20 August 2020** an operational update was provided noting that Kyalla 117 results obtained demonstrated good reservoir continuity, conductive natural fractures and continuous gas shows.

Following the pause of operations in response to the COVID-19 pandemic, the Ensign rig was secured and maintained locally, and by mid-May all personnel had left the Kyalla 117 site.

Subject to COVID-19 related conditions, fracture stimulation of Kyalla 117 was expected to commence in Q3/Q4 2020 with extended production testing of the well to follow. Initial results from the production test were expected during Q4 2020 with final results expected by the end of Q1 2021. These results would inform the decision to either further evaluate this liquids-rich gas play or commence activities in the Velkerri liquids-rich gas play.

Construction of the Velkerri 76 well lease pad was completed in early December 2019 and environmental approval to drill and fracture stimulate the Velkerri Flank well was granted in late December 2019.

On **21 September 2020** Falcon noted that operations had recommenced at Kyalla 117 with the fracture stimulation of the well and extended production testing to follow.

On **2 October 2020** Falcon provided the following technical update regarding the hydraulic stimulation of Kyalla 117:

- Completion of 11 hydraulic stimulation stages along the 1,579-metre horizontal section in the Lower Kyalla Formation;
- Stimulation treatments were successfully executed;
- Activities had commenced in preparation for the flowback and extended production test;
- Early stage gas flow rates were expected in the following weeks.

On **4 November 2020** Falcon noted that operations were continuing following the hydraulic stimulation at Kyalla 117. Following a short initial flow back of hydraulic fracture stimulation fluid to surface the well was subsequently shut in and production tubing was successfully installed and tested. Flow back operations recommenced in late October, with the well flowing back hydraulic fracture stimulation fluid at a rate of approximately 500 barrel per day with minor gas breakthroughs observed at that time.

On **25 November 2020** Falcon provided an update on operations at Kyalla 117. It noted that Kyalla 117 continued to flow back fracture stimulation fluid, with some gas shows; however, a measurable gas breakthrough that would allow the commencement of extended production testing to assess the extent of the resource that may be present had yet to occur.

Data collected and analysed to guide ongoing operations showed greater pressures in the horizontal section of Kyalla 117 than in the surrounding reservoir, due to the saline content and density of the flowback fluid and the hydrostatic column weight of this fluid in the vertical section. This pressure difference can prevent the flow of gas from the reservoir into the fractures and then to surface and it is not unusual in shale plays to observe the salinity and density of the flowback fluid increasing as salt easily migrates from the formation.

Operations were planned to re-enter Kyalla 117 with coiled tubing and apply nitrogen lift techniques to lower pressures in the well and assist with achieving and sustaining gas breakthrough that, if successful, would allow extended production testing to commence. This technique is not uncommon and was applied to the successful Amungee NW1-1H well in 2016.

As is the nature of exploration and appraisal, Falcon and Origin, continually responded to the data gathered through operations to inform ongoing activities.

Other data collected up to 25 November 2020 remained positive. In particular, core analysis indicates mature hydrocarbons and good permeability (natural pathways for gas to flow) and mud logs indicate liquids rich gas. The fracture stimulation of the well was successful and the integrity of the well remains.

On **10 December 2020** Falcon noted that the JV had decided to execute operations without delay with all of the necessary equipment and consumables for the nitrogen lift being prepared to mobilise to the well site.

On **17 December 2020** Falcon noted the announcement by the Australian Government and its plans to provide up to A$50 million to accelerate exploration activity in the Beetaloo sub-basin. The funding is designed to fast-track drilling by providing grants to cover 25% of eligible exploration costs, capped at A$7.5 million per well and three wells per exploration venture. The funding will be put towards exploration that occurs before June 2022.

The Northern Territory's Geological Survey estimates that the sub-basin could hold more than 200,000 petajoules of gas (190 Tcf) and that, even if a very conservative 10% of that gas was recovered, it could still supply Australia's domestic gas demand for more than 10 years.

On **24 December 2020** Falcon noted that the coiled tubing unit and all necessary consumables had arrived at the wellsite and the rigging up of the equipment was in progress. Nitrogen lift operations were expected to commence in the following few days.

On **19 January 2021** Falcon announced that Origin had submitted a notification of discovery and an initial report on discovery ("**Notification of Discovery**") to the Department of Industry, Tourism and Trade of the Northern Territory ("**DITT**") on Kyalla 117. The Notification of Discovery is a requirement under s64(1) of the Petroleum Act 1984 (Northern Territory) and the NT Guidelines for reporting a petroleum discovery.

Details of the Notification of Discovery from Origin to the DITT were as follows:

- The Notification of Discovery is supported by preliminary production test data and petrophysical modelling.
- This follows the introduction of nitrogen to lift the fluids in Kyalla 117, which has enabled Kyalla 117 to flow unassisted for a period of seventeen hours.
- Unassisted gas flow rates ranging between 0.4-0.6 million standard cubic feet per day ("**MMscf/d**") over seventeen hours were recorded.

- Flow back of hydraulic fracture stimulation water to surface over the same period, averaged between 400-600 barrels per day ("bbl/d").
- Initial analysis suggests a liquid-rich gas composition with less than 1% CO_2.
- Condensate shows were also observed.

Further Information

- These early-stage flow rates are preliminary indications of well performance, and an EPT will be required to determine the long-term performance of Kyalla 117.
- Longer-term measures will be put in place to flow back sufficient hydraulic fracture stimulation water to allow Kyalla 117 to flow continually without assistance and enable an EPT to continue in the coming months during the dry season.
- A further update will be provided when production testing has concluded, and detailed evaluation has been undertaken, expected to be in Q2 2021.

Australian Government

It was also noted that the Australian Government announced the previous week that it would invest A$217m in economic enabling infrastructure and upgrades to remote roads in the Northern Territory. These upgrades will provide quality infrastructure to support gas development and other industries in and around the Beetaloo Sub-basin. This is in addition to the A$50m being provided by the Australian Government to accelerate exploration activity in the Beetaloo announced last December.

On **22 January 2021** Falcon provided details on the first gas composition data obtained during the 17-hour unassisted flow period of Kyalla 117.

The initial analysis of natural gas by gas chromatography confirms a liquids-rich gas stream low in CO_2 as follows:

- C_1 = 65.03 mole percent ("**mol%**")
- C_2 = 18.72 mol%
- C_3 = 8.37 mol%
- iC_4 = 1.29 mol%
- nC_4 = 2.03 mol%
- C_5+ = 2.73 mol%
- CO_2 = 0.91 mol%
- N_2 = 0.92 mol%

(C_1 methane, C_2 ethane, C_3 propane, C_{3+} Propane and heavier constituents of natural gas, iC_4 iso-butane, nC_4 n-butane, $C0_2$ carbon dioxide, N_2 nitrogen)

The elevated C_3+ gas component of 14.42 mol%, which meets pre-drill expectations, confirms the Lower Kyalla Shale as a liquids-rich gas play. Gas composition data also support the view that the Kyalla gas stream will have elevated liquefied petroleum gas and condensate yields.

As previously announced, longer term measures will be put in place to flow back sufficient hydraulic fracture stimulation water to allow Kyalla 117 to flow continually without assistance. This work is expected to commence at the start of the dry season in Q2 2021 and if successful will allow an EPT of between 60 and 90 days to commence.

On **19 March 2021** Falcon provided details of the 2021 work programme. The 2021 work programme is expected to include the following:

- Resumption of clean-up operations of Kyalla 117 and commence an EPT
- Drilling of the Velkerri 76 S2-1 vertical well ("**Velkerri 76**"), targeting the Velkerri play along the south-eastern flank of the Beetaloo Sub-basin, which is predicted to be in a liquids rich gas window.
- A production test at Amungee NW 1H.

2021 Work Programme Detail

Kyalla 117

- Resumption of reservoir clean-up operations using an artificial lift technique.
- If the Kyalla 117 clean-up is successful, progress to an EPT.

Velkerri 76

- Drill a vertical pilot well to acquire core and log and run diagnostic fracture injection test data across the Velkerri.

Amungee NW 1H

- A production test to be carried out to determine if all frack stages contributed to the initial EPT conducted in 2016. Results of Amungee NW-1H from 2016/17 are included on pages 12-14.

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Karoo Basin, South Africa

Overview

The Company holds a TCP covering an area of approximately 7.5 million acres (~ 30,327 km^2), in the southwest Karoo Basin, South Africa. The TCP granted Falcon exclusive rights to apply for an exploration right over the underlying acreage, which they duly did in August 2010, submitting an application to the Petroleum Agency of South Africa ("**PASA**"). The Company also submitted an environmental management plan in January 2011 which was updated at the request of the PASA and submitted on 27 February 2015

Technical Regulations

On 3 June 2015, the Minister of Mineral Resources (the "**Minister**") published the Regulations for Petroleum Exploration and Production, which prescribed various technical and environmental standards for onshore hydraulic fracturing. However, on 18 October 2017, the Eastern Cape High Court held that the Minister lacked the authority to promulgate the Regulations for Petroleum Exploration and Production. On 4 July 2019, the Supreme Court of Appeal upheld the decision of the High Court principally because the Minister of Mineral Resources was not authorised to make the regulations. The provision of the MPRDA on which the Minister relied to make the regulations had been repealed in 2013 and therefore no longer existed.

Fiscal Terms

In September 2018, the MPRDA Bill, the long-delayed draft legislation for the mining and petroleum industries was withdrawn. There are now plans to come up with separate laws to govern the two sectors. The MPRDA Bill touched on several contentious issues such as requirements for local processing of minerals and free-carry provisions on oil discoveries.

Corporation tax in South Africa is imposed at a rate of 28% of taxable income. Dividends tax is imposed on the shareholder at a rate of 20%, but it may be reduced in terms of a Double Tax Agreement (if applicable) and is 0% in respect of dividends paid by an oil and gas company out of amounts attributable to its oil and gas income. The 20% rate is effective from 22 February 2017.

The South African Government is entitled to a royalty on the sale of mineral resources of up to 7% of gross sales for unrefined resources and 5% of gross sales for refined resources, such as oil and gas.

Discoveries and Prospectivity

The overall Karoo Basin is approximately 173 million acres (~ 700,000 km2), located in central and southern South Africa, containing thick, organic rich shales such as the Permian Whitehill formation. The Karoo describes a geological period lasting some 120 million years, covering the late Paleozoic to early Mesozoic interval periods. Rocks were deposited in a large regional basin, resulting in the build-up of extensive deposits. Until recently, the Karoo Basin was not considered prospective for commercial hydrocarbons resulting, however in an independent report dated June 2013, the U.S. Energy Information Administration ("EIA") estimated there are 390 trillion cubic feet ("Tcf") of technically recoverable resources, ranking it fifth in the world after China, USA, Argentina and Mexico for shale gas potential. The Permian Ecca group contains three potential shales identified as having potential for shale gas, with the Whitehall Formation, in particular, considered ubiquitous, having a high organic content and deemed thermally mature for gas.

Current activity

The Board awaits the new legislation for the petroleum industry following the withdrawal of the MPRDA Bill in 2018 and the Board does not foresee the awarding of an exploration right over the acreage within the next 12 months.

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Makó Trough, Hungary

Overview
Falcon has been active in the Makó Trough since 2005 when it acquired two exploration licences, the Makó and the Tisza exploration licences. In 2007, Falcon's subsidiary, TXM, was awarded the 35-year Makó Production Licence which covers some of the acreage originally covered by the Makó and the Tisza exploration licences.

Makó Production Licence
The Makó Production Licence was granted by the Hungarian Mining Authority over a gas exploration project in the Makó Trough, covering approximately 245,775 acres (~ 1,000 km2), located in south-eastern Hungary. It is located approximately ten kilometres to the east of the largest producing field in Hungary, the Algyő field, owned and operated by the MOL Group. The area is transected by existing gas pipelines and infrastructure, including a 12 kilometre gas pipeline built by Falcon, offering transport and potential access to local markets and larger distribution centres for international markets.

Under the terms of the licence, the Group is obliged to pay a 2% royalty to the Hungarian Government on any unconventional production and has a further 5% royalty payable to Prospect Resources Inc., the previous owners of the acreage.

From 1 January 2017, corporate income tax is a single rate of 9%, which is applicable to all levels of net income. There is also a profit based energy industry tax of 31% levied on energy supplying companies with deductions allowable for certain capital expenditures. TXM is the operator and there are no outstanding work commitments on the Makó Production Licence.

Discoveries and Prospectivity
The Makó Trough contains two plays:
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.

The Algyő Play
The Algyő Play is a relatively shallow play between 2,300 and 3,500 metres deep. While wells have been drilled through the Algyő Play and encountered gas shows, none tested the shallow play at an optimal location, as they targeted the Deep Makó Trough. Multiple Algyő prospects have been identified by the Group through extensive amplitude versus offset analysis, and 3D seismic data showed the presence of possible gas zones above the Szolnok formation (part of the Deep Makó Trough).

In 2013, Falcon agreed to a three-well drilling exploration programme with Naftna industrija Srbije jsc ("NIS"), a company 56% owned by Gazprom Group, to target the Algyő Play. receiving a cash payment of $1.5 million. Two of the three wells were drilled. Kútvölgy-1 reached TD of 3,305 metres, with the well penetrating an alternating sequence of sandstones, siltstones and shales over a gross interval of 320 metres to TD, with gas shows throughout, however well production did not meet commercial rates and the well was plugged and abandoned. Besa-D-1, the second well, was completed in November 2014. The testing of two sand intervals, both part of the tight turbiditic sequence in the lower Algyő Formation, indicated well production did not meet commercial rates and the well was plugged and abandoned. In 2015, Falcon signed a termination agreement with NIS, with NIS paying $3.7 million in fulfilment of its contractual obligations. Falcon retains a 100% interest in the Algyő Play.

The Deep Makó Trough
This is a deeper unconventional play targeting gas, and to a lesser extent oil, in the low permeability and low porosity rocks in the deeper horizons of the basin.

Between 2005 and 2007, Falcon acquired 1,100 km2 of 3D seismic data and executed a six-well drilling programme on the Deep Makó Trough. Each well encountered thick sequences of hydrocarbon bearing rocks, and tests flowed hydrocarbons from each tested horizon. Several wells flowed gas on test and one well, Magyarcsanád-1, tested light oil. The Makó-7 results demonstrated the presence of a very large column of hydrocarbons in the well-bore.

Current activity
Falcon continues to maintain and safeguard its Hungarian wells and review its operations in Hungary, evaluating all options available to the Group to deliver shareholder value. The Group maintains its 100% interest in the Máko Trough.

Alberta, Canada

For the year ended 31 December 2020, Falcon earned $5,000 (2019: $5,000) in revenue from its Alberta, non-operating working interests (the "Hackett Interest") in three producing natural gas wells. On 22 February 2021 it was announced that Falcon had agreed to assign its working interest in three gross producing wells and one gross shut-in well and associated infrastructure in Alberta, to a large Canadian-based company. Under the terms of the assignment, Falcon agreed to pay a total of CAD$37,000 to cover its net working interest share of the abandonment and reclamation obligations of the wells and associated infrastructure.

Employees

As at 31 December 2020 and the date of this document, the Company had the following number of employees (including Executive Directors):

	31 December 2020			Date of this document		
Job Function	**Budapest, Hungary**	**Dublin, Ireland**	**Total**	**Budapest, Hungary**	**Dublin, Ireland**	**Total**
Management & Administration	-	3	3	-	3	3
Technical	1	-	1	1	-	1
Total	**1**	**3**	**4**	**1**	**3**	**4**

Special skill & knowledge

The Company's ability to complete drilling and exploration is dependent on the availability of well-trained, experienced crews to operate its field equipment and qualified management. The Group believes that its strategic arrangement with other oil and gas exploration companies aids the Company in ensuring that it has the skills and knowledge available to assist the drilling, testing and evaluation of the Company's resources.

Competitive conditions

The oil and gas industry in Australia, Hungary and South Africa will continue to be competitive. Most contracts will be awarded on the basis of competitive bids, resulting in price competition.

Dependence on customers & suppliers

The Company is not dependent upon a single or few customers or suppliers for revenues or its operations.

Changes to contracts

There is no aspect of the Company's business in which changes to contracts would reasonably be expected to affect the Company in the current financial year.

Environmental protection and policies

The Company is subject to various federal, state, territorial, provincial and local environmental laws and regulations enacted in most jurisdictions in which it operates, which primarily govern the manufacture, processing, importation, transportation, handlings and disposal of certain materials used in operations, as well as limits on emissions into the air and discharges into surface and sub-surface waters. The Company adheres to all such laws and regulations. The Company may be required to increase operating expenses or capital expenditures in order to comply with any new restrictions or regulations.

The introduction of a mortarium on hydraulic fracturing resulted in a delay to the drilling and exploration programme in the Beetaloo Sub-basin, Australia. The JV worked with the NT government to understand their moratorium policy and fully cooperated with the inquiry panel. In March 2018, the inquiry concluded its work with the publication of a Final Report, and this was followed by the NT government's decision to lift the moratorium in April 2018. Legislative changes required to give effect to the recommendations of the inquiry are fully adhered to by the JV. These changes have led to increased capital expenditures to ensure compliance with all recommendations.

To date environmental protection requirements have not had a significant effect on the Company's earnings or competitive position.

During 2020 Company operations complied in all material respects with applicable corporate standards and environmental regulations and there were no material notices of violations, fines or convictions relating to environmental matters at any of the Company's operations.

The Group believes that it is in substantial compliance with all material current government controls and regulations at each of its properties.

See also *"General Development of the Business"* and *"Risk Factors"*.

Foreign operations

The Group is dependent on its foreign operations. The Group's principal interests are in Australia, South Africa and Hungary. All costs capitalised at 31 December 2020 for exploration and evaluation assets relate to Australia.

Companies with oil and gas activities

The 51-101F1 Report, the 51-101F2 Report and the 51-101F3 Report are incorporated by reference herein.

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RISKS FACTORS

The risk factors identified below, are those the Board believes are material to the Group but these risks may not be the only risks faced by the Group. Additional risks, including those the Board is unaware of or those that are currently deemed immaterial, may also result in decreased income, increased expenses or a decline in the value of Common Shares.

(i) RISKS RELATING TO THE GROUP AND ITS BUSINESS

The COVID-19 pandemic may impact the Group's results, business, financial conditions or liquidity
The current outbreak of COVID-19, and any future emergence and spread of similar pathogens, could have an adverse impact on global economic conditions. Additionally, the Group's ability to continue its oil and gas exploration and development activities without disruption, as well as potential adverse impacts on the operations of the Group's joint venture partners, suppliers, contractors and service providers, may impact the operation and results of the Group in the immediate term and in the event of prolonged disruptions associated with the outbreak.

The COVID-19 outbreak and corresponding responses from governmental authorities have resulted and may continue to result in, among other things: increased volatility in financial markets, oil and gas prices and foreign currency exchange rates; disruptions to global supply chains; adverse effects on the health and safety of the Group's workforce, or guidelines or restrictions to protect health and safety of such workforces, rendering employees unable to work or travel; temporary operational restrictions; and an overall slowdown in the global economy. In particular, the COVID-19 pandemic has resulted in, and may continue to result in, a reduction in the demand for, and prices of, crude oil and natural gas. A prolonged period of decreased demand for, and prices of, these commodities could also result in the Group delaying exploration and development activities, which could adversely impact the Group's business, financial condition and results of operations. The full extent of the risks surrounding the severity and timing of the COVID-19 pandemic is continually evolving and is not fully known at this time; therefore, there is significant risk and uncertainty which may have a material and adverse effect on the Group's operations.

The extent to which the COVID-19 pandemic continues to impact the Group's results, business, financial condition or liquidity will depend on future developments, including the development and widespread availability of efficient and accurate testing options, and effective treatment options or vaccines. Despite the approval of certain vaccines by regulatory bodies, the ongoing evolution of the development and distribution of an effective vaccine also continues to raise uncertainty.

The Group may be unable to get the necessary approvals to operate its business
The Group may be unable to obtain necessary approvals from one or more Australian, South African or Hungarian government agencies, surface owners or other third parties, for: surface use for seismic surveys; surface use for drilling activities; surface use for gathering lines, pipelines, or surface equipment; or commencing one or more wells.

Australia
Australian government agencies have discretion in interpreting various laws, regulations and policies, which govern operations in the Beetaloo Sub-basin. Actions by Australian government agencies may affect the Company's operations including obtaining necessary approvals, land access, sovereign risk, regulatory risk, taxation and royalties which may be payable on the proceeds of the sale of a successful exploration.

Exploration permit renewals and approval of contractual arrangements relating to them are also matters of governmental discretion, with no guarantees.

In Australia, Aboriginal native title to land ("**Native Title**") has survived the Crown's acquisition of sovereignty. The Native Title Act 1993 (Commonwealth) and the complementary state Native Title legislation, regulates the recognition and protection of Native Title in Australia, setting procedures to be followed regarding "future acts", including the grant of petroleum tenements. The Company must obtain clearances, consents and approvals relating to Native Title regarding the Beetaloo exploration permits. Access may be restricted or subject to negotiated arrangements (for example, compensation and access arrangements) in respect of areas subject to Native Title. If requisite approvals and consents are not obtained, the Group's business, prospects, financial condition and operational results may be adversely impacted.

Permit renewals: Permit renewal applications must be submitted to the Minister of the Northern Territory Government, Australia, no later than 3 months but no earlier than 6 months before the permit's expiration. The Minister may not renew the permit more than twice. A renewal application must include a comprehensive report of the previous work commitment program, findings and results. It must also include the proposed work program towards development of each of the 5 year renewal terms and a report on the future strategic exploration plan. 50% of the acreage must be relinquished upon renewal. An exemption from relinquishment may be granted (for 12 months) if the titleholder provides significant reason and evidence as to why they should retain the acreage for an additional year after renewal. Before the exemption period ends, the permittee may apply for an extension of the exemption and, if the Minister is satisfied in considering certain criteria, may extend the exemption for a period not exceeding 12 months. If permit renewals or relinquishment exemptions are not granted, there may be a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Moratorium on hydraulic fracturing: In September 2016, the NT government introduced a moratorium on hydraulic fracturing. In March 2018, the inquiry concluded its work with the publication of a Final Report, and this was followed in April 2018 with the decision from the NT government to lift the moratorium on hydraulic fracturing. Recommendations from the scientific inquiry require legislative changes, delays to the implementation of the remaining recommendations could have an adverse effect on the Group's business, prospects, financial condition and results of operations.

South Africa
The Company holds a TCP covering an area of approximately 7.5 million acres, in the southwest Karoo Basin, South Africa. The TCP granted Falcon exclusive rights to apply for an exploration right over the underlying acreage, which they duly did in August 2010. The Company also submitted an environmental management plan in January 2011 which was updated at the request of the PASA and submitted on 27 February 2015. However, delays with both the technical regulations and the fiscal terms have delayed the granting of an exploration right and any progress with the project.

Technical regulations: On 18 October 2017, the Eastern Cape High Court held that the Minister of Mineral Resources lacked the authority to promulgate the Regulations for Petroleum Exploration and Production. On 4 July 2019, the Supreme Court of Appeal upheld the decision of the High Court principally because the Minister of Mineral Resources was not authorised to make the regulations. The provision of the MPRDA on which the Minister relied to make the regulations had been repealed in 2013 and therefore no longer existed.

Fiscal Terms: In September 2018, the MPRDA Bill was withdrawn with plans to come up with separate laws to govern the mineral and petroleum sectors.

The delays with both the technical regulations and the fiscal terms may not result in the award of an exploration licence. This eventuality could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Hungary
Hungarian government agencies have discretion in interpreting various laws, regulations, and policies governing operations under the Makó Production Licence. The Group must enter agreements with private surface owners to obtain access to the land for surface facility locations. There is a relatively short history of government agencies' handling and interpreting laws including regulations and policies relating to those laws since the mining laws governing oil and gas operations were only enacted in Hungary in 1993 (laws amended since). This short history provides little precedent or certainty allowing the Group to predict whether such agencies will act favourably toward the Group.

Neither the Makó Production Licence nor Hungarian mining laws grant reasonable use of the surface covered by the Makó Production Licence geographical area. Instead, the licencee must obtain rights of way from surface owners, including private landowners, for access and other purposes. The landowner must ensure mining operators make observations and measurements, lay cables, display adequate signage and take any other actions necessary. If the landowner and licencee cannot mutually agree on operations, a licencee may request and pay for an easement from the Hungarian government. The Hungarian government has discretion to interpret various requirements for the issuance of drilling permits, and there is no assurance the Group will meet all requirements. An inability to meet any requirement could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

A decision by Origin, following the completion of the Stage 2 drilling and exploration programme in the Beetaloo Sub-basin, not to participate in further drilling operations, could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.
Falcon Australia is now in Stage 2 of the drilling and exploration programme. On 7 April 2020 Falcon reduced its PI from 30% to 22.5% and in consideration Origin agreed to increase the carry by A$150.5million, resulting in an overall carry for Stage 2 and 3 of A$263.8 million, with costs above the carry funded by each party in proportion to their working interest. If Origin decide to reduce or surrender their interest in the Beetaloo exploration permits and not complete the agreed farm-out and if the Group was unable to secure a new farm-in or joint venture partner for the development of the Beetaloo Sub-basin, its ability to develop and realise its investment in the asset could be significantly curtailed. This could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Should Falcon fail to find a farm-in or joint venture partner to farm into Falcon's Karoo exploration licence, if awarded; this could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.
If the exploration license was to be awarded, and if the Group were unable to secure participation by a new farm-in or joint venture partner for the development of the Karoo acreage, its ability to develop and realise its investment in the asset could be significantly curtailed. This could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

There is no guarantee that the Company has or will continue to have good title to assets.
Although title reviews have been and will continue to be performed according to standard industry practice prior to the acquisition of an oil and gas asset or rights to acquire leases in prospects/assets or the commencement of drilling wells, such reviews do not guarantee or preclude that an unidentified or latent defect in the chain of title will not exist, or that a third party claim will not arise that burdens, diminishes or defeats the claim of the Company. This could impact the Company's ability to realise its investment in a particular asset and could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group cannot be certain that it will continue to meet all requirements to maintain its permits and licences
Falcon Australia and its JV partner must perform work programmes to maintain the Beetaloo Exploration Permits. Hungarian mining law requires that the Group file annual plans of development ("**Plans**") relating to the Makó Production Licence. To the extent that the Group cannot fulfil the requirements, it may have to request extensions for filing a Plan/completing a work programme or it may be at risk of losing rights under the Makó Production Licence or the Beetaloo Exploration Permits. The Group may also disagree with the government's interpretation of the legal requirements, resulting in legal proceedings, which could delay exploration and development of the Makó Production Licence or the Beetaloo Sub-basin. Failure to fulfil commitments within the required timeframes, or to successfully negotiate extensions to carry out work plan commitments, could result in the Group losing those relevant interests and the associated resource potential, and also restrict the ability to obtain new licences in the relevant jurisdictions. There is no guarantee or assurance that rights can be extended or that new rights can be obtained to replace rights expiring. As licence terms and commitments are typically set by governments there may be unexpected and significant changes to licence terms and commitments. Any of these could significantly impact the value of those licences to the Group, with a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group is exposed to general business risks associated with its joint venture and other partners, in addition to their ability to perform their contractual obligations.
Like other companies its size, the development of the Group's business is substantially reliant on forming strategic relationships with larger oil and gas companies. The Group has sought and will continue to seek to involve the financial resources and the technical expertise of farm-out or joint venture partners to explore and develop its interests. These relationships involve surrendering certain economic and operational rights to such partners. As a result, the Company's return on assets operated by others depends upon factors which may be outside the Group's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

The Group will be exposed to the general risks associated with the businesses, operations and financial condition of its joint venture and other partners including, the risks of bankruptcy, insolvency, management changes, adverse change of control and natural disasters. The Group may have disputes with these parties, including disputes regarding the quality and/or timelines of work performed. A failure by one or more of the Group's partners to discharge the agreed-upon commitments on a timely basis may materially and adversely impact the Group's business, prospects, financial condition and results of operations.

The Group may have substantial capital requirements that, if not met, may hinder its growth and operations.
The Group's future growth depends on its ability and that of its partners to invest significant capital expenditures for the exploration and development of oil and gas interests. Future cash flows and the availability of financing will be subject to factors, such as:

- the success of the Group's current and future exploration and development programme in Australia, South Africa and Hungary;
- prevailing market conditions and investors appetite; and
- prevailing oil and gas prices.

The Group is currently in Stage 2 of the Beetaloo work programme in the NT, Australia, with an Overall Cost Cap of A$263.8 million, costs above the Overall Cost Cap to be financed by the Group in accordance with their 22.5% PI. Additional financing sources may be required to fund future developmental and exploratory drilling. Issuing equity securities to satisfy the Group's financial requirements could cause substantial dilution to its existing shareholders. Financing may be unavailable or the Group may be unable to obtain necessary financing on acceptable terms. If sufficient capital resources are unavailable, the Group may be forced to curtail activities or sell interests in an untimely manner or on unfavourable terms, having a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group may be unable to identify liabilities associated with its licences causing the Group to incur losses.
While the Board and management believes it has reviewed and evaluated its assets in Australia and Hungary in a manner consistent with industry practices, such review and evaluation might not necessarily reveal all existing or potential problems. Inspections on all wells may not always be performed, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken.

Resource estimates depend on many assumptions that may be inconclusive, subject to varying interpretations, or inaccurate.

While the Board and management believes that the independent Competent Person Report carried out by RPS Energy titled "Evaluation of the Hydrocarbon Resource Potential Pertaining to Certain Acreage Interests in the Beetaloo Sub-basin, Onshore Australia and Makó Trough, Onshore Hungary" (the "**RPS 2013 Report**") was in accordance with industry standards, the Company cannot be sure that the actual results will be as estimated. The Competent Person Report represents RPS Energy's best professional judgement and should not be considered a guarantee or prediction of results.

On 15 February 2017, Falcon announced Origin had submitted a Discovery Evaluation Report to the Northern Territory Government. This provided volumetric estimates and recovery / utilisation factors for the B Shale member of the Middle Velkerri Formation within permits EP76, EP98 and EP117. Understanding the factors controlling deliverability and recovery as well as spatial variation within the gas play/shale pool are in their infancy. A quantitative assessment of the aggregated estimated recoverable resource of the gas play that can handle these complexities will require a statistically significant number of wells testing the gas play. As there is only a single production test within the gas play Origin decided upon a qualitative assessment approach instead to estimate the technically recoverable resource.

Origin also prepared a contingent gas resource estimate using probabilistic methods and reservoir evaluation data, in addition to regional seismic data. The risks and uncertainties with the recovery of the resources include completing longer duration production testing above the 57 days conducted on Amungee NW-1H, reducing well costs with the scale of activity, establishing gas sale agreements and building infrastructure to connect the resource to market. Currently this project is based on a conceptual study, the economic status has yet to be determined. The estimated contingent resources will continue to be assessed as additional appraisal wells are drilled and tested to better evaluate the commercial potential of the play. After a sufficient number of wells have been drilled to demonstrate that the project is technically feasible, and a development plan has been generated, economics can be run to determine commerciality of production. It is possible further drilling and production testing may not yield positive results, having a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Drilling for and producing oil and gas are high-risk activities with many uncertainties that could adversely affect the Group's business, prospects, financial condition or results of operations.

The Group's future success depends primarily on the outcome of its exploration activities. These activities are subject to risks beyond the Group's control, including not finding commercially productive oil or gas reservoirs. Exploration and development of oil and gas from unconventional resources relies on innovative and expensive techniques and often involves exploration in areas where no proven reserves exist. The Group's decisions to explore, develop or otherwise exploit its interests depends on the evaluation of data obtained through geophysical and geological analyses, production data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. The cost of drilling, completing and operating wells is often uncertain before drilling commences, with overruns in budgeted expenditures common risk, making a project uneconomical. Many factors may curtail, delay or prevent drilling operations, including:

- unexpected drilling conditions;
- pressure or irregularities in geological formations;
- equipment failures or accidents;
- pipeline and processing interruptions or unavailability;
- adverse weather conditions;
- lack of market demand for oil and gas;
- delays imposed by or resulting from compliance with environmental and other regulatory requirements;
- delays resulting from a global pandemic, such as COVID-19
- shortage of or delays in the availability of drilling rigs and the delivery of equipment; or
- reductions in oil and gas prices.

The Group's future drilling activities may be unsuccessful, and drilling success rates could decline. The Group could incur losses drilling unproductive wells. A global pandemic may result in significant delays to operations getting both equipment and personnel in country, resulting in potentially significant delays to obtaining drilling results and consequential increased costs, which may materially and adversely impact the Group's business, prospects, financial condition and results of operations. Shut-in wells, curtailed production and other production interruptions may materially and adversely impact the Group's business, prospects, financial condition and results of operations.

Market conditions or operational impediments may hinder the Group's access to oil and gas markets or delay production in the future.

The marketability of future production from the Group's interests will depend upon the availability, proximity and capacity of pipelines, oil and gas gathering systems and processing facilities, with dependence heightened where infrastructure is less developed. The Group may be required to shut-in wells, at least temporarily, due to the inadequacy or unavailability of transportation facilities or the lack of market demand, resulting in the Group being unable to realise revenue until arrangements were made to deliver production to market. The Group's ability to produce and market oil and gas is affected and potentially harmed by:

- the lack of pipeline transmission facilities or carrying capacity;
- the proximity and capacity of processing equipment;
- the availability of open access transportation infrastructure;
- government regulation of oil and gas production including environmental protection, royalties;
- allowable production, pricing, importing and exporting of oil and gas;
- government transportation, tax and energy policies;
- changes in supply and demand for oil and gas; and
- general economic conditions.

Changes in such factors may materially and adversely impact the Group's business, prospects, financial condition and results of operations.

Shortages of rigs, equipment, supplies and personnel could delay or adversely affect the Group's cost of operations or its ability to operate according to its business plans.
Shortages of drilling and completion rigs, field equipment and qualified personnel can occur, resulting in sharp increases in costs. The demand for wage rates of qualified drilling rig crews generally rise in response to the increased number of active rigs in service and could increase sharply in the event of a shortage. Shortages of drilling and completion rigs, field equipment or qualified personnel could delay, restrict or curtail the Group's exploration and development operations, which may materially and adversely impact the Group's business, prospects, financial condition and results of operations.

The loss of the Group's key management and Directors or its inability to attract and retain experienced technical personnel could adversely affect the Group's ability to operate.
The Group depends largely on the efforts and continued employment of its management team and board members. The loss of such services could adversely affect the Group's business operations. If the Group cannot retain key personnel or attract additional experienced personnel, its ability to compete in the geographic regions it conducts operations maybe harmed and may materially and adversely impact the it's business, prospects, financial condition and results of operations.

The Group is subject to complex laws and regulations, including environmental regulations, which can have a material adverse effect on the cost, manner or feasibility of doing business.
Exploration for and exploitation, production and sale of oil and gas in Australia, South Africa and Hungary are subject to extensive national and local laws and regulations, including complex tax laws, environmental laws and regulations and requires permits and approvals from governmental agencies. If permits are not issued or unfavourable restrictions or conditions are imposed on the Group, operations may be restricted. Failure to comply with laws and regulations, including the requirements of permits, may result in suspension or termination of operations and potential penalties. Compliance costs may be significant. Laws and regulations could also change, substantially increasing the Group's costs. The Group cannot be certain that existing laws or regulations, as currently interpreted or reinterpreted in the future, or future laws or regulations will not materially and adversely impact its business, prospects, financial position and operations, making future exploration cost prohibitive. The outcome of the moratorium in the Northern Territory, Australia, resulted in 135 recommendations requiring legislative and regulation changes. While there are additional costs as a result of these legislative and regulatory changes, the Group cannot be certain of all costs at this time given certain recommendations have not been fully enacted.

The Group does not insure against all potential operating risks. It might incur substantial losses and be subject to substantial liability claims of its oil and gas operations.
The Group does not insure against all risks. It maintains insurance against various losses and liabilities arising from operations in accordance with customary industry practices and in amounts that the Board believes to be prudent. Losses and liabilities arising from uninsured and underinsured events or in amounts exceeding existing insurance coverage could have a material adverse effect on the Group's business, prospects, financial condition or results of operations. The Group's oil and gas exploration and production activities will be subject to hazards and risks associated with the drilling for, producing and transporting of oil and gas, and any of these risks can cause substantial losses, these include:

- environmental hazards, such as uncontrollable flows of oil, gas, brine, well fluids, toxic gas or other;
- pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- fires and explosions;
- personal injuries and death;
- regulatory investigations and penalties; and
- natural disasters.

Any of these risks could have a material adverse effect on the Group's ability to conduct operations or result in substantial losses. The Group may elect not to obtain insurance if it considers that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, this may materially and adversely impact the Group's business, prospects, financial condition and results of operations.

***The Group's financial statements have been prepared on a going concern basis, it does not include any adjustment that would result if the Group was unable to continue as a going concern due to f*inancing being unavailable or the Group being unable to obtain necessary financing on acceptable terms.**
The Group's financial statements have been prepared on a going concern basis under which an entity is considered to be able to realise its assets and satisfy its liabilities in the ordinary course of business for at least twelve months from the date of signing the financial statements. The Group has incurred losses from operations. As at 31 December 2020 the Group had $11 million of cash and cash equivalents, which is sufficient to cover ongoing operating costs for the next 12 months from the date of signing the consolidated financial statements. The Group is currently in Stage 2 of the work programme in the Beetaloo Sub-Basin. Since 7 April 2020 Falcon has an Overall Cost Cap of A$263.8 million, costs above this would need to be financed by the Group in accordance with their 22.5% participating interest. Additional financing sources may be required to fund future developmental and exploratory drilling. Issuing equity securities to satisfy the Group's financial requirements could cause substantial dilution to its existing shareholders in the future. Financing may be unavailable, or the Group may be unable to obtain necessary financing on acceptable terms. There can be no assurances that the Group where the need may arise, will be successful in completing an equity or debt financing, or a partial divestiture or farmout arrangement, or in achieving profitability.

(ii) RISKS RELATING TO THE GROUP'S INDUSTRY

Competition in the oil and gas industry is intense and many of the Group's competitors have greater financial, technological and other resources than the Group does, which may adversely affect its ability to compete.
The Group operates in the highly competitive areas of oil and gas exploration and development with other companies doing business in Australia, South Africa and Hungary. The Group faces intense competition from both major and other independent oil and gas companies in the locations where the Group operates. Many of the Group's competitors have substantially greater financial, managerial, technological and other resources. These companies might be able to pay more for exploratory prospects or assets than the Group's financial resources permit or the Group is willing to pay, leaving the Group at a competitive disadvantage. Competitors may also enjoy technological advantages and may be able to implement new technologies more rapidly. The Group's ability to explore for oil and gas prospects and to acquire additional assets in the future depends upon its ability to successfully conduct operations, implement advanced technologies, evaluate and select suitable assets and consummate transactions in this highly competitive environment. This may have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The Group has been an early entrant into new or emerging shale plays. As a result, its expectations regarding future drilling results are uncertain, and the value of its undeveloped acreage will decline if future drilling is unsuccessful.
The Group has been an early entrant into new or emerging shale plays in the areas it operates, particularly in Australia and South Africa. While the Group considers its early entry provides certain competitive advantages, including a wider selection of available concessions to choose from, there is no guarantee such competitive advantages can be maintained in the future as competitors, many of whom are larger in size and operation, enter these regions. Additionally, the Group's prospects and expectations regarding future drilling results in these emerging shale plays are more uncertain than they would be in areas developed and producing substantial quantities of oil or gas already. Since new or emerging shale plays have limited or no production history, the Group is unable to use past drilling results in those areas to help predict future drilling results. As a result, the Group's risk on costs of drilling, completing and operating wells in these areas may be higher and the value of the Group's undeveloped acreage will decline if future drilling results are unsuccessful, all of which may have a material adverse impact the Group's business, prospects, financial condition and results of operations.

The environmental implications of certain technologies used in shale gas exploration activities are under scrutiny.
The environmental implications of the Group's activities exploring for shale gas utilising drilling and completion techniques, such as horizontal drilling and hydraulic fracturing are subject to significant controversy and public debate. Given technologies are rapidly developing, their environmental implications may not be fully understood, and research into their effects is still ongoing. Speculation surrounds the possible effects of hydraulic fracturing on water aquifers (due to either the chemicals used in fracking fluids or gases released from the shales), contribution to seismic activity and disruption to local ecosystems amongst other things. The controversy surrounding the environmental implications of shale gas exploration has led to opposition from significant sections of the public as well as certain legislative and regulatory initiatives aimed at restricting these activities. The outcome of the moratorium in the Northern Territory, Australia, resulted in 135 recommendations requiring legislative and regulation changes. While there are additional costs as a result of these legislative and regulatory changes, the Group cannot be certain of all costs at this time given certain changes have not been fully enacted. In South Africa, a moratorium on shale gas exploration was imposed in February 2011 but was subsequently lifted in 2015 with the introduction of gazetted regulations, however on 18 October 2017, the Eastern Cape High Court held that the Minister lacked the authority to promulgate the Regulations for

Petroleum Exploration and Production. On 4 July 2019, the Supreme Court of Appeal upheld the decision of the High Court principally because the Minister of Mineral Resources was not authorised to make the regulations. The provision of the MPRDA on which the Minister relied to make the regulations had been repealed in 2013 and therefore no longer existed. Similar restrictions have been introduced in other European countries and in various regions of Canada and the United States. Any further restrictions on these activities in Australian and South Africa, or the introduction of such restrictions in other locations in which the Group operates (including a prohibition on hydraulic fracture stimulation), would make shale gas exploration and production unviable due to a lack of presently-existing alternative technologies, and could prevent the Group from being able to profitably develop its interests.

Furthermore, if any Group activities were found to have caused environmental damage, it could be subject to significant liabilities and reputational damage. Even if no environmental damage were tied directly to the Group's activities, to the extent operations by other companies in the shale gas industry were found to have caused environmental damage or to the extent further research provides evidence of negative environmental implications of fracking or other aspects of shale gas exploration, public and political opposition to shale gas exploration may be further intensified and the Group's business could come under increasing legal and regulatory restrictions, all of which may materially and adversely impact the Group's business, prospects, financial condition and results of operations.

The oil and gas industry is subject to extensive environmental regulation, uncertainties related to climate change that could adversely affect the Group's business, prospects, financial condition or results of operations.
The Group faces a variety of uncertainties related to climate change. The oil and gas industry is subject to extensive environmental regulation in the countries it operates, ranging from potential impacts from emission restrictions, carbon taxes and other government policy initiatives, to changes in weather patterns that may affect operations. The direct or indirect costs of changing regulations may have a material adverse effect on the Group's business, financial condition, prospects and results of operations. Although the Group is not a large emitter of greenhouse gases, the future implementation or modification of greenhouse gases regulations, could have a material impact on the Group. Given the evolving nature of the debate related to climate change and the control of greenhouse gases and resulting requirements, it is not possible to predict the impact on the Group and its operations.

A substantial or extended decline in oil and gas prices may adversely impact the Group's business, prospects, financial condition and results of operations.
The Group's future revenues, operating results, rate of growth and ability to execute farm-outs of the Group's acreage are substantially dependent upon the prevailing price and demand for oil and gas. Declines in price and demand for oil and gas may adversely affect the Group's business, prospects, financial condition and results of operations. Lower oil and gas prices may also reduce the oil and gas the Group can produce economically. Lower oil and gas prices may indirectly affect a potential farm-in partner's decision to farm-in to the Group's acreage due to their own cash constraints. Historically, oil and gas prices and markets have been volatile and will likely continue as such in the future. Oil and gas prices are subject to wide fluctuations in response to relatively minor changes in the supply and demand for oil and gas, market uncertainty and a variety of additional factors beyond the Group's control. Factors that could cause this fluctuation include:

- change in global supply and demand for oil and gas;
- levels of production and other activities of the OPEC, and other oil and gas producing nations;
- weather conditions;
- the availability of transportation infrastructure;
- market expectations about future prices;
- the level of global oil and gas exploration,
- production activity and inventories; the overall level of energy demand;
- the effect of worldwide environmental and/or energy conservation measures;
- currency exchange rates;
- government regulations and taxes;
- the overall economic environment;
- political conditions, including embargoes, in or affecting other oil producing activity; and
- the price and availability of alternative fuels.

A substantial or extended decline in oil or gas prices may have a material adverse impact the Group's business, prospects, financial condition and results of operations.

Political instability or fundamental changes in the leadership or structure of governments in the jurisdictions the Group operates could materially and negatively impact the Group's business, prospects, financial condition and results of operations.
Political and economic upheavals may affect the Group's interests. While jurisdictions the Group operates in welcome foreign investment and are generally stable, there is no assurance the current economic and political situation in these jurisdictions will not change significantly in the future.

Local, regional and world events could result in changes to the oil and gas, tax or foreign investment laws, or revisions to government policies in a manner that renders the Group's current and future interests uneconomical. These events could have a material adverse effect on the Group's business, prospects, financial condition and results of operations. There is also the risk of resource nationalisation or the imposition of restrictions and penalties on foreign-owned entities which may materially impact the Group's business, prospects, financial condition and results of operations.

Should one or more of these risks materialise, or should the Group's underlying assumptions prove incorrect, the Group's actual results may materially differ from the Group's current expectations. Therefore, in evaluating forward-looking statements, readers should specifically consider the various factors that could cause the Group's actual results to materially differ from such forward-looking statements.

(iii) RISKS RELATING TO THE COMMON SHARES

The Group's share price might be affected by matters not related to the Group's own operating performance for reasons that include the following:

- general political and economic conditions in Australia, South Africa, Hungary, and globally;
- industry conditions, including fluctuations in the price of oil and gas;
- governmental regulation of the oil and gas industry, including environmental regulation and introduction of moratoriums;
- fluctuation in foreign exchange or interest rates;
- liabilities inherent in oil and gas operations;
- geological, technical, drilling and processing problems;
- a global pandemic;
- competition for, among other things, capital, undeveloped land and skilled personnel;
- the need to obtain required approvals from regulatory authorities;
- investor perception of the oil and gas industry in general and of unconventional oil and gas exploration, in particular;
    - limited trading volume of the Common Shares; and
    - announcements relating to the Company's business or the business of its competitors.

Companies that have experienced volatility in their value have been the subject of securities class action litigation, with the potential for the Group to be involved in similar litigation in the future. Such litigation often results in substantial costs and diversion of management's attention and resources with a material adverse effect on the Group's business, prospects, financial condition and results of operations.

Volatility of Share Price
The market price of the Common Shares may be subject to fluctuations in response to factors, including variations in the operating results of Falcon, divergence in financial results from market expectations, general economic conditions, legislative changes in the sector and other events and factors outside the Group's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Common Shares. The value of Common Shares may go down as well as up. Investors may therefore realise less than or lose all their original investment.

Falcon is incorporated in British Columbia, Canada and is subject to Canadian company law.
Falcon is incorporated in the province of British Columbia, Canada and its corporate structure, the rights and obligations of shareholders and its corporate bodies may be different from those of the home countries of international investors. Furthermore, non-Canadian residents may find it more difficult and costly to exercise shareholder rights. International investors may also find it costly and difficult to effect service of process and enforce their civil liabilities against the Company or some of its directors, controlling persons and officers.

A disposal of Common Shares by major Shareholders could adversely impact the market price of Common Shares
Sales of a substantial number of Common Shares in the market by major shareholders, or the perception that these sales might occur, could adversely impact the market price of the Common Shares.

Trading in the Common Shares may be suspended and/or the Common Shares may be excluded from trading on a stock exchange on which it is listed.
Falcon's Common Shares are traded on the TSX Venture Exchange (symbol: FO.V) and AIM, the market operated by the London Stock Exchange (symbol: FOG). These stock exchanges have the right to suspend the trading of a given security if the issuer of the security fails to comply with the regulations of that exchange (such as for example to obey the disclosure rules), or if suspension is necessary to protect the interest of market participants, or if the orderly functioning of the market is temporarily endangered. There can be no assurance that trading in the Common Shares will not be suspended. A suspension of trading could adversely affect the trading price of the Common Shares.

5. DIVIDENDS & DISTRIBUTIONS

Falcon has not declared any dividends on the Common Shares. Given the Group's current exploration stage, the Board does not anticipate paying any dividends in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend upon Falcon's financial condition, results of operations, capital requirements and such other factors as the Board deems relevant.

6. DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the Company's outstanding share data as at 31 December 2020:

Class of securities	**31 December 2020**
Common shares	981,847,425
Stock options(i)	35,333,334
Warrants(ii)	-

(i) A maximum of 10% of the issued and outstanding shares of Falcon are reserved for issuance pursuant to Falcon's stock option plan. The number of shares available for issuance under the stock option plan at 31 December 2020 was 62,851,409.

29,333,334 stock options with an exercise price of CDN$0.11 were not exercised and expired on 14 January 2021. On 18 February 2021 38,000,000 stock options were granted, 21,500,000 at an exercise price of GBP£0.08 and 16,500,000 at an exercise price of GBP£0.12. The outstanding stock options at 26 April 2021 were 44,000,000.

(ii) In April 2011, Falcon entered into a joint venture with Hess, with Hess granted a warrant to acquire 10,000,000 common shares in the capital of Falcon under the terms of the agreement at an exercise price of CDN$0.19 per share, exercisable up to 13 January 2015. In June 2014, the term of the warrant was extended to 13 January 2020 to facilitate the termination of the participation agreement and joint operating agreements with Hess. On 3 October 2017, Falcon announced the transfer of the warrant from Hess to Nicolas Mathys. The terms of the warrant remained unchanged, with an exercise price of CDN$0.19 per share and an expiry date of 13 January 2020. The warrant was not exercised and expired on 13 January 2020.

Falcon is authorised to issue an unlimited number of Common Shares. Holders of Common Shares are entitled to receive notice of any meetings of shareholders of Falcon, and to attend and to cast one vote per Common Share at all such meetings. Holders of Common Shares do not have cumulative voting rights with respect to the election of directors and, accordingly, holders of a majority of the Common Shares entitled to vote in any election of directors may elect all directors standing for election. Holders of Common Shares are entitled to receive on a pro rata basis dividends, as and when declared by the Board at its discretion from funds legally available. Upon the liquidation, dissolution or winding up of Falcon shareholders are entitled to receive on a pro rata basis the net assets of Falcon after payment of debts and other liabilities, in each case subject to the rights, privileges, restrictions and conditions attaching to any other series or class of shares ranking senior in priority to or on a pro rata basis with the holders of Common Shares with respect to dividends or liquidation. The Common Shares do not carry any pre-emptive, subscription, redemption or conversion rights, nor do they contain any sinking or purchase fund provisions.

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7. MARKET FOR SECURITIES

Trading price and volume

Falcon's Common Shares are traded on the TSX Venture Exchange (symbol: FO.V) and AIM, the market operated by the London Stock Exchange (symbol: FOG).

The following table sets forth, for the periods indicated, the reported high and low closing prices and the aggregate trading volume of the Common Shares on the TSXV(1):

Period	High CDN$	Low CDN$	Trading volume '000
April 2021(2)	0.120	0.100	2,118
March 2021	0.125	0.110	6,097
February 2021	0.135	0.115	4,856
January 2021	0.155	0.125	6,268
December 2020	0.160	0.125	4,429
November 2020	0.175	0.135	5,507
October 2020	0.205	0.135	10,550
September 2020	0.150	0.130	2,667
August 2020	0.155	0.125	2,440
July 2020	0.160	0.140	2,188
June 2020	0.155	0.140	4,665
May 2020	0.135	0.105	9,439
April 2020	0.130	0.105	6,789
March 2020	0.200	0.100	11,837
February 2020	0.215	0.195	1,902
January 2020	0.230	0.195	3,467

Notes:
(1) Data obtained from the TSX-V.
(2) Up to an including the trading of the Common Shares on the close of business on 23 April 2021.

Prior Sales

There were no stock options or other securities that are not listed or quoted on a marketplace issued during the year ended 31 December 2020.

8. ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTIONS ON TRANSFER

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class as at 31 December 2020
Common shares – note 1	60,000	0.01%

Note 1: This is a legacy escrow agreement dating back to 1985 between Computershare Trust Company of Canada and a shareholder whereby 60,000 shares remain in escrow.

9. DIRECTORS & EXECUTIVE OFFICERS

The following table sets out Falcon's directors and executive officers as of the date hereof, provides the person's name, location of residence, position(s) held with Falcon, principal occupation during the last five years and if a director, the date on which the person became a director. Each of Falcon's directors will hold office until the close of the next annual meeting of shareholders or until such director's successor is duly elected or appointed. Falcon understands based on information available publicly, that all of Falcon's current directors and executive officers as a group beneficially own, control or direct, directly or indirectly, over 3,483,696 common shares representing, as at 26 April 2021, approximately 0.355% of Falcon's issued and outstanding common shares.

The full names, functions and dates of appointment of the Directors are as follows:

Name & residence	Function	Date of appointment	Principal occupation during last 5 years
JoAchim Conrad, Potsdam, Germany (2)	Non-executive Chairman	6 October 2008	Chairman of the Advisory Board of MegaTop Solutions, Chairman of the Board of the German Institute for Energy Efficiency (Deutsches Institut für Energieeffizienz) Managing Director of Bosphorus Gaz Corporation A.Ş.
Philip O'Quigley, Dublin, Ireland	Chief Executive Officer	25 September 2012	CEO of Falcon Oil & Gas Ltd.
Daryl H. Gilbert, Calgary, Alberta, Canada (1) (2) (3)	Non-executive Director	21 September 2007	Managing Director of JOG Capital Inc.
Gregory Smith, Calgary, Alberta, Canada (1)(2)(3)	Non-executive Director	22 December 2009	Chartered Professional Accountants of Alberta President of Oakridge Financial Management Inc. Director and officer of CanadaBis Capital Inc. Director and CFO of Maglin Site Furniture Inc.
Maxim Mayorets Moscow, Russia (1)(2)(3)	Non-executive Director	10 December 2014	Managing Partner at RPI Capital LLC M&A Director at ComplexProm, Member of the Executive Board and M&A Director at Renova Group
Anne Flynn, Dublin, Ireland	Chief Financial Officer	05 October 2016	CFO, Falcon Oil & Gas Ltd. Group Financial Controller, Falcon Oil & Gas Ltd.
Bruce Lawrence Calgary, Alberta, Canada	Corporate Secretary	13 October 2017	Partner at Borden Ladner Gervais LLP

Notes:
(1) Member of the audit committee.
(2) Member of the compensation committee.
(3) Member of the reserves, health safety and environment committee

JoAchim Conrad - *Non-Executive Chairman*
Mr. Conrad, a Director of Falcon Oil & Gas Ltd. since 2008 was elected Chairman of the Board in December 2015.

Since 2016, Mr. Conrad is the Chairman of the Advisory Board of Germany, Berlin-based energy services company MegaTop Solutions, which integrates high-tech renewable energy production solutions with advanced traditional technologies, including but not limited to solar technologies, combined heat and power (CHP) production and smart metering. Mr. Conrad is also the Chairman of the Board of the German Institute for Energy Efficiency (Deutsches Institut für Energieeffizienz) since 2015.

Mr. Conrad served as Executive Managing Director, Member of the Board of Directors of Bosphorus Gaz Corporation, Istanbul, Turkey, and Senior Advisor to the Management of Gazprom Germania GmbH, which owns the 71% percent majority stake of Bosphorus Gaz from 2012 to 2017. Previously, Mr. Conrad was the Managing Director of Berlin-based Gazprom Marketing & Trading GmbH from 2009 to 2011.

Between 2003 and 2009, Mr. Conrad worked with Swiss-based EGL AG, which was later integrated into Axpo AG. While at EGL, Mr. Conrad was Head of Gas, but also in charge of power and gas operations in eastern Europe, as well as a member of EGL's Executive Management. Besides expanding EGL's gas and power operations in eastern Europe, Mr. Conrad also played a key role in developing and starting to implement plans to launch the Trans Adriatic Pipeline (TAP) project that he originally masterminded. TAP later attracted Statoil of Norway and other industry giants such as BP, Total, E.ON, SOCAR and Fluxys among its shareholders, as Azerbaijan in 2013 selected it as the pipeline project of choice for its new gas exports to Europe in the fourth import corridor of natural gas to Europe.

Mr. Conrad is a certified business economist. He is married and father of two sons.

Philip O'Quigley - *Chief Executive Officer & Executive Director*
Mr. O'Quigley has been a member of the Board since September 2012 and has been Chief Executive Officer of Falcon since May 2012. Mr. O'Quigley brings over 30 years' experience in senior management positions in the oil and gas industry. His career, which spans a number of London and Dublin listed exploration and production companies, includes experience working in countries such as Argentina, the United States, Algeria, the UK and Ireland. Before joining Falcon, he served as Finance Director for Providence Resources plc, an Irish oil and gas exploration and production company. Mr. O'Quigley is a Fellow of the Institute of Chartered Accountants in Ireland and qualified as a Chartered Accountant with Ernst & Young in Dublin.

Daryl H. Gilbert - *Non-Executive Director*
Mr. Gilbert has been a member of the Board since September 2007 and is a Professional Petroleum Engineer with over 40 years' experience in both the Canadian and international oil and gas industries. Mr. Gilbert serves as a director of several energy related public entities in addition to Falcon including Whitecap Resources Inc. and Surge Energy Inc. He is also a Managing Director of JOG Capital Inc., a private equity oil and gas investment firm located in Calgary, Alberta. The greater part of Mr. Gilbert's career was spent in the independent energy evaluation consulting sector. In 1979, he joined the predecessor oil and gas engineering and geological firm which became Gilbert Laustsen Jung Associates Ltd. ("**GLJ**") where he served as a Principal Officer beginning in 1988 and as President and Chief Executive Officer from 1994 through to his retirement from consulting in 2005. Mr. Gilbert has a BSc from the University of Manitoba in Civil Engineering and is a member of the Association of Petroleum Engineers, and Geoscientists of Alberta and the Society of Petroleum Engineers.

Gregory Smith - *Non-Executive Director*
Mr. Smith has been a member of the Board and Chairman of the Audit Committee since December 2009 and is a Chartered Professional Accountant and President of Oakridge Financial Management Inc., a provider of financial and management consulting services to private and public companies. He is also the CFO and a director of Maglin Site Furniture Inc., a corporation that manufacturers and distributes public site furniture primarily in Canada and the United States. He is currently a director of Rhode & Liesenfeld Canada Inc., a company involved in international freight forwarding, specializing in industrial and resource industries; a director of CanadaBis Capital Inc and a director of a number of private corporations. He is a past director and audit committee chairman of a number of public and private resource corporations including Kerr Mines Inc., TriWestern Energy Inc., Manson Creek Resources Ltd., CDG Investments Inc. and Tyler Resources Inc. Mr. Smith was admitted to the Institute of Chartered Professional Accountants of Alberta in 1975 and holds a Bachelor of Commerce degree from the University of Calgary.

Maxim Mayorets - *Non-Executive Director*
Mr. Mayorets graduated from the Moscow State Institute of International Relations in 1999 and the Financial Academy under the auspices of the Government of the Russian Federation in 2001. From 2000 to 2002 Mr. Mayorets was head of the financial department at ZAO Medical Technologies Ltd. From 2002 to 2010 Mr. Mayorets held various positions in the International Business Division at OAO Gazprom, acted as head of several Gazprom subsidiaries, was on the boards of directors of the company's businesses and from 2007 Mr. Mayorets was deputy head of the international business department of OAO Gazprom. Between May 2010 and July 2018, Mr. Mayorets held the position of the M&A Director at Renova Group. Between July 2018 and October 2019, Mr. Mayorets was a M&A Director at ComplexProm. From 16 October 2019, Mr. Mayorets holds the role of Managing Partner at RPI Capital LLC.

Anne Flynn - *Chief Financial Officer*
Ms. Flynn was appointed Chief Financial Officer in October 2016. Ms. Flynn joined Falcon in September 2014 as Group Financial Controller with responsibility for the Group's Dublin, Hungarian and Australian finance and commercial functions. She had previously held a finance managerial role with Adobe Systems Inc for a period of over three years. Prior to Adobe, Anne worked for PwC Dublin and PwC New York for six years. Ms Flynn is a Fellow of the Institute of Chartered Accountants Ireland.

Bruce Lawrence - *Corporate secretary*
Bruce Lawrence is a partner at Borden Ladner Gervais, LLP in the securities and capital markets group, and is the former Regional Chair of their oil and gas focus group. Based in Calgary, Bruce has practised in the corporate/commercial area since 1982, with an emphasis on clients involved in the natural resources sector. The bulk of his practice involves corporate and securities transactions with exposure to numerous public and private financings, mergers, acquisitions, take-over bids, restructurings and plans of arrangement. Bruce is also involved in oil sands and off-shore oil and gas development.

Penalties & sanctions

No director or executive officer of Falcon or, to Falcon's knowledge, a shareholder holding a sufficient number of securities of the Company to materially affect the control of Falcon, has or within 10 years prior to the date of this Annual Information Form, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority, or been subject to any other penalties or sanctions imposed by a court or regulatory body, including a self regulatory body, that would likely be considered important to a reasonable security holder making an investment decision about Falcon.

Corporate cease trade orders or bankruptcy

Daryl Gilbert was a director of LGX Oil and Gas Inc. ("**LGX**"), a public oil and gas company, from August 2013 until June 2016. On June 7, 2016 a consent receivership order was granted by the Alberta Court of Queen's Bench (the "Court") upon an application by LGX's senior lender. LGX's stock was cease traded shortly thereafter and a receiver manager was appointed. Mr. Gilbert was a director of Connacher Oil & Gas Limited ("**Connacher**") from October 2014 until February 2019. On May 17, 2016, Connacher applied for and was granted protection from its creditors by the Court pursuant to the Companies' Creditors Arrangement Act (Canada), ("CCAA"). On February 16, 2019, Connacher announced that it was proceeding to close on a credit bid transaction with its supporting lenders. Mr. Gilbert resigned from the Board shortly thereafter. Mr. Gilbert was a director of Trident Exploration Corp. ("Trident") from 2010 through year end 2018. On April 30, 2019, Trident announced it had ceased operations and had transferred all assets to the Alberta Energy Regulator. On May 3, 2019, PricewaterhouseCoopers LLP was appointed receiver. A liquidation process is currently underway.

Other than set forth above, no director or executive officer of Falcon is, or within the ten years prior to the date of this Annual Information Form, has been, a director or executive officer of any company that, while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty consecutive days; or was subject to an order that was issued after the director or executive officer ceased to be a director or executive officer and which resulted from an event that occurred while that person was acting in the capacity as director or executive officer.

Other than set forth above, no director or executive officer of Falcon or, to Falcon's knowledge, a shareholder holding a sufficient number of securities of Falcon to materially affect the control of Falcon is, or within the ten years prior to the date of this Annual Information Form, has been, a director or executive officer of any company that, while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

No director or executive officer of Falcon or, to Falcon's knowledge, a shareholder holding a sufficient number of securities of Falcon to materially affect the control of Falcon has, within the ten years prior to the date of this Annual Information Form, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Conflicts of interest

Certain officers and directors of Falcon are directors or officers of other oil and gas exploration companies. Consequently, potential conflicts of interest may arise in the event that these companies compete in respect of the sale or option of oil and gas properties in which Falcon is or may be interested.

The directors and officers of the Company are aware of the existence of laws governing accountability of directors and officers for corporate opportunity and requiring disclosures by directors of conflicts of interest and the Company will rely upon such laws in respect of any directors and officers' conflicts of interest or in respect of any breaches of duty by any of its directors or officers. All such conflicts will be disclosed by such directors or officers in accordance with the BCA and they will govern themselves in respect thereof to the best of their ability in accordance with the obligations imposed upon them by law.

Executive Compensation

For the purposes of the AIF, a "named executive officer" of the Corporation means an individual who, at any time during the year, was (each a "**Named Executive Officer**"):

a) the Corporation's chief executive officer ("**CEO**");
b) the Corporation's chief financial officer ("**CFO**");
c) the Corporation's most highly compensated executive officers other than the CEO and CFO, at the end of the most recently completed financial year and whose total compensation was more than Canadian ("**CDN**") $150,000 for that financial year; and
d) each individual who would be a Named Executive Officer under paragraph (c) but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year.

Based on the foregoing definition, during the last completed financial year of the Corporation, there were two Named Executive Officers ("**NEO**"), being Philip O'Quigley, CEO and Anne Flynn, CFO.

Compensation Discussion and Analysis

In assessing the compensation of its executive officers, the Corporation does not have in place formal objectives, criteria or analysis; it is through Board discussion, with input from and upon the recommendations of the Compensation Committee. The Compensation Committee is comprised of JoAchim Conrad, Greg Smith, Daryl Gilbert and Maxim Mayorets.

The Corporation's executive compensation program has the following principal components: base salary, pension contribution, company healthcare plan, incentive bonus plan and stock options.

Base salaries, pension contributions and participation in the company healthcare plan for all employees of the Corporation are established for each position through comparative salary surveys of similar type and size companies. Both individual and corporate performances are also taken into account.

Incentive bonuses, in the form of cash payments, are designed to add a variable component of compensation based on corporate and individual performances for executive officers and employees. Individual bonuses for achievement of specific performance targets in addition to bonuses based on the average increase in the weighted market capitalisation of the company during the most recently completed financial year in reference to the anniversary of the commencement date of a particular employee are paid. In addition, the Compensation Committee may recommend a discretionary bonus to NEO's for exceptional performance.

Stock options are granted to provide an incentive to the directors, officers, employees and consultants (collectively, the "**Participants**") to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Corporation. The Corporation awards stock options to the Participants based upon the recommendation of the Compensation Committee. Previous grants of incentive stock options are taken into account when considering new grants.

Implementation of a new incentive stock option plan and amendments to the Stock Option Plan are the responsibility of the Compensation Committee.

The Compensation Committee is responsible for setting the pay and conditions of the Company's Directors and Officers. This Committee reviews periodically the adequacy and form of the compensation of the Directors with a view to ensuring that such compensation realistically reflects the responsibilities and risks of being a director.

The Corporation has no other forms of compensation, although payments may be made from time to time to individuals or companies they control for the provision of consulting services. Such consulting services are paid for by the Corporation at competitive industry rates for work of a similar nature by reputable arm's length services providers.

Summary Compensation Table

The following table sets forth the compensation awarded to, earned by, paid to, or payable to the NEO and directors for the two most recently completed financial years, with the most recent such financial year ended 31 December 2020:

Name and principal position	Year	Salary US$	Bonus US$	Director Fees US$	Value of all other compensation US$(1)	Total compensation US$
Philip O'Quigley (CEO)	2020 2019	519,000 480,000	122,000 -	- -	5,000 5,000	646,000 485,000
Anne Flynn (CFO)	2020 2019	205,000 202,000	56,000 -	- -	22,000 22,000	283,000 224,000
JoAchim Conrad (Director)	2020 2019	- -	- -	48,000 48,000	- -	48,000 48,000
Daryl H. Gilbert (Director)	2020 2019	- -	- -	42,000 42,000	- -	42,000 42,000
Gregory Smith (Director)	2020 2019	- -	- -	42,000 42,000	- -	42,000 42,000
Maxim Mayorets (Director)	2020 2019	- -	- -	42,000 42,000	- -	42,000 42,000

Notes
(1) Value of all other compensation relates to health insurance contributions paid to Philip O'Quigley (US$5,000) and Anne Flynn (US$2,000) and pension payments paid into Anne Flynn's defined contribution plan (US$20,000).

Incentive Plan Awards

Outstanding Share-Based Awards and Option-Based Awards

There were no stock options granted during the year ended 31 December 2020.

The total number of stock options held by the NEOs and directors as at 31 December 2020 including those granted as detailed above are included in the table below:

Name	Number of unexercised stock options held	Number of Common Shares held
Philip O'Quigley (CEO)	12,000,000	3,013,696
Anne Flynn (CFO)	7,000,000	-
JoAchim Conrad (Director)	4,000,000	-
Daryl H. Gilbert (Director)	2,500,000	-
Gregory Smith (Director)	2,500,000	470,000
Maxim Mayorets (Director)	2,500,000	-

Exercise of Compensation Securities by Directors and NEOs

There were no stock options or other compensation securities exercised by a director or NEO during the year ended 31 December 2020.

Stock Option Plan

In 2004, the Shareholders approved the Corporation's stock option plan in substantially its current form (the "**Stock Option Plan**"), which is known as a "rolling plan". The Stock Option Plan requires the approval of the Shareholders each year at the annual general meeting of the Shareholders in accordance with the terms of the Stock Option Plan and TSX Venture Exchange ("**TSX-V**") Policy 4.4 – "Incentive Stock Options" ("**Policy 4.4**"). The Stock Option Plan was approved at the annual shareholders meeting held on 10 December 2020.

The following is a summary of the principal terms of the Stock Option Plan, which summary is qualified by and is subject to the full terms and conditions of the Stock Option Plan. Except as otherwise defined herein, capitalised terms used herein have the meanings ascribed thereto in the Stock Option Plan.

The Shareholders initially approved the Stock Option Plan on 18 November 2004 and subsequently at each annual general and special meeting of the Corporation held thereafter. Ten percent (10%) of the number of issued and outstanding Common Shares from time to time are currently reserved for issuance upon the exercise of options granted pursuant to the Stock Option Plan.

The purpose of the Stock Option Plan is to attract, retain and motivate directors, officers, employees and consultants (collectively, the "**Participants**") by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Corporation and benefit from its growth. In management's view, the ability to grant stock options as a means of compensating Participants contributes to the Corporation's overall financial performance. As such, management considers that the Stock Option Plan is beneficial to the Corporation as it provides the Corporation with greater flexibility to compensate eligible Participants with grants of stock options and encourage Participant ownership of the Corporation.

The options are non-assignable and may be granted for a term not exceeding five (5) years, unless the Corporation is listed on Tier 1 of the TSX-V in which case the options may be granted for a term not exceeding ten (10) years. Options may be granted under the Stock Option Plan only to Participants or to persons that have agreed to commence serving in any of the aforementioned capacities subject to the rules and regulations of applicable regulatory authorities and any Canadian stock exchange upon which the Common Shares may be listed or may trade from time to time. The number of Common Shares reserved for issue to any one person pursuant to the Stock Option Plan may not exceed five percent (5%) of the issued and outstanding Common Shares at the date of such grant or in any twelve-month period. The exercise price of options issued may be issued at the market price of the Common Shares as listed on the TSX-V, subject to any discounts permitted by applicable legislative and regulatory requirements.

On 19 February 2021 Falcon announced that on 18 February 2021 it granted incentive stock options to purchase an aggregate of 38,000,000 common shares of Falcon to a number of recipients, including directors and officers under the stock option plan approved at Falcon's annual shareholders meeting held on 10 December 2020. Details of the grant are included on pages 8-9. As at 26 April 2021, 44,000,000 stock options are issued and outstanding.

Summary of employment contracts of each named executive officer

The following describes the material terms and conditions of the employment contracts including termination provisions and change of control benefits of each NEO in effect during the financial year ended 31 December 2020.

Mr. Philip O'Quigley
Mr. O'Quigley was appointed as a Director in September 2012. Mr. O'Quigley accepted the position of Chief Executive Officer pursuant to an employment contract dated 10 April 2012, commencing employment on 1 May 2012. Mr. O'Quigley receives an annual salary of €454,545 and is eligible for a bonus of up to 100% of the sum of Mr. O'Quigley's annual salary. The Company can terminate the employment contract on twelve months' notice, or payment in lieu of notice, at an estimated cost of $563,000 to Falcon. This contract includes a "change of control" provision, where in the event of a sale of the Company's assets or a change in the ownership of the Company, Mr O'Quigley is entitled to 12 months salary, at an estimated cost of $563,000. The change of control provisions also applies in the event of a change of control within 12 months following the termination of Mr. O'Quigley's employment contract.

Ms. Anne Flynn
Ms. Flynn was appointed Chief Financial Officer on 5 October 2016. Ms. Flynn is paid an annual salary of €180,000 and is eligible for a bonus of up to 50% of her annual salary. The Company can terminate the employment agreement on twelve months' notice, or payment in lieu of notice, at an estimated cost of $245,000 to Falcon. This contract includes a "change of control" provision, where in the event of a sale of the Company's assets or a change in the ownership of the Company, Ms Flynn is entitled to 12 months' salary, at an estimated cost of $245,000. The change of control provisions also applies in the event of a change of control within 12 months following the termination of Ms. Flynn's employment contract.

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10. LEGAL PROCEEDINGS & REGULATORY ACTIONS

The Company has not been involved in any legal proceedings during the financial year and as of 26 April 2021, no legal proceedings are contemplated.

11. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

None of Falcon's current directors or executive officers has any interest, direct or indirect, in any material transactions in which Falcon has participated since 1 January 2018.

No persons or companies that are the direct or indirect beneficial owners of, or who exercise control or direction over, more than 10% of the outstanding Common Shares, or any associate or affiliate of any of the foregoing, has any interest, direct or indirect, in any material transactions in which Falcon has participated since 1 January 2018.

12. TRANSFER AGENT & REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada, 3rd Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9, Canada. Computershare Investor Services Plc acts as the depositary in the United Kingdom and is located at The Pavilions, Bridgewater Road, Bristol, BS99 6ZY, United Kingdom.

13. MATERIAL CONTRACTS

Falcon has not entered into any material contracts outside of the ordinary course of business in the last financial year or before the last financial year which are still in effect.

14. INTERESTS OF EXPERTS

Names of experts

The names of the experts are as follows:

- Charles W. Chapman, co-author of the 51-101F2 Report, Chapman Petroleum Engineering Ltd, 1122 – 4th Street S.W., Suite 700, Calgary, Alberta, T2R 1M1, Canada;
- BDO LLP, the Company's auditors, 55 Baker Street, London W1U 7EU, United Kingdom; and
- RPS Energy author of the RPS 2013 Report, 411N. Sam Houston Parkway E., Suite 400 Houston, Texas 77060-3545, U.S.A.

Interests of experts

As of the date hereof, the directors, officers, employees and partners, as applicable, of each of the aforementioned companies and partnerships beneficially own, directly or indirectly in the aggregate, less than one percent of the securities of the Company. No director, officer, employee or partner, as applicable, of the aforementioned companies or partnerships is currently expected to be elected, appointed or employee as a director, officer or employee of the Company or of any associate or affiliate of the Company.

BDO LLP are the auditors of the Group and have confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation up to the date of their auditors' report 26 April 2021.

15. ADDITIONAL INFORMATION

Additional information relating to Falcon may be found on SEDAR at www.sedar.com.

Additional financial information is provided in Falcon's audited consolidated financial statements and MD&A for the year ended 31 December 2020.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Falcon's securities and options to purchase Falcon's securities, where applicable, is contained in Falcon's most recent information circular dated 03 November 2020.

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