



Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Financial Statements
Three and Six Months Ended 30 June 2022 and 2021

(Presented in U.S. Dollars)

24 August 2022

To the shareholders of Falcon Oil & Gas Ltd.

Notice of No Auditor Review

The accompanying unaudited interim condensed consolidated financial statements as at and for the three and six months ended 30 June 2022 and 2021, have been prepared by the management of the Company and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements.

Falcon Oil & Gas Ltd.
Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2022 and 2021

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Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)

	Notes	Three months ended 30 June 2022 \$'000	Three months ended 30 June 2021 \$'000	Six months ended 30 June 2022 \$'000	Six months ended 30 June 2021 \$'000
Revenue					
Oil and natural gas revenue	3	-	-	-	2
		-	-	-	2
Expenses					
Exploration and evaluation expenses		(37)	(42)	(77)	(82)
General and administrative expenses	12	(1,076)	(631)	(1,684)	(1,662)
Foreign exchange (loss) / gain		(129)	37	(174)	(118)
		(1,242)	(636)	(1,935)	(1,862)
Results from operating activities		(1,242)	(636)	(1,935)	(1,860)
Finance income	4	2	2	5	3
Finance expense	4	(83)	(59)	(143)	(126)
Net finance expense		(81)	(57)	(138)	(123)
Loss and comprehensive loss for the period		(1,323)	(693)	(2,073)	(1,983)
Loss and comprehensive loss attributable to:					
Equity holders of the company		(1,322)	(693)	(2,072)	(1,982)
Non-controlling interests		(1)	-	(1)	(1)
Loss and comprehensive loss for the period		(1,323)	(693)	(2,073)	(1,983)
Loss per share attributable to equity holders of the company:					
Basic and diluted	5	(0.001 cent)	(0.001 cent)	(0.002 cent)	(0.002 cent)

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

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

		At 30 June 2022 \$'000	At 31 December 2021 \$'000
	Notes		
Assets			
Non-current assets			
Exploration and evaluation assets	6	40,244	40,197
Property, plant and equipment		10	13
Trade and other receivables		21	22
Restricted cash	7	2,050	2,239
		42,325	42,471
Current assets			
Cash and cash equivalents	8	17,395	8,894
Trade and other receivables		110	74
		17,505	8,968
Total assets		59,830	51,439
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	19	402,120	392,170
Contributed surplus		46,737	46,254
Retained deficit		(401,938)	(399,866)
		46,919	38,558
Non-controlling interests		697	698
Total equity		47,616	39,256
Liabilities			
Non-current liabilities			
Decommissioning provision	13	11,893	11,775
		11,893	11,775
Current liabilities			
Accounts payable and accrued expenses	14	321	408
		321	408
Total liabilities		12,214	12,183
Total equity and liabilities		59,830	51,439

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

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

	Notes	Share capital \$'000	Contributed surplus \$'000	Retained deficit \$'000	Equity interests of the parent \$'000	Non-Controlling interests ("NCI") \$'000	Total equity \$'000
At 1 January 2021		392,170	45,075	(395,173)	42,072	701	42,773
Loss and total comprehensive loss for the period		-	-	(1,982)	(1,982)	(1)	(1,983)
Share based compensation	9	-	747	-	747	-	747
At 30 June 2021		392,170	45,822	(397,155)	40,837	700	41,537
At 1 January 2022		392,170	46,254	(399,866)	38,558	698	39,256
Loss and total comprehensive loss for the period		-	-	(2,072)	(2,072)	(1)	(2,073)
Share based compensation	9	-	483	-	483	-	483
Equity Raise	19	9,950	-	-	9,950	-	9,950
At 30 June 2022		402,120	46,737	(401,938)	46,919	697	47,616

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

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

		Six months ended 30 June	
	Notes	2022	2021
		\$'000	\$'000
Cash flows from operating activities			
Net loss for the period		(2,073)	(1,983)
Adjustments for:			
Share based compensation	9	483	747
Depreciation		3	1
Net finance expense	4	138	123
Effect of exchange rates on operating activities		174	118
Transfer of Canadian working interests		-	(28)
Change in non-cash working capital:			
(Increase) / decrease in trade and other receivables		(35)	5
Decrease in accounts payable and accrued expenses		(63)	(43)
Net cash used in operating activities		(1,373)	(1,060)
Cash flows from investing activities			
Interest received		5	3
Exploration and evaluation assets		(44)	(2)
Net cash (used in) / generated from investing activities		(39)	1
Cash flows from financing activities			
Net proceeds from private placement	19	9,950	-
Net cash generated from financing activities		9,950	-
Change in cash and cash equivalents		8,538	(1,059)
Effect of exchange rates on cash & cash equivalents		(37)	(3)
Cash and cash equivalents at beginning of period		8,894	11,036
Cash and cash equivalents at end of period	8	17,395	9,974

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

Falcon Oil & Gas Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the Three and Six Months Ended 30 June 2022 and 2021

1. General Information

Falcon Oil & Gas Ltd. ("**Falcon**") is an oil and gas company engaged in the exploration and development of unconventional oil and gas assets. Falcon's interests are located in Australia, Hungary, South Africa and Canada. The carrying value at 30 June 2022 of the Company's interest in Australia is \$40.2 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 permits are expensed as incurred.

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

The information provided herein in respect of Falcon includes information in respect of its wholly-owned subsidiaries: 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 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**"). Mako Energy Corporation, a Delaware company and Falcon Oil & Gas USA Inc., a Colorado company, former wholly owned subsidiaries of Falcon, were liquidated in 2021.

2. Accounting policies

Basis of preparation and going concern

These Interim Condensed Consolidated Financial Statements ("**Interim Statements**") of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' and, except as described below, on the basis of the same accounting principles as, and should be read in conjunction with, the Consolidated Financial Statements for the year ended 31 December 2021 (pages 10 to 16) as filed on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

There are no amended accounting standards or new accounting standards that have any significant impact on these interim financial statements applicable as at 1 January 2022.

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

As at 30 June 2022 the Group had \$17.4m of cash and cash equivalents, which is sufficient to cover ongoing operating costs for the next 12 months from the date of the approval of the financial statements. In April 2020 Falcon Australia agreed to farm down 7.5% of its participating interest in the Exploration Permits to Origin Energy B2 Pty Ltd. ("**Origin**"). Following the transaction, Falcon Australia holds a 22.5% participating interest ("**PI**"). In consideration for the farm down the Stage 2 and Stage 3 gross cost caps were combined and increased by A\$150.5 million to A\$263.8 million, with costs above this cost cap to be borne by Falcon and Origin in proportion to their PI. Northern Territory government approval has now been obtained, it was previously noted as outstanding. It is further noted that Falcon completed an equity raise of US\$10million, details of which were announced on 31 March 2022. The Stage 2 work programme carried out during 2021 included operations at Kyalla 117 N2-1H ST2, Amungee NW-1H and Velkerri 76 S2-1. Results from Stage 2 have determined the focus of the Stage 3 programme. From the date of approval of these financial statements the remaining cost cap coupled with the cash on hand are sufficient to cover estimated committed costs under Stage 3 and other general operating costs for twelve months from the date of the approval of the financial statements. Costs incurred beyond this period and beyond the Stage 3 phase of the work programme would require further funding.

The Directors and Management are confident that the further funding required beyond the twelve months can be raised through either an equity raise or debt funding. As at the date of the approval of these financial statements, funding requirements beyond twelve months and beyond Stage 3 have not been determined, no such further funding has been raised and there can be no certainty that sufficient funds can be raised if required. Whilst this represents an uncertainty, given the timeframe to raise these funds and the Group's history of achieving this, this is not considered a material uncertainty. Management note if sufficient funding was not raised during that period beyond twelve months and

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2022 and 2021****2. Accounting policies (continued)**

commitments under future exploration phases not met, then this could impact the Group's future participation in the underlying assets and, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not include adjustments that would result if the Group was unable to continue as a going concern. Having given due consideration to the cash requirements of the Group, the Board of Directors ("the Board") has a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of these financial statements. For this reason, the Board continues to adopt the going concern basis in preparing these consolidated financial statements which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future.

3. Segment information

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

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

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

An analysis of the geographic areas is as follows:

	Australia \$'000	South Africa \$'000	Hungary \$'000	Other \$'000	Total \$'000
Six months ended 30 June 2022					
Revenue	-	-	-	-	-
Net loss ⁽ⁱ⁾	(242)	(42)	(506)	(1,282)	(2,072)
At 30 June 2022					
Non-current assets ⁽ⁱⁱ⁾	40,244	-	2,050	10	42,304
Six months ended 30 June 2021					
Revenue	-	-	-	2	2
Net loss ⁽ⁱ⁾	(216)	(29)	(369)	(1,368)	(1,982)
At 30 June 2021					
Non-current assets ⁽ⁱⁱ⁾	40,188	-	2,360	3	42,551

(i) Net loss attributable to equity holders of the company.

(ii) Capital assets consist of exploration and evaluation assets, restricted cash and property, plant and equipment.

Falcon Oil & Gas Ltd.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2022 and 2021**

4. Finance expense

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Finance income					
Interest income on bank deposits		2	2	5	3
		2	2	5	3
Finance expense					
Accretion of decommissioning provisions	13	(58)	(59)	(117)	(118)
Net foreign exchange loss		(25)	-	(26)	(8)
		(83)	(59)	(143)	(126)
Net finance expense		(81)	(57)	(138)	(123)

5. Net loss per share

Basic and diluted loss per share is calculated as follows:

	Three months ended 30 June		Six months ended 30 June	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Loss attributable to equity holders of the company	(1,322)	(693)	(2,072)	(1,982)
Weighted average number of common shares in issue - (thousands)	1,040,913	981,847	1,011,544	981,847
Loss diluted loss per share	(0.001 cent)	(0.001 cent)	(0.002 cent)	(0.002 cent)

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

	Australia \$'000	Total \$'000
At 1 January 2022	40,197	40,197
Additions	47	47
At 30 June 2022	40,244	40,244
	Australia \$'000	Total \$'000
At 1 January 2021	40,444	40,444
Additions	13	13
Adjustments	(260)	(260)
At 31 December 2021	40,197	40,197

E&E assets consist of the Group's exploration projects which are pending the determination of proven or probable reserves.

E&E assets consist of the Group's Australian exploration project which is pending the determination of proven or probable reserves. For detailed discussion on E&E assets, please refer to the Management's Discussion & Analysis document for the three and six months ended 30 June 2022 on pages 6-11.

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2022 and 2021****7. Restricted cash**

Restricted cash includes cash held by financial institutions as collateral for ongoing Group operations. In January 2015, the Group placed \$2 million on deposit for the benefit of the Hungarian mining authority as a security deposit with regards the Group's decommissioning obligations.

	30 June 2022 \$'000	31 December 2021 \$'000
Restricted cash	2,050	2,239
	2,050	2,239

8. Cash and cash equivalents

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

	30 June 2022 \$'000	31 December 2021 \$'000
Cash and cash equivalents	17,395	8,894
	17,395	8,894

9. Share based compensation

The Group, in accordance with the policies of the TSX-V, may grant options to directors, officers, employees and consultants, to acquire up to 10% of the Group's issued and outstanding common stock. The exercise price of each option is based on the market price of the Group's stock at the date of grant, which may be discounted in accordance with TSX-V policies. The exercise price of all options granted to date has been based on the market price of the Group's stock at the date of grant, and no options have been granted at a discount to the market price. The options can be granted for a maximum term of five years. The Group records compensation expense over the vesting period based on the fair value at the grant date of the options granted. These amounts are recorded as contributed surplus. Any consideration paid on the exercise of these options together with the related contributed surplus associated with the exercised options is recorded as share capital. The Group incurred a share-based expense of \$483,000 during the period ended 30 June 2022 (2021: \$747,000).

On 19 February 2021 Falcon announced it granted incentive stock options ("**Options**") on 18 February 2021 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 2021. 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.

On 13 September 2021 Falcon announced it granted Options on 10 of September 2021 to the newly appointed chairman to purchase an aggregate of 3,000,000 common shares of Falcon. The Options were granted at an exercise price of GBP£0.10 (equivalent to CDN\$0.18).

All Options granted in 2021 had a vesting schedule allowing one third of the Options to vest immediately at the date of grant with an additional one third vesting on each subsequent anniversary with the Options fully vested on 18 February 2023 and 9 September 2023 respectively. The Options have an expiry date of 17 February 2026 and 9 September 2026 respectively.

Falcon Oil & Gas Ltd.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2022 and 2021**

9. Share based compensation (continued)

On 7 June 2022 Falcon announced it granted Options on 6 June 2022 to directors and officers to purchase an aggregate of 16,250,000 common shares of Falcon. Options were granted at exercise price of GBP£0.15 (equivalent to CDN\$0.24). The Options granted have a vesting schedule allowing for one third of the Options to vest immediately with any additional one third vesting on each of subsequent anniversary until the Options are fully vested on 6 June 2024. The Options have an expiry date of 5 June 2027.

A summary of the Group's stock option plan as of 30 June 2022 and 31 December 2021 and changes during the periods then ended, is presented below:

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of period	47,000,000	GBP£0.10	35,333,334	CAD\$0.13
Expired	(6,000,000)	CAD\$0.20	(29,333,334)	CAD\$0.11
Granted	-	-	21,500,000	GBP£0.08
Granted	-	-	16,500,000	GBP£0.12
Granted	-	-	3,000,000	GBP£0.10
Granted	16,250,000	GBP0.15	-	-
Outstanding at end of period	57,250,000	GBP£0.11	47,000,000	GBP£0.10
Exercisable at end of period	31,750,000	GBP£0.11	19,666,667	GBP£0.10

The exercise prices of the outstanding options are as follows:

Date of grant	Options	Exercise price	Date of Expiry	Weighted average contractual life remaining (years)
18 February 2021	21,500,000	GBP£0.08	17 February 2026	3.65
18 February 2021	16,500,000	GBP£0.12	17 February 2026	3.65
10 September 2021	3,000,000	GBP£0.10	9 September 2026	4.21
6 June 2022	16,250,000	GBP£0.15	5 June 2027	4.95
	57,250,000	GBP£0.11		

The fair value of 2022 Options granted at GBP£0.15 and the 2021 Options granted at GBP£0.08, GBP£0.12 and GDP£0.10 respectively were estimated using a Black Scholes model with the following inputs:

	GBP£0.08	GBP£0.12	GBP£0.10	GBP£0.15
Date of Grant	18 February 2021	18 February 2021	10 September 2021	6 June 2022
Fair value as at grant date	GBP£0.03	GBP£0.02	GBP£0.04	GBP£0.04
Share price as at grant date	GBP£0.07	GBP£0.07	GBP£0.08	GBP£0.09
Exercise price	GBP£0.08	GBP£0.12	GBP£0.10	GBP£0.15
Expected option life	4.12 years	4.12 years	4.14 years	4.05 years
Dividends	Nil	Nil	Nil	Nil
Risk - free interest rate	0.485%	0.485%	0.606%	1.997%

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2022 and 2021****10. Determination of fair values**

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

Cash and cash on equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses

As at 30 June 2022 and 31 December 2021, the fair value of cash and cash on equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses approximated their carrying value due to their short term to maturity.

11. Financial Instruments and risk management

The following tables provide fair value measurement information for financial assets and liabilities as at 30 June 2022 and 31 December 2021. The carrying value of cash and cash equivalents, restricted cash, accounts receivable, and accounts payable and accrued expenses included in the consolidated statement of financial position approximate fair value due to the short-term nature of those instruments. Financial assets in the table below are measured at amortised cost.

	Carrying value \$'000	30 June 2022 Fair value \$'000	31 December 2021 Carrying value \$'000	31 December 2021 Fair value \$'000
Financial assets:				
Cash and cash equivalents including restricted cash	19,445	19,445	11,133	11,133
Accounts receivable	124	124	78	78
Financial Liabilities:				
<i>Other financial liabilities</i>				
Accounts payable and accrued expenses	321	321	408	408

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

Level 1 Fair Value Measurements

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

Level 2 Fair Value Measurements

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

Level 3 Fair Value Measurements

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

Falcon Oil & Gas Ltd.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Six Months Ended 30 June 2022 and 2021**

12. General and administrative expenses

	Three months ended 30 June		Six months ended 30 June	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Accounting and audit fees	(36)	(39)	(78)	(87)
Consulting fees	(10)	(11)	(23)	(22)
Legal fees	(11)	(6)	(20)	(13)
Investor relations	(73)	(37)	(142)	(76)
Office and administrative costs	(42)	(67)	(81)	(137)
Payroll and related costs	(483)	(237)	(717)	(476)
Directors' fees	(54)	(51)	(111)	(102)
Travel and promotion	(20)	(1)	(29)	(2)
Shared based compensation (Note 9)	(347)	(182)	(483)	(747)
	(1,076)	(631)	(1,684)	(1,662)

13. Decommissioning provision

A reconciliation of the decommissioning provision for the period ended 30 June 2022 and the year ended 31 December 2021 is provided below:

	30 June 2022 \$'000	31 December 2021 \$'000
Balance as at beginning of period	11,775	10,563
Revision to provisions	-	991
Other	1	(4)
Accretion	117	225
Non – current; balance at end of period	11,893	11,775

The Group's decommissioning provision results from its ownership interest in oil and natural gas assets. The total decommissioning provision is estimated based on the Group's net ownership interest in the wells, estimated costs to reclaim and abandon these wells and the estimated timing of the costs to be incurred in future years. The Group's has estimated the net present value of the decommissioning provision to be \$11.7 million as at 30 June 2022 (2021: \$11.8 million) based on an undiscounted total future liability of \$13 million (2021: \$13.2 million). These payments are expected to be made over approximately the next five years. The discount factor, being the risk-free rate related to the liability, was 2.003% as at 30 June 2022 (2021: 2.003%). The Inflation factor related to the liability, was 2.92% as at June 2022 (2021 2.92%). A 1% increase / (decrease) in the discount rate to 3% / 1% will (decrease) / increase the provision by (\$613,100) / \$708,900

14. Accounts payable and accrued expenses

	30 June 2022 \$'000	31 December 2021 \$'000
Current		
Accounts payable	107	93
Accrued expenses	214	315
	321	408

15. Related party transactions

There were no related party transactions during the period.

16. Commitments

Work program commitments

Australia - Beetaloo Sub-Basin, Northern Territory, Australia

The Group planned a drilling programme which commenced in 2015 with its farm-out partners.

In August 2018 the Group agreed to amend the original farm-out agreement to deem Stage 1 of the exploration and appraisal drilling programme complete, thereby removing the requirement to fracture stimulate a vertical well and accelerate the programme into Stage 2 with a A\$15 million increase to the Stage 2 Cost Cap to approximately A\$65 million. Costs above the Cost Cap would need to be financed by the Group in accordance with their participating interest.

Originally the Group indicated that it expected the work to be undertaken between 2016 and 2018, however the introduction of a moratorium on hydraulic fracturing delayed the completion of the drilling and exploration programme. In March 2018, the inquiry concluded its work with the publication of a Final Report and on 17 April 2018, the Northern Territory government announced they would be lifting the moratorium on hydraulic fracturing. Work recommenced in 2019, details of current operations are included in the Management's Discussion & Analysis document for the three and six months ended 30 June 2022.

On 7 April 2020 it was announced that Falcon Australia had agreed to farm down 7.5% of its PI in the Exploration Permits, such that following the transactions, Falcon Australia holds a 22.5% PI. In consideration for the farm down Origin agreed to increase 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 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. Costs in excess of the cost cap of A\$263.8 million will be funded in proportion to the participating interest of the joint venture partners.

South Africa - Karoo Basin, South Africa

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

The latest updates on the Stage 3 work programme are included on pages 8-11 of the Management's Discussion & Analysis document for the three and six months ended 30 June 2022

Hungary - Makó Trough, Hungary

The Group is not committed to any independent technical operations in Hungary.

17. Subsequent Events

There were no subsequent events noted up to the approval of the of these interim financial statements on 24 August 2022.

18. COVID-19 Pandemic

On 11 March 2020, the World Health Organization ("WHO") characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The Company has taken steps to ensure the health and safety of employees and that all safety guidelines as established by health authorities are met. On 26 March 2020 given the unprecedented circumstances brought about by COVID-19, the joint venture decided to temporarily pause activities in the Beetaloo Sub-basin, with the resumption of activities at Kyalla 117 in September 2020, full details are included in the Group's Annual Information Form for the fiscal year ended 31 December 2021 dated 27 April 2022 on page 6.

Falcon Oil & Gas Ltd.
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19. Share capital

As at 30 June 2022 and 31 December 2021, the Company was authorised to issue an unlimited number of common shares, without par value.

The following is a reconciliation of issued and outstanding common shares:

	Number of shares	Share capital \$'000
At 1 January 2021	981,847,425	392,170
At 31 December 2021	981,847,425	392,170
Private placement – April 2022	62,500,000	10,000
Private placement – April 2022 - expenses	-	(50)
	62,500,000	9,950
At 30 June 2022	1,044,347,425	402,120

On 08 April 2022 Falcon announced that, following the approval of the TSX Venture Exchange, it had issued a total of 62,500,000 Common Shares at a price of CAD\$0.20 per share to Sheffield Holdings LP for gross proceeds of US\$10 million pursuant to the private placement announced on 31 March 2022.

20. Approval of interim financial statements

These Interim Financial Statements were approved by the Audit Committee as delegated by the Board of Directors and authorised for issue on 24 August 2022.

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