



**Falcon Oil & Gas Ltd.**

Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended 30 September 2018 and 2017

(Presented in U.S. Dollars)

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22 November 2018

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 nine months ended 30 September 2018 and 2017, 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 Nine Months Ended 30 September 2018 and 2017**

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**Falcon Oil & Gas Ltd.**

**Interim Condensed Consolidated Statement of Operations and Comprehensive Loss**

(Unaudited)

		<b>Three months ended 30 September 2018 \$'000</b>	Three months ended 30 September 2017 \$'000	<b>Nine months ended 30 September 2018 \$'000</b>	Nine months ended 30 September 2017 \$'000
	<b>Notes</b>				
<b>Revenue</b>					
Oil and natural gas revenue	3	-	2	3	7
		-	2	3	7
<b>Expenses</b>					
Exploration and evaluation expenses		<b>(35)</b>	(53)	<b>(114)</b>	(178)
Production and operating expenses		<b>(3)</b>	(4)	<b>(12)</b>	(10)
Depreciation	7	-	(1)	<b>(1)</b>	(3)
General and administrative expenses		<b>(436)</b>	(528)	<b>(1,437)</b>	(1,489)
Share based compensation	10	<b>(23)</b>	(137)	<b>(104)</b>	(550)
Foreign exchange (loss) / gain		<b>(4)</b>	71	<b>(76)</b>	217
Other income		-	1	-	1
		<b>(501)</b>	(651)	<b>(1,744)</b>	(2,012)
<b>Results from operating activities</b>		<b>(501)</b>	(649)	<b>(1,741)</b>	(2,005)
Fair value gain / (loss) – outstanding warrant	13	<b>414</b>	(116)	<b>641</b>	(1,970)
Finance income	4	<b>48</b>	43	<b>68</b>	128
Finance expense	4	<b>(55)</b>	(48)	<b>(211)</b>	(144)
Net finance expense		<b>(7)</b>	(5)	<b>(143)</b>	(16)
<b>Loss and comprehensive loss for the period</b>		<b>(94)</b>	(770)	<b>(1,243)</b>	(3,991)
Loss and comprehensive loss attributable to:					
Equity holders of the company		<b>(94)</b>	(770)	<b>(1,242)</b>	(3,990)
Non-controlling interests		-	-	<b>(1)</b>	(1)
<b>Loss and comprehensive loss for the period</b>		<b>(94)</b>	(770)	<b>(1,243)</b>	(3,991)
Loss per share attributable to equity holders of the company:					
Basic and diluted	5	(0.000 cent)	(0.001 cent)	(0.001 cent)	(0.004 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 September 2018 \$'000	At 31 December 2017 \$'000
	Notes		
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	6	39,706	39,630
Property, plant and equipment	7	2	3
Trade and other receivables		22	33
Restricted cash	8	2,326	2,412
		<b>42,056</b>	<b>42,078</b>
<b>Current assets</b>			
Cash and cash on deposit	9	7,484	8,995
Trade and other receivables		164	186
		<b>7,648</b>	<b>9,181</b>
<b>Total assets</b>		<b>49,704</b>	<b>51,259</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		383,737	383,570
Contributed surplus		45,041	44,937
Retained deficit		(391,465)	(390,223)
		<b>37,313</b>	<b>38,284</b>
<b>Non-controlling interests</b>		<b>700</b>	<b>701</b>
<b>Total equity</b>		<b>38,013</b>	<b>38,985</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Decommissioning provision	14	10,051	9,886
		<b>10,051</b>	<b>9,886</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses	15	718	825
Derivative financial liabilities	13	922	1,563
		<b>1,640</b>	<b>2,388</b>
<b>Total liabilities</b>		<b>11,691</b>	<b>12,274</b>
<b>Total equity and liabilities</b>		<b>49,704</b>	<b>51,259</b>

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 2017		382,853	44,251	(386,229)	40,875	703	41,578
Share based compensation	10	-	550	-	550	-	550
Loss and total comprehensive loss for the period		-	-	(3,990)	(3,990)	(1)	(3,991)
Options Exercised		680	-	-	680	-	680
<b>At 30 September 2017</b>		<b>383,533</b>	<b>44,801</b>	<b>(390,219)</b>	<b>38,115</b>	<b>702</b>	<b>38,817</b>
At 1 January 2018		383,570	44,937	(390,223)	38,284	701	38,985
Share based compensation	10	-	104	-	104	-	104
Loss and total comprehensive loss for the period		-	-	(1,242)	(1,242)	(1)	(1,243)
Options Exercised		167	-	-	167	-	167
<b>At 30 September 2018</b>		<b>383,737</b>	<b>45,041</b>	<b>(391,465)</b>	<b>37,313</b>	<b>700</b>	<b>38,013</b>

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)

		Nine months ended 30 September	
	Notes	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Net loss for the period		(1,243)	(3,991)
Adjustments for:			
Share based compensation	10	104	550
Depreciation	7	1	3
Fair value (gain) / loss - outstanding warrant	13	(641)	1,970
Net finance expense	4	143	16
Effect of exchange rates on operating activities		77	(217)
Change in non-cash working capital:			
Trade and other receivables		33	(16)
Accounts payable and accrued expenses		(118)	195
<b>Net cash used in operating activities</b>		<b>(1,644)</b>	<b>(1,490)</b>
<b>Cash flows from investing activities</b>			
Decrease in cash deposits – other receivables		6,028	4,270
Interest Received		68	50
Exploration and evaluation assets		(76)	(12)
<b>Net cash generated from investing activities</b>		<b>6,020</b>	<b>4,308</b>
<b>Cash flows from financing activities</b>			
Proceeds from the exercise of share options		167	680
<b>Net cash generated from financing activities</b>		<b>167</b>	<b>680</b>
Change in cash and cash equivalents		4,543	3,498
Effect of exchange rates on cash & cash equivalents		(26)	78
Cash and cash equivalents at beginning of period		2,967	5,857
<b>Cash and cash equivalents at end of period</b>	9	<b>7,484</b>	<b>9,433</b>

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 Nine Months Ended 30 September 2018 and 2017

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#### 1. General Information

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

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

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

#### 2. Accounting policies

##### Basis of preparation and going concern

These Interim Condensed Consolidated Financial Statements (“**Interim Statements**”) of the Group have been prepared in accordance with IAS 34 ‘Interim Financial Reporting’ and, except as described below, on the basis of the same accounting principles as, and should be read in conjunction with, the Consolidated Financial Statements for the year ended 31 December 2017 (pages 9 to 14) as filed on the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval (“**SEDAR**”) at [www.sedar.com](http://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 2018.

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, “**£**” represents British Pounds Sterling, “**HUF**” represents Hungarian Forints, and “**A\$**” represents Australian Dollars.

The Group’s Interim Statements have been prepared on a going concern basis 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.



**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017**

**3. Segment information (continued)**

An analysis of the geographic areas is as follows:

	Australia \$'000	South Africa \$'000	Hungary \$'000	Other \$'000	Total \$'000
Nine months ended 30 September 2018					
<b>Revenue</b>	-	-	-	3	3
<b>Net loss <sup>(i)</sup></b>	(290)	(225)	(680)	(48)	(1,243)
At 30 September 2018					
<b>Capital assets <sup>(ii)</sup></b>	39,706	-	-	2	39,708

	Australia \$'000	South Africa \$'000	Hungary \$'000	Other \$'000	Total \$'000
Nine months ended 30 September 2017					
Revenue	-	-	-	7	7
Net loss <sup>(i)</sup>	(336)	(291)	(357)	(3,007)	(3,991)
At 30 September 2017					
Capital assets <sup>(ii)</sup>	39,630	-	-	4	39,634

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

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

**4. Finance income and expense**

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Finance income</b>					
Interest income on bank deposits		37	5	68	50
Net foreign exchange gain		11	38	-	78
		48	43	68	128
<b>Finance expense</b>					
Accretion of decommissioning provisions	14	(55)	(48)	(165)	(144)
Net foreign exchange loss		-	-	(46)	-
		(55)	(48)	(211)	(144)
<b>Net finance expense</b>		<b>(7)</b>	<b>(5)</b>	<b>(143)</b>	<b>(16)</b>

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017**

**5. Net loss per share**

Basic and diluted loss per share is calculated as follows:

	Three months ended 30 September		Nine months ended 30 September	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Loss attributable to equity holders of the company	<b>(94)</b>	(770)	<b>(1,242)</b>	(3,990)
Weighted average number of common shares in issue - (thousands)	931,304	930,204	931,304	930,204
Loss / diluted loss per share	<b>(0.000 cent)</b>	(0.001 cent)	<b>(0.001 cent)</b>	(0.004 cent)

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

	Australia \$'000	Total \$'000
At 1 January 2018	<b>39,630</b>	<b>39,630</b>
Addition	<b>76</b>	<b>76</b>
<b>At 30 September 2018</b>	<b>39,706</b>	<b>39,706</b>
	Australia \$'000	Total \$'000
At 1 January 2017	39,619	39,619
Additions	12	12
At 31 December 2017	39,630	39,630

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

For detailed discussion on the exploration and evaluation assets, please refer to the Management's Discussion & Analysis document for the three and nine months ended 30 September 2018 on pages 6-13.

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Falcon Oil & Gas Ltd.

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017

7. Property, plant and equipment

	Canadian natural gas interests \$'000	Pipeline and facilities \$'000	Furniture and equipment \$'000	Total \$'000
Cost:				
At 1 January 2018	466	4,108	46	4,620
At 30 September 2018	466	4,108	46	4,620
Depreciation:				
At 1 January 2018	(466)	(4,108)	(43)	(4,617)
Depreciation	-	-	(1)	(1)
At 30 September 2018	(466)	(4,108)	(44)	(4,618)
Net book value:				
<b>At 30 September 2018</b>	-	-	2	2

	Canadian natural gas interests \$'000	Pipeline and facilities \$'000	Furniture and equipment \$'000	Total \$'000
Cost:				
At 1 January 2017	466	4,108	46	4,620
At 31 December 2017	466	4,108	46	4,620
Depreciation:				
At 1 January 2017	(466)	(4,108)	(39)	(4,613)
Depreciation	-	-	(4)	(4)
At 31 December 2017	(466)	(4,108)	(43)	(4,617)
Net book value:				
<b>At 31 December 2017</b>	-	-	3	3

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**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017****8. 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.

	<b>30 September 2018 \$'000</b>	31 December 2017 \$'000
Restricted cash	<b>2,326</b>	2,412
	<b>2,326</b>	2,412

**9. Cash and cash on deposit**

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

	<b>30 September 2018 \$'000</b>	31 December 2017 \$'000
Cash and cash equivalents	<b>7,484</b>	2,967
Cash on deposit	-	6,028
	<b>7,484</b>	8,995

**10. 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 \$0.1 million during the period ended 30 September 2018 (2017: \$0.6 million).

Six million options were granted in the period to 30 September 2017 at an average exercise price of CDN\$0.20. Two million options vested immediately with an additional one third vesting on each subsequent anniversary until the options are fully vested on 22 February 2019.

38.7 million options were granted in the period to 31 March 2016 at an average exercise price of CDN\$0.11. One third of the options vested immediately with an additional one third vesting on each subsequent anniversary until the options fully vested on 14 January 2018.

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017**

**10. Share based compensation (continued)**

A summary of the Group's stock option plan as of 30 September 2018 and 31 December 2017 and changes during the periods then ended, is presented below:

	Nine months ended 30 September 2018		Year ended 31 December 2017	
	Number of options	Weighted average exercise price CDN\$	Number of options	Weighted average exercise price CDN\$
Outstanding as at beginning of period	42,233,334	0.13	45,100,000	0.12
Exercised	(900,000)	0.24	-	-
Granted	-	-	6,000,000	0.20
Expired	(1,000,000)	0.24	(8,866,666)	0.11
Outstanding as at end of period	40,333,334	0.13	42,233,334	0.13
Exercisable as at end of period	38,333,334	0.13	27,233,334	0.13

The exercise prices of the outstanding options are as follows:

Date of grant	Options	Exercise price CDN\$	Date of Expiry	Weighted average contractual life remaining (years)
26 January 2015	5,000,000	0.15	25 January 2020	1.32
15 January 2016	29,333,334	0.11	14 January 2021	2.29
22 February 2017	6,000,000	0.20	21 February 2022	3.40
	40,333,334	0.13		

**11. 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 deposit, restricted cash, accounts receivable, accounts payable and accrued expenses*

As at 30 September 2018 and 31 December 2017, the fair value of cash and cash on deposit, restricted cash, accounts receivable, accounts payable and accrued expenses approximated their carrying value due to their short term to maturity.

**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017****12. Financial Instruments and risk management**

The following tables provide fair value measurement information for financial assets and liabilities as at 30 September 2018 and 31 December 2017. The carrying value of cash and cash on deposit, restricted cash, accounts receivable, and accounts payable and accrued expenses included in the consolidated statement of financial position approximate fair value due to the short term nature of those instruments.

	30 September 2018		31 December 2017	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
<b>Financial assets:</b>				
Cash and cash on deposit including restricted cash	9,810	9,810	11,407	11,407
Accounts receivable	172	172	194	194
<b>Financial Liabilities:</b>				
<i>Other financial liabilities</i>				
Accounts payable and accrued expenses	718	718	825	825

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

*Level 1 Fair Value Measurements*

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

*Level 2 Fair Value Measurements*

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

*Level 3 Fair Value Measurements*

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

	Carrying amount \$'000	Fair value \$'000
<b>30 September 2018</b>		
Financial liabilities:		
Warrant	922	922
<b>31 December 2017</b>		
Financial liabilities:		
Warrant	1,563	1,563

The instrument in the table above is a Level 2 instrument.

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017**

**13. Derivative liabilities**

Derivative liabilities consist of the fair value of a warrant. Changes in the fair value of the derivative liabilities are recorded in the Consolidated Statement of Operations and Comprehensive Loss. The composition of the derivative liabilities as at 30 September 2018 and 31 December 2017, and the changes therein for the period then ended, are as follows:

	<b>Warrant \$'000</b>
At 1 January 2017	227
Derivative losses – unrealised – outstanding warrant	1,336
At 31 December 2017 - current	1,563
<b>Derivative gain – unrealised – outstanding warrant</b>	<b>(641)</b>
<b>At 30 September 2018 - current</b>	<b>922</b>

The terms of the warrant are as follows:

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

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

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

	<b>Warrant 30 September 2018</b>	<b>Warrant 31 December 2017</b>
<b>Number</b>	10,000,000	10,000,000
<b>Expiry</b>	13 January 2020	13 January 2020
<b>Exercise price</b>	CDN\$0.19	CDN\$0.19
<b>Volatility</b>	58.539%	92.139%
<b>Expected warrant life</b>	1.29 years	2.04 years
<b>Dividends</b>	Nil	Nil
<b>Risk-free rate</b>	2.20%	1.67%

On 3 October 2017, Falcon announced the transfer of the warrant to acquire 10,000,000 common shares in the capital of Falcon by Hess Oil and Gas Holdings Inc. to Nicolas Mathys. The terms of the warrant remain unchanged, with an exercise price of CDN\$0.19 per share and an expiry date of 13 January 2020.

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2018 and 2017**

**14. Decommissioning provision**

A reconciliation of the decommissioning provision for the period ended 30 September 2018 and the year ended 31 December 2017 is provided below:

	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
Balance as at beginning of period	<b>9,886</b>	9,690
Revision to provisions	-	3
Accretion	<b>165</b>	193
<b>Non – current; Balance at end of period</b>	<b>10,051</b>	9,886

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 \$9.8 million as at 30 September 2018 (2017: \$9.8 million) based on an undiscounted total future liability of \$12 million (2017: \$12.2 million). These payments are expected to be made over approximately the next 9 years. The discount factor, being the risk-free rate related to the liability, was 2.25% as at 30 September 2018 (2017: 2.25%).

**15. Accounts payable and accrued expenses**

	<b>30 September</b>	31 December
	<b>2018</b>	2017
	<b>\$'000</b>	\$'000
<b>Current</b>		
Accounts payable	<b>154</b>	136
Accrued expenses	<b>546</b>	673
Royalties payable	<b>18</b>	16
	<b>718</b>	825

**16. Note supporting statement of cash flows**

	<b>Notes</b>	<b>Share Capital</b>	<b>Derivative liability</b>
		<b>\$'000</b>	<b>\$'000</b>
At 1 January 2017		382,853	227
Cash flows - options exercised	10	680	-
Non-cash flows – fair value losses unrealised	13	-	1,970
<b>At 30 September 2017</b>		<b>383,533</b>	2,197
At 1 January 2018		383,570	1,563
Cash flows - options exercised	10	167	-
Non-cash flows – fair value (gain) unrealised	13	-	(641)
<b>At 30 September 2018</b>		<b>383,737</b>	<b>922</b>



## Falcon Oil & Gas Ltd.

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the Three and Nine Months Ended 30 September 2018 and 2017

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#### 17. Related party transactions

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

##### *Senzus Kft*

On 1 January 2013, Senzus Kft. agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. The agreement was terminated on 28 April 2015. A separate agreement was entered into on 28 April 2015, which expired on 31 March 2016. The contract was renewed with an effective date of 1 April 2016 and was subsequently terminated on 28 February 2017. Senzus Kft. was paid no consultancy fee for the period ended 30 September 2018 (2017: \$17,000).

##### *Senzus Plus Tanácsadó Bt.*

On 1 March 2017, Senzus Plus Tanácsadó Bt. agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. The contract was subsequently terminated with effect on 28 February 2018. It was paid a consultancy fee of \$9,700 for the period ended 30 September 2018 (2017: \$20,753).

##### *Geoportal Plus Tanácsadó Bt.*

On 1 March 2018, *Geoportal Plus Tanácsadó Bt.* agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. It was paid a consultancy fee of \$18,430 for the period ended 30 September 2018 (2017: \$0).

##### *Oakridge Financial Management Inc.*

The Group has engaged Oakridge Financial Management Inc. to assist in submitting returns to the Canadian Revenue Agency. Mr. Greg Smith, a current director of Falcon, is the sole shareholder in Oakridge Financial Management Inc. The Group has incurred costs of approximately CDN\$472 (2017: CDN\$642) to Oakridge Financial Management Inc. during the period ended 30 September 2018.

#### 18. Commitments

##### *Australia - Beetaloo Sub-basin, Northern Territory, Australia*

The Group is conducting a nine well drilling programme with its joint venture partner, Origin Energy B2 Pty Ltd (“**Origin**”). The details are as follows:

- Origin to pay the full cost of the drilling of the next vertical well and the drilling and fracture stimulation of two horizontal wells, 90 day production tests and micro seismic with a capped expenditure of approximately A\$65 million, any cost overrun funded by each party in proportion to their working interest.
- Origin to pay the full cost of the final two horizontally fracture stimulated wells and 90 day production tests capped at A\$48 million, any cost overrun funded by each party in proportion to their working interest.

Originally the Group indicated that it expected the work on the first five wells to be completed in 2016, the next two horizontally fracture stimulated wells to be undertaken in 2017 and the final two horizontally fracture stimulated wells to be undertaken in 2018. The introduction of a moratorium on hydraulic fracturing in September 2016 has delayed the completion of the nine well programme.

On 17 April 2018, the Northern Territory government lifted the moratorium on hydraulic fracturing. Resumption of field work with Origin will start as soon as practical, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme.

##### *South Africa - Karoo Basin, South Africa*

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

##### *Hungary - Makó Trough, Hungary*

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

**Falcon Oil & Gas Ltd.**  
**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**  
**For the Three and Nine Months Ended 30 September 2018 and 2017**

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**19. 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 22 November 2018.

**[End of document]**