



Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Financial Statements
Three and Nine Months Ended 30 September 2021 and 2020

(Presented in U.S. Dollars)

18 November 2021

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 2021 and 2020, 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 2021 and 2020

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Falcon Oil & Gas Ltd.

Interim Condensed Consolidated Statement of Operations and Comprehensive Loss

(Unaudited)

		Three months ended 30 September 2021 \$'000	Three months ended 30 September 2020 \$'000	Nine months ended 30 September 2021 \$'000	Nine months ended 30 September 2020 \$'000
	Notes				
Revenue					
Oil and natural gas revenue	3	-	1	2	3
		-	1	2	3
Expenses					
Exploration and evaluation expenses		(46)	(37)	(128)	(110)
Production and operating expenses		-	(3)	-	(8)
General and administrative expenses		(431)	(415)	(1,346)	(1,415)
Share based compensation	9	(234)	-	(981)	-
Foreign exchange (loss) / gain		(60)	29	(178)	18
		(771)	(426)	(2,633)	(1,515)
Results from operating activities		(771)	(425)	(2,631)	(1,512)
Fair value gain – outstanding warrant	12	-	-	-	110
Finance income	4	-	337	3	189
Finance expense	4	(71)	(58)	(197)	(174)
Net finance (expense) / income		(71)	279	(194)	15
Loss and comprehensive loss for the period		(842)	(146)	(2,825)	(1,387)
Loss and comprehensive loss attributable to:					
Equity holders of the company		(841)	(150)	(2,823)	(1,388)
Non-controlling interests		(1)	4	(2)	1
Loss and comprehensive loss for the period		(842)	(146)	(2,825)	(1,387)
Loss per share attributable to equity holders of the company:					
Basic and diluted	5	(0.001 cent)	(0.000 cent)	(0.003 cent)	(0.001 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 2021 \$'000	At 31 December 2020 \$'000
	Notes		
Assets			
Non-current assets			
Exploration and evaluation assets	6	40,194	40,444
Property, plant and equipment		14	4
Trade and other receivables		22	23
Restricted cash	7	2,299	2,429
		42,529	42,900
Current assets			
Cash and cash equivalents	8	9,369	11,036
Trade and other receivables		95	117
		9,464	11,153
Total assets		51,993	54,053
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital		392,170	392,170
Contributed surplus		46,056	45,075
Retained deficit		(397,996)	(395,173)
		40,230	42,072
Non-controlling interests		699	701
Total equity		40,929	42,773
Liabilities			
Non-current liabilities			
Decommissioning provision	13	10,712	10,563
		10,712	10,563
Current liabilities			
Accounts payable and accrued expenses	14	352	717
		352	717
Total liabilities		11,064	11,280
Total equity and liabilities		51,993	54,053

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 2020		392,170	45,075	(393,343)	43,902	700	44,602
Loss and total comprehensive loss for the period		-	-	(1,388)	(1,388)	1	(1,387)
At 30 September 2020		392,170	45,075	(394,731)	42,514	701	43,215
At 1 January 2021		392,170	45,075	(395,173)	42,072	701	42,773
Loss and total comprehensive loss for the period		-	-	(2,823)	(2,823)	(2)	(2,825)
Share based compensation	9	-	981	-	981	-	981
At 30 September 2021		392,170	46,056	(397,996)	40,230	699	40,929

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	2021 \$'000	2020 \$'000
Cash flows from operating activities			
Net loss for the period		(2,825)	(1,387)
Adjustments for:			
Share based compensation	9	981	-
Depreciation		3	-
Fair value gain - outstanding warrant	12,15	-	(110)
Net finance expense	4	194	(15)
Effect of exchange rates on operating activities		178	(18)
Transfer of Canadian working interests		(28)	-
Change in non-cash working capital:			
Decrease / (increase) in trade and other receivables		23	(12)
Decrease in accounts payable and accrued expenses		(8)	(134)
Net cash used in operating activities		(1,482)	(1,676)
Cash flows from investing activities			
Interest received		3	16
Property, plant and equipment		(13)	-
Exploration and evaluation assets		(160)	(48)
Net cash used in investing activities		(170)	(32)
Change in cash and cash equivalents		(1,652)	(1,708)
Effect of exchange rates on cash and cash equivalents		(15)	127
Cash and cash equivalents at beginning of period		11,036	13,066
Cash and cash equivalents at end of period	8	9,369	11,485

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 2021 and 2020

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 September 2021 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: 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 2020 (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 2021.

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.

As at 30 September 2021 the Group had \$9.4m 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. 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 participating interests. Northern Territory government approval remains outstanding; however, management expects this will be received in due course. 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. The results from the 2021 work programme will determine the Stage 3 work programme, which is expected to be carried out in 2022, full details of the results from operations are detailed in Management’s Discussion & Analysis for the three and nine months ended 30 September 2021. As at the date of approval of these financial statements the estimation for Stage 3 costs, and therefore the amount, that may need to be contributed by the Group remains uncertain.

The Directors and Management are confident that should further funding be required it can be raised through either an equity raise or debt funding. As at the date of the approval of these financial statements no such further funding has been raised and there can be no certainty that sufficient funds can be raised if required. This indicates the existence of a material uncertainty, which may cast significant doubt over the Group’s ability to continue as a going concern, and, therefore, 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**”)

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended 30 September 2021 and 2020****2. Accounting policies (continued)**

has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. 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
Nine months ended 30 September 2021					
Revenue	-	-	-	2	2
Net loss ⁽ⁱ⁾	(300)	(43)	(593)	(1,887)	(2,823)
At 30 September 2021					
Capital assets ⁽ⁱⁱ⁾	40,194	-	-	14	40,208
	Australia \$'000	South Africa \$'000	Hungary \$'000	Other \$'000	Total \$'000
Nine months ended 30 September 2020					
Revenue	-	-	-	3	3
Net loss ⁽ⁱ⁾	(249)	(49)	(371)	(719)	(1,388)
At 30 September 2020					
Capital assets ⁽ⁱⁱ⁾	40,294	-	-	1	40,295

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

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

Falcon Oil & Gas Ltd.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended 30 September 2021 and 2020**

4. Finance expense and income

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Finance income					
Interest income on bank deposits		-	1	3	16
Net foreign exchange gain		-	336	-	173
		-	337	3	189
Finance expense					
Accretion of decommissioning provisions	13	(59)	(58)	(177)	(174)
Net foreign exchange loss		(12)	-	(20)	-
		(71)	(58)	(197)	(174)
Net finance (expense) / income		(71)	279	(194)	15

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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Loss attributable to equity holders of the company	(841)	(150)	(2,823)	(1,388)
Weighted average number of common shares in issue - (thousands)	981,847	981,847	981,847	981,847
Loss diluted loss per share	(0.001 cent)	(0.000 cent)	(0.003 cent)	(0.001 cent)

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

	Australia \$'000	Total \$'000
At 1 January 2021	40,444	40,444
Additions	10	10
Adjustment	(260)	(260)
At 30 September 2021	40,194	40,194
	Australia \$'000	Total \$'000
At 1 January 2020	40,246	40,246
Additions	198	198
At 31 December 2020	40,444	40,444

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 2021 on pages 6-12.

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**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
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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 September 2021 \$'000	31 December 2020 \$'000
Restricted cash	2,299	2,429
	2,299	2,429

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 September 2021 \$'000	31 December 2020 \$'000
Cash and cash equivalents	9,369	11,036
	9,369	11,036

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 \$981,000 during the nine months ended 30 September 2021 (2020: \$0).

Six million options were granted in the period to 31 March 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 fully vested on 22 February 2019.

29,333,333 share options which formed part of an overall grant on 15 January 2016, were not exercised and expired on 14 January 2021.

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 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.

Falcon Oil & Gas Ltd.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended 30 September 2021 and 2020**

9. Share based compensation (continued)

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 have 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.

A summary of the Group's stock option plan as of 30 September 2021 and 31 December 2020 and changes during the periods then ended, is presented below:

	Nine months ended 30 September 2021		Year ended 31 December 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding at beginning of period	35,333,334	CAD\$0.13	40,333,334	CAD\$0.13
Expired	(29,333,334)	CAD\$0.11	(5,000,000)	CAD\$0.15
Granted	21,500,000	GBP£0.08	-	-
Granted	16,500,000	GBP£0.12	-	-
Granted	3,000,000	GBP£0.10	-	-
Outstanding at end of period	47,000,000	GBP£0.10	35,333,334	CAD\$0.13
Exercisable at end of period	19,666,667	GBP£0.10	35,333,334	CAD\$0.13

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)
22 February 2017	6,000,000	CDN\$0.20	21 February 2022	0.40
18 February 2021	21,500,000	GBP£0.08	17 February 2026	4.40
18 February 2021	16,500,000	GBP£0.12	17 February 2026	4.40
10 September 2021	3,000,000	GBP£0.10	9 September 2026	4.96
	47,000,000	GBP£0.10		

The fair value of 2021 options granted at GBP£0.08, and GBP£0.12 in February 2021 and GBP£0.10 in September 2021 were estimated using a Black Scholes model with the following inputs:

	GBP£0.08	GBP£0.12	GBP£0.10
Date of Grant	18 February 2021	18 February 2021	10 September 2021
Fair value as at grant date	GBP£0.03	GBP£0.02	GBP£0.04
Share price as at grant date	GBP£0.07	GBP£0.07	GBP£0.08
Exercise price	GBP£0.08	GBP£0.12	GBP£0.10
Volatility	61.399%	61.399%	63.578%
Expected option life	4.12 years	4.12 years	4.14 years
Dividends	Nil	Nil	Nil
Risk - free interest rate	0.485%	0.485%	0.606%

Falcon Oil & Gas Ltd.**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended 30 September 2021 and 2020****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 September 2021 and 31 December 2020, 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 September 2021 and 31 December 2020. 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.

	30 September 2021		31 December 2020	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
Financial assets:				
Cash and cash equivalents including restricted cash	11,668	11,668	13,465	13,465
Accounts receivable	108	108	129	129
Financial Liabilities:				
<i>Other financial liabilities</i>				
Accounts payable and accrued expenses	352	352	717	717

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 Nine Months Ended 30 September 2021 and 2020**

12. Derivative liabilities

Derivative liabilities consisted 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. 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 were 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.

	Warrant \$'000
At 1 January 2020	110
Derivative gain – realised - warrant	(110)
At 31 December 2020 - current	0
At 30 September 2021 - current	0

The terms of the warrant were as follows:

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

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

13. Decommissioning provision

A reconciliation of the decommissioning provision for the period ended 30 September 2021 and the year ended 31 December 2020 is provided below:

	30 September 2021 \$'000	31 December 2020 \$'000
Balance as at beginning of period	10,563	10,331
Revision to provisions	-	1
Transfer of Canadian working interests	(28)	-
Accretion	177	231
Non – current; balance at end of period	10,712	10,563

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 \$10.7 million as at 30 September 2021 (2020: \$10.1 million) based on an undiscounted total future liability of \$11.9 million (2020: \$12 million). These payments are expected to be made over approximately the next six years. The discount factor, being the risk-free rate related to the liability, was 2.25% as at 30 September 2021 (2020: 2.25%). A 1% increase / (decrease) in the discount rate to 3.25% / 1.25% will (decrease) / increase the provision by (\$795,000) / \$631,000.

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14. Accounts payable and accrued expenses

	30 September 2021 \$'000	31 December 2020 \$'000
Current		
Accounts payable	28	95
Accrued expenses	324	622
	352	717

15. Note supporting statement of cash flows

	Notes	Derivative liability \$'000
At 1 January 2020		110
Non-cash flows – fair value gains realised	12	(110)
At 30 September 2020		-
At 30 September 2021		-

16. Related party transactions

There were no related party transactions during the period.

17. 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 to date are included in the Management's Discussion & Analysis document for the three and nine months ended 30 September 2021.

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 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. Northern Territory government approval remains outstanding; however, management expects this will be received in due course. 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.

Falcon Oil & Gas Ltd.

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the Three and Nine Months Ended 30 September 2021 and 2020**

17. Commitments (continued)

The 2021 work programme included:

- Resumption of clean-up operations at Kyalla 117 N2-1H ST2;
- Drilling of the Velkerri 76 S2-1 vertical well; and
- A production test at Amungee NW 1H.

The latest updates on the 2021 work programme are included in the Management's Discussion & Analysis document for the three and nine months ended 30 September 2021, pages 8-12.

South Africa - Karoo Basin, South Africa

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

Hungary - Makó Trough, Hungary

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

18. Subsequent Events

There were no subsequent events noted up to the approval of the of these interim financial statements on 18 November 2021.

19. 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 2020 dated 26 April 2021 on pages 16 – 18.

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 18 November 2021.

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