



**Falcon Oil & Gas Ltd.**

Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended 30 September 2022 and 2021

(Presented in U.S. Dollars)

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24 November 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 nine months ended 30 September 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 Nine Months Ended 30 September 2022 and 2021**

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**Falcon Oil & Gas Ltd.**

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

(Unaudited)

	<b>Notes</b>	<b>Three months ended 30 September 2022 \$'000</b>	<b>Three months ended 30 September 2021 \$'000</b>	<b>Nine months ended 30 September 2022 \$'000</b>	<b>Nine months ended 30 September 2021 \$'000</b>
<b>Revenue</b>					
Oil and natural gas revenue		-	-	-	2
		-	-	-	2
<b>Expenses</b>					
Exploration and evaluation expenses		(29)	(46)	(106)	(128)
General and administrative expenses	12	(542)	(665)	(2,226)	(2,327)
Foreign exchange loss		(116)	(60)	(290)	(178)
		(687)	(771)	(2,622)	(2,633)
<b>Results from operating activities</b>		<b>(687)</b>	<b>(771)</b>	<b>(2,622)</b>	<b>(2,631)</b>
Finance income	4	10	-	15	3
Finance expense	4	(145)	(71)	(288)	(197)
Net finance expense		(135)	(71)	(273)	(194)
<b>Loss and comprehensive loss for the period</b>		<b>(822)</b>	<b>(842)</b>	<b>(2,895)</b>	<b>(2,825)</b>
Loss and comprehensive loss attributable to:					
Equity holders of the company		(822)	(841)	(2,894)	(2,823)
Non-controlling interests		-	(1)	(1)	(2)
<b>Loss and comprehensive loss for the period</b>		<b>(822)</b>	<b>(842)</b>	<b>(2,895)</b>	<b>(2,825)</b>
Loss per share attributable to equity holders of the company:					
Basic and diluted	5	(0.001 cent)	(0.001 cent)	(0.003 cent)	(0.003 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 2022 \$'000	At 31 December 2021 \$'000
	Notes		
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	6	40,270	40,197
Property, plant and equipment		9	13
Trade and other receivables		19	22
Restricted cash	7	1,920	2,239
		<b>42,218</b>	<b>42,471</b>
<b>Current assets</b>			
Cash and cash equivalents	8	16,905	8,894
Trade and other receivables		97	74
		<b>17,002</b>	<b>8,968</b>
<b>Total assets</b>		<b>59,220</b>	<b>51,439</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	18	402,120	392,170
Contributed surplus		46,884	46,254
Retained deficit		(402,760)	(399,866)
		<b>46,244</b>	<b>38,558</b>
<b>Non-controlling interests</b>		<b>697</b>	<b>698</b>
<b>Total equity</b>		<b>46,941</b>	<b>39,256</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Decommissioning provision	13	11,949	11,775
		<b>11,949</b>	<b>11,775</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses	14	330	408
		<b>330</b>	<b>408</b>
<b>Total liabilities</b>		<b>12,279</b>	<b>12,183</b>
<b>Total equity and liabilities</b>		<b>59,220</b>	<b>51,439</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 2021		392,170	45,075	(395,173)	<b>42,072</b>	701	<b>42,773</b>
Loss and total comprehensive loss for the period		-	-	(2,823)	<b>(2,823)</b>	(2)	<b>(2,825)</b>
Share based compensation	9	-	981	-	<b>981</b>	-	<b>981</b>
<b>At 30 September 2021</b>		<b>392,170</b>	<b>46,056</b>	<b>(397,996)</b>	<b>40,230</b>	<b>699</b>	<b>40,929</b>
At 1 January 2022		392,170	46,254	(399,866)	<b>38,558</b>	698	<b>39,256</b>
Loss and total comprehensive loss for the period		-	-	(2,894)	<b>(2,894)</b>	(1)	<b>(2,895)</b>
Share based compensation	9	-	630	-	<b>630</b>	-	<b>630</b>
Private Placement	18	9,950	-	-	<b>9,950</b>	-	<b>9,950</b>
<b>At 30 September 2022</b>		<b>402,120</b>	<b>46,884</b>	<b>(402,760)</b>	<b>46,244</b>	<b>697</b>	<b>46,941</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	2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Net loss for the period		(2,895)	(2,825)
Adjustments for:			
Share based compensation	9	630	981
Depreciation		4	3
Net finance expense	4	273	194
Effect of exchange rates on operating activities		290	178
Transfer of Canadian working interests		-	(28)
Change in non-cash working capital:			
(Increase) / decrease in trade and other receivables		(20)	23
Decrease in accounts payable and accrued expenses		(68)	(8)
<b>Net cash used in operating activities</b>		<b>(1,786)</b>	<b>(1,482)</b>
<b>Cash flows from investing activities</b>			
Interest received		15	3
Property, plant and equipment		-	(13)
Exploration and evaluation assets		(70)	(160)
<b>Net cash used in investing activities</b>		<b>(55)</b>	<b>(170)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from private placement	18	9,950	-
<b>Net cash generated from financing activities</b>		<b>9,950</b>	<b>-</b>
Change in cash and cash equivalents		<b>8,109</b>	(1,652)
Effect of exchange rates on cash and cash equivalents		<b>(98)</b>	(15)
Cash and cash equivalents at beginning of period		<b>8,894</b>	11,036
<b>Cash and cash equivalents at end of period</b>	<b>8</b>	<b>16,905</b>	<b>9,369</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 2022 and 2021

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#### 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 2022 of the Company’s interest in Australia is \$40.3 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](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 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, “**£**” represents British Pounds Sterling, “**HUF**” represents Hungarian Forints, and “**A\$**” represents Australian Dollars.

As at 30 September 2022 the Group had \$16.9m 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 an additional 7.5% of its participating interest in the Exploration Permits to Origin Energy B2 Pty Ltd. (“**Origin**”), with Falcon Australia now holding a 22.5% participating interest (“**PI**”). In consideration of 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 in proportion to their respective PI. With Origin’s divestment announced on 19 September 2022, the cost caps and obligations transfer to Tamboran (B1) Pty Limited (“**Tamboran B1**”). As part of the transaction agreed and the Letter of Intent (“**LOI**”) executed and announced on 11 October 2022, Tamboran B1 granted Falcon Australia an additional carry beyond Stage 3 of A\$30 million and terms were agreed on limited proration units for sole risk operations to a maximum of 6,400 acres per well, providing Falcon Australia with participation optionality on the drilling of future wells. Falcon also completed an equity raise of US\$10million in 2022. The results from the Stage 2 work programme have determined the focus of the Stage 3 programme. Obtaining certain production rates on the Stage 3 wells will support the joint venture moving to a multi-well pilot development in 2023/24. 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, however drilling costs beyond Stage 3, for example a pilot production commencing in 2023 would require further funding. Falcon does however have the optionality of not participating in future drilling activities based on the executed LOI. However, before future funding requirements can be established results from Stage 3 need to be determined and a work programme beyond Stage 3 agreed.

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

The Directors and Management are confident that further funding required 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 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 as the Group has sufficient funds for committed costs and operating expenses for the next twelve months coupled with the fact that the participation optionality agreed in the LOI with the proration units means Falcon does not have to participate in future drilling. 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
Nine months ended 30 September 2022					
Revenue	-	-	-	-	-
Net loss <sup>(i)</sup>	(349)	(57)	(777)	(1,711)	(2,894)
At 30 September 2022					
Non-current assets <sup>(ii)</sup>	40,270	-	1,891	38	42,199
Nine months ended 30 September 2021					
Revenue	-	-	-	2	2
Net loss <sup>(i)</sup>	(300)	(43)	(593)	(1,887)	(2,823)
At 30 September 2021					
Non-current assets <sup>(ii)</sup>	40,194	-	2,264	49	42,507

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

(ii) Non-current 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 Nine Months Ended 30 September 2022 and 2021**

**4. Finance expense and income**

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Finance income</b>					
Interest income on bank deposits		10	-	15	3
		10	-	15	3
<b>Finance expense</b>					
Accretion of decommissioning provisions	13	(59)	(59)	(176)	(177)
Net foreign exchange loss		(86)	(12)	(112)	(20)
		(145)	(71)	(288)	(197)
Net finance expense		(135)	(71)	(273)	(194)

**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	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Loss attributable to equity holders of the company	(822)	(841)	(2,894)	(2,823)
Weighted average number of common shares in issue - (thousands)	1,044,347	981,847	1,022,598	981,847
Loss diluted loss per share	(0.001 cent)	(0.001 cent)	(0.003 cent)	(0.003 cent)

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

	Australia \$'000	Total \$'000
At 1 January 2022	40,197	40,197
Additions	73	73
<b>At 30 September 2022</b>	<b>40,270</b>	<b>40,270</b>
	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.

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 2022 on pages 6-12.

**Falcon Oil & Gas Ltd.**

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

	<b>30 September 2022 \$'000</b>	31 December 2021 \$'000
Restricted cash	<b>1,920</b>	2,239
	<b>1,920</b>	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.

	<b>30 September 2022 \$'000</b>	31 December 2021 \$'000
Cash and cash equivalents	<b>16,905</b>	8,894
	<b>16,905</b>	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 \$630,000 during the period ended 30 September 2022 (2021: \$981,000).

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. 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 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 10 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 Nine Months Ended 30 September 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 an 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 September 2022 and 31 December 2021 and changes during the periods then ended, is presented below:

	<b>Nine months ended 30 September 2022</b>		<b>Year ended 31 December 2021</b>	
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
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	GBP£0.15	-	-
<b>Outstanding at end of period</b>	<b>57,250,000</b>	<b>GBP£0.11</b>	<b>47,000,000</b>	<b>GBP£0.10</b>
<b>Exercisable at end of period</b>	<b>32,750,000</b>	<b>GBP£0.11</b>	<b>19,666,667</b>	<b>GBP£0.10</b>

The exercise prices of the outstanding options are as follows:

<b>Date of grant</b>	<b>Options</b>	<b>Exercise price</b>	<b>Date of Expiry</b>	<b>Weighted average contractual life remaining (years)</b>
18 February 2021	21,500,000	GBP£0.08	17 February 2026	3.40
18 February 2021	16,500,000	GBP£0.12	17 February 2026	3.40
10 September 2021	3,000,000	GBP£0.10	9 September 2026	3.96
6 June 2022	16,250,000	GBP£0.15	5 June 2027	4.70
	<b>57,250,000</b>	<b>GBP£0.11</b>		

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

	<b>GBP£0.08</b>	<b>GBP£0.12</b>	<b>GBP£0.10</b>	<b>GBP£0.15</b>
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
Volatility	61.399%	61.399%	63.578%	67.806%
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 Nine Months Ended 30 September 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 equivalents, restricted cash, accounts receivable, accounts payable and accrued expenses*

As at 30 September 2022 and 31 December 2021, the fair value of cash and cash 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 2022 and 31 December 2021. The carrying value of cash and cash equivalents, restricted cash, accounts receivable, 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 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets:</b>				
Cash and cash equivalents including restricted cash	18,825	18,825	11,133	11,133
Accounts receivable	107	107	78	78
<b>Financial Liabilities:</b>				
<i>Other financial liabilities</i>				
Accounts payable and accrued expenses	330	330	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 Nine Months Ended 30 September 2022 and 2021**

**12. General and administrative expenses**

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Accounting and audit fees	(32)	(33)	(110)	(120)
Consulting fees	(10)	(11)	(33)	(33)
Legal fees	(6)	(15)	(26)	(28)
Investor relations	(39)	(42)	(181)	(118)
Office and administrative costs	(43)	(46)	(124)	(183)
Payroll and related costs	(214)	(229)	(931)	(705)
Directors' fees	(46)	(53)	(157)	(155)
Travel and promotion	(5)	(2)	(34)	(4)
Shared based compensation (Note 9)	(147)	(234)	(630)	(981)
	<b>(542)</b>	<b>(665)</b>	<b>(2,226)</b>	<b>(2,327)</b>

**13. Decommissioning provision**

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

	30 September 2022 \$'000	31 December 2021 \$'000
Balance as at beginning of period	11,775	10,563
Revision to provisions	-	991
Other	(2)	(4)
Accretion	176	225
<b>Non – current; balance at end of period</b>	<b>11,949</b>	<b>11,775</b>

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 \$11.9 million as at 30 September 2022 (2021: \$10.7 million) based on an undiscounted total future liability of \$12.9 million (2021: \$11.9 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 September 2022 (2021: 2.25%). The Inflation factor related to the liability, was 2.92% as at September 2022 (2021 2.19%). A 1% increase / (decrease) in the discount rate to 3% / 1% will (decrease) / increase the provision by (\$582,262) / \$619,086.

**14. Accounts payable and accrued expenses**

	30 September 2022 \$'000	31 December 2021 \$'000
<b>Current</b>		
Accounts payable	103	93
Accrued expenses	227	315
	<b>330</b>	<b>408</b>

## 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.

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 September 2022.

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.

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. With Origin's divestment announced on 19 September 2022, the cost caps and obligations transfer to Tamboran B1. Furthermore, as announced on 11 October 2022, as noted on page 12, Falcon Australia will earn an additional carry on future well costs up to A\$30m and the introduction of limited proration units on sole risk operations provides optionality to Falcon Australia on future wells drilled.

The latest updates on the Stage 3 work programme are included on pages 11-12 of the Management's Discussion & Analysis document for the three and nine months ended 30 September 2022.

#### *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.

## 17. Subsequent Events

On 19 September 2022 Origin announced its divestment of their 77.5% interest in the exploration permits. On 11 October 2022 Falcon announced that Falcon Australia had entered into a binding LOI with Tamboran B1, a joint venture between Daly Water Energy, LP and Tamboran Resources Limited, pursuant to which the parties have agreed to amend the terms of the Joint Operating Agreement ("JOA") and the Farm-In Agreement ("FIA"), each dated 2 May 2014 (as amended), entered into with Origin in respect of Falcon Australia's interest in the Beetaloo Sub-Basin exploration permits. The key terms of the LOI provide for:

- Falcon Australia to earn an additional carry on future well costs of up to A\$30m (A\$6.75m net to Falcon Australia);

**Falcon Oil & Gas Ltd.**

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

**17. Subsequent Events (continued)**

- the introduction of limited proration units on sole risk operations to a maximum of 6,400 acres per well, providing Falcon Australia with participation optionality on the drilling of future wells;
- the sharing of well data on any sole risked wells, providing Falcon Australia with visibility on crucial data and analysis even where it elects not to participate; and
- pre-emptive rights in relation to Origin's divestment of its 77.5% interest in the Beetaloo Sub-basin announced on 19 September 2022 are not to be exercised by Falcon Australia and all pre-emptive and similar rights are to be removed from the JOA, providing Falcon Australia with greater flexibility for realisation of licence interests.

Other than the above there were no other subsequent events noted up to the approval of the of these interim financial statements on 24 November 2022.

**18. Share capital**

As at 30 September 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:

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

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.

**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 24 November 2022.

**[End of document]**