



**Falcon Oil & Gas Ltd.**

Interim Condensed Consolidated Financial Statements  
Three and Nine Months Ended 30 September 2023 and 2022

(Presented in U.S. Dollars)

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15 November 2023

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 2023 and 2022, 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 2023 and 2022**

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**Falcon Oil & Gas Ltd.**

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

(Unaudited)

|   | <b>Notes</b> | <b>Three months<br/>ended 30<br/>September<br/>2023<br/>\$'000</b> | <b>Three months<br/>ended 30<br/>September<br/>2022<br/>\$'000</b> | <b>Nine months<br/>ended 30<br/>September<br/>2023<br/>\$'000</b> | <b>Nine months<br/>ended 30<br/>September<br/>2022<br/>\$'000</b> |
|---|--------------|--|--|---|---|
| <b>Revenue</b>  |              |  |  |   |   |
| Oil and natural gas revenue                                   |              | -  | -  | -   | -   |
| <b>Expenses</b>   |              |  |  |   |   |
| Exploration and evaluation expenses                           |              | (39)   | (29)   | (129)   | (106)   |
| General and administrative expenses                           | 12           | (739)  | (542)  | (1,914)   | (2,226)   |
| Foreign exchange gain / (loss)                                |              | 38   | (116)  | 85  | (290)   |
|   |              | <b>(740)</b>   | <b>(687)</b>   | <b>(1,958)</b>  | <b>(2,622)</b>  |
| <b>Results from operating activities</b>                      |              | <b>(740)</b>   | <b>(687)</b>   | <b>(1,958)</b>  | <b>(2,622)</b>  |
| Finance income  | 4            | 43   | 10   | 155   | 15  |
| Finance expense   | 4            | (352)  | (145)  | (647)   | (288)   |
| Net finance expense   |              | <b>(309)</b>   | <b>(135)</b>   | <b>(492)</b>  | <b>(273)</b>  |
| <b>Loss and comprehensive loss for the period</b>             |              | <b>(1,049)</b>   | <b>(822)</b>   | <b>(2,450)</b>  | <b>(2,895)</b>  |
| Loss and comprehensive loss attributable to:                  |              |  |  |   |   |
| Equity holders of the company                                 |              | (1,046)  | (822)  | (2,444)   | (2,894)   |
| Non-controlling interests                                     |              | (3)  | -  | (6)   | (1)   |
| <b>Loss and comprehensive loss for the period</b>             |              | <b>(1,049)</b>   | <b>(822)</b>   | <b>(2,450)</b>  | <b>(2,895)</b>  |
| Loss per share attributable to equity holders of the company: |              |  |  |   |   |
| Basic and diluted   | 5            | (0.001 cent)   | (0.001 cent)   | (0.002 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<br>2023<br>\$'000 | At 31 December<br>2022<br>\$'000 |
|--|-------|-----------------------------------|----------------------------------|
|  | Notes |                                   |                                  |
| <b>Assets</b>                                      |       |                                   |                                  |
| <b>Non-current assets</b>                          |       |                                   |                                  |
| Exploration and evaluation assets                  | 6     | 46,140                            | 42,977                           |
| Property, plant and equipment                      |       | 4                                 | 7                                |
| Trade and other receivables                        |       | 24                                | 20                               |
| Restricted cash                                    | 7     | 2,086                             | 2,090                            |
|  |       | <b>48,254</b>                     | <b>45,094</b>                    |
| <b>Current assets</b>                              |       |                                   |                                  |
| Cash and cash equivalents                          | 8     | 14,154                            | 16,785                           |
| Trade and other receivables                        |       | 94                                | 79                               |
|  |       | <b>14,248</b>                     | <b>16,864</b>                    |
| <b>Total assets</b>                                |       | <b>62,502</b>                     | <b>61,958</b>                    |
| <b>Equity and liabilities</b>                      |       |                                   |                                  |
| <b>Equity attributable to owners of the parent</b> |       |                                   |                                  |
| Share capital                                      | 18    | 402,120                           | 402,120                          |
| Contributed surplus                                |       | 47,339                            | 47,063                           |
| Retained deficit                                   |       | (406,304)                         | (403,860)                        |
|  |       | <b>43,155</b>                     | <b>45,323</b>                    |
| <b>Non-controlling interests</b>                   |       | <b>695</b>                        | <b>701</b>                       |
| <b>Total equity</b>                                |       | <b>43,850</b>                     | <b>46,024</b>                    |
| <b>Liabilities</b>                                 |       |                                   |                                  |
| <b>Non-current liabilities</b>                     |       |                                   |                                  |
| Decommissioning provision                          | 13    | 15,611                            | 15,602                           |
|  |       | <b>15,611</b>                     | <b>15,602</b>                    |
| <b>Current liabilities</b>                         |       |                                   |                                  |
| Accounts payable and accrued expenses              | 14    | 3,041                             | 332                              |
|  |       | <b>3,041</b>                      | <b>332</b>                       |
| <b>Total liabilities</b>                           |       | <b>18,652</b>                     | <b>15,934</b>                    |
| <b>Total equity and liabilities</b>                |       | <b>62,502</b>                     | <b>61,958</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<br>\$'000 | Contributed surplus<br>\$'000 | Retained deficit<br>\$'000 | Equity interests of the parent<br>\$'000 | Non-Controlling interests ("NCI")<br>\$'000 | Total equity<br>\$'000 |
|--|-------|-------------------------|-------------------------------|----------------------------|--|---|------------------------|
| 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>          |
| At 1 January 2023                                |       | 402,120                 | 47,063                        | (403,860)                  | <b>45,323</b>                            | 701   | <b>46,024</b>          |
| Loss and total comprehensive loss for the period |       | -                       | -                             | (2,444)                    | <b>(2,444)</b>                           | (6)   | <b>(2,450)</b>         |
| Share based compensation                         | 9     | -                       | 276                           | -                          | <b>276</b>                               | -   | <b>276</b>             |
| <b>At 30 September 2023</b>                      |       | <b>402,120</b>          | <b>47,339</b>                 | <b>(406,304)</b>           | <b>43,155</b>                            | <b>695</b>                                  | <b>43,850</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    | 2023<br>\$'000                 | 2022<br>\$'000 |
| <b>Cash flows from operating activities</b>           |          |                                |                |
| Net loss for the period                               |          | (2,450)                        | (2,895)        |
| Adjustments for:                                      |          |                                |                |
| Share based compensation                              | 9        | 276                            | 630            |
| Depreciation  |          | 3                              | 4              |
| Net finance expense                                   |          | 482                            | 273            |
| Effect of exchange rates on operating activities      |          | (85)                           | 290            |
| Change in non-cash working capital:                   |          |                                |                |
| Increase in trade and other receivables               |          | (19)                           | (20)           |
| Decrease in accounts payable and accrued expenses     |          | (36)                           | (68)           |
| <b>Net cash used in operating activities</b>          |          | <b>(1,829)</b>                 | <b>(1,786)</b> |
| <b>Cash flows from investing activities</b>           |          |                                |                |
| Interest received                                     |          | 165                            | 15             |
| Exploration and evaluation assets                     |          | (647)                          | (70)           |
| <b>Net cash used in investing activities</b>          |          | <b>(482)</b>                   | <b>(55)</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>-</b>                       | <b>9,950</b>   |
| Change in cash and cash equivalents                   |          | (2,311)                        | 8,109          |
| Effect of exchange rates on cash and cash equivalents |          | (320)                          | (98)           |
| Cash and cash equivalents at beginning of period      |          | 16,785                         | 8,894          |
| <b>Cash and cash equivalents at end of period</b>     | <b>8</b> | <b>14,154</b>                  | <b>16,905</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 2023 and 2022

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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 2023 of the Company’s interest in Australia is \$46.1 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**”).

#### 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 2022 (pages 11 to 18) as filed on the Canadian Securities Administrator’s System for Electronic Document Analysis and Retrieval (“**SEDAR+**”) at [www.sedarplus.ca](http://www.sedarplus.ca).

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 2023.

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 2023 the Group had \$14.2m of cash and cash equivalents, which is sufficient to cover Falcon’s own ongoing operating costs for the next 12 months from the date of the approval of the financial statements, however as outlined below further funding will be required for Falcon Australia’s continued participation in the Beetaloo. Falcon Australia holds a 22.5% participating interest (“**PI**”) in the Exploration Permits situated in the Beetaloo Sub-Basin, Northern Territory, Australia with Tamboran (B2) Pty Limited (“**Tamboran B2**”) appointed as operator. As part of the transaction agreed and the latest executed Joint Operating Agreement (“**JOA**”) Tamboran B2 granted Falcon Australia an additional carry beyond Stage 3 of A\$30 million and terms were agreed on drilling spacing units (“**DSU**”) for sole risk operations, the size of these DSUs vary depending on (a) the type and length of the well to be drilled and (b) whether or not the well is a “commitment well” under the terms of the exploration permit, a non-commitment well creates a DSU to a maximum of 6,400 acres, while a commitment well creates a DSU to a maximum of 25,600 acres, providing Falcon Australia with participation optionality on the drilling of future wells.

The A\$263.8 million cost cap and additional carry for 2023 are now fully utilised and cash on hand is sufficient to cover estimated committed costs under Stage 3 of the work programme including the testing of the Shenandoah South 1H (“**SS1H**”) well and other estimated Beetaloo general operating costs for twelve months from the date of the approval of the financial statements, however funding will be required to meet committed expenditure including the completion of Amungee 3, with flow testing expected to commence in the second quarter of 2024 and on a successful flow test at SS1H, participation in a proposed development in the Shenandoah South region.



**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2023 and 2022****2. Accounting policies (continued)**

Management and those charged with governance 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 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, management and those charged with governance 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 no producing 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<br>\$'000 | South Africa<br>\$'000 | Hungary<br>\$'000 | Other<br>\$'000 | Total<br>\$'000 |
|---|---------------------|------------------------|-------------------|-----------------|-----------------|
| Nine months ended 30 September 2023       |                     |                        |                   |                 |                 |
| <b>Revenue</b>                            | -                   | -                      | -                 | -               | -               |
| <b>Net loss <sup>(i)</sup></b>            | <b>(718)</b>        | <b>(57)</b>            | <b>(530)</b>      | <b>(1,139)</b>  | <b>(2,444)</b>  |
| At 30 September 2023                      |                     |                        |                   |                 |                 |
| <b>Non-current assets <sup>(ii)</sup></b> | <b>46,140</b>       | <b>-</b>               | <b>2,054</b>      | <b>36</b>       | <b>48,230</b>   |
| Nine months ended 30 September 2022       |                     |                        |                   |                 |                 |
| <b>Revenue</b>                            | -                   | -                      | -                 | -               | -               |
| <b>Net loss <sup>(i)</sup></b>            | <b>(349)</b>        | <b>(57)</b>            | <b>(777)</b>      | <b>(1,711)</b>  | <b>(2,894)</b>  |
| At 30 September 2022                      |                     |                        |                   |                 |                 |
| <b>Non-current assets <sup>(ii)</sup></b> | <b>40,270</b>       | <b>-</b>               | <b>1,891</b>      | <b>38</b>       | <b>42,199</b>   |

**(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 2023 and 2022**

**4. Finance expense and income**

|   | Notes | Three months ended 30<br>September |                | Nine months ended 30<br>September |                |
|---|-------|------------------------------------|----------------|-----------------------------------|----------------|
|   |       | 2023<br>\$'000                     | 2022<br>\$'000 | 2023<br>\$'000                    | 2022<br>\$'000 |
| <b>Finance income</b>                   |       |                                    |                |                                   |                |
| Interest income on bank deposits        |       | 43                                 | 10             | 155                               | 15             |
|   |       | 43                                 | 10             | 155                               | 15             |
| <b>Finance expense</b>                  |       |                                    |                |                                   |                |
| Accretion of decommissioning provisions | 13    | (176)                              | (59)           | (326)                             | (176)          |
| Net foreign exchange loss               |       | (176)                              | (86)           | (321)                             | (112)          |
|   |       | (352)                              | (145)          | (647)                             | (288)          |
| Net finance expense                     |       | (309)                              | (135)          | (492)                             | (273)          |

**5. Net loss per share**

Basic and diluted loss per share is calculated as follows:

|   | Three months ended 30<br>September |                | Nine months ended 30<br>September |                |
|---|------------------------------------|----------------|-----------------------------------|----------------|
|   | 2023<br>\$'000                     | 2022<br>\$'000 | 2023<br>\$'000                    | 2022<br>\$'000 |
| Loss attributable to equity holders of the company              | (1,046)                            | (822)          | (2,444)                           | (2,894)        |
| Weighted average number of common shares in issue - (thousands) | 1,044,347                          | 1,044,347      | 1,044,347                         | 1,022,598      |
| Loss diluted loss per share                                     | (0.001 cent)                       | (0.001 cent)   | (0.002 cent)                      | (0.003 cent)   |

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

|  | Note | Australia Total<br>\$'000 |
|--|------|---------------------------|
| At 1 January 2023  |      | 42,977                    |
| Additions  |      | 3,347                     |
| Decommissioning provision – estimate revisions and additions | 13   | (184)                     |
| <b>At 30 September 2023</b>                                  |      | <b>46,140</b>             |
|  |      | Australia Total<br>\$'000 |
| At 1 January 2022  |      | 40,197                    |
| Additions  |      | 86                        |
| Granting an ORRI to Sheffield Holdings                       |      | (6,000)                   |
| Exercising TOG Group call option                             |      | 6,000                     |
| Decommissioning provision                                    |      | 2,694                     |
| At 31 December 2022  |      | 42,977                    |

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

**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2023 and 2022****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, with movements period on period related to foreign exchange revaluations.

|                 | <b>30 September<br/>2023<br/>\$'000</b> | 31 December<br>2022<br>\$'000 |
|-----------------|---|-------------------------------|
| Restricted cash | <b>2,086</b>                            | 2,090                         |
|                 | <b>2,086</b>                            | 2,090                         |

**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.

|                           | <b>30 September<br/>2023<br/>\$'000</b> | 31 December<br>2022<br>\$'000 |
|---------------------------|---|-------------------------------|
| Cash and cash equivalents | <b>14,154</b>                           | 16,785                        |
|                           | <b>14,154</b>                           | 16,785                        |

**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 \$276,000 during the period ended 30 September 2023 (2022: \$630,000).

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 £0.15 (equivalent to CDN\$0.24). The Options have an expiry date of 5 June 2027.

On 30 November 2022 Falcon announced it granted Options on 29 November to Tom Layman (Non-Executive Director) to purchase 2,500,000 common shares of Falcon at an exercise price of £0.15 (equivalent to CDN\$0.24). The Options have an expiry date of 28 November 2027.

All Options granted in 2022 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 6 June 2024 and 29 November 2024 respectively.

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2023 and 2022**

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

A summary of the Group's stock option plan as of 30 September 2023 and 31 December 2022 and changes during the periods then ended, is presented below:

|                                    | Nine months ended 30 September 2023 |                                 | Year ended 31 December 2022 |                                 |
|------------------------------------|-------------------------------------|---------------------------------|-----------------------------|---------------------------------|
|                                    | Number of options                   | Weighted average exercise price | Number of options           | Weighted average exercise price |
| Outstanding at beginning of period | 59,750,000                          | £0.11                           | 47,000,000                  | £0.10                           |
| Expired                            | -                                   | -                               | (6,000,000)                 | CDN\$0.20                       |
| Granted                            | -                                   | -                               | 18,750,000                  | £0.15                           |
| Outstanding at end of period       | 59,750,000                          | £0.11                           | 59,750,000                  | £0.11                           |
| Exercisable at end of period       | 52,666,667                          | £0.11                           | 33,583,333                  | £0.11                           |

The exercise prices of the outstanding options are as follows:

| Date of grant     | Options           | Exercise price | Date of Expiry   | Weighted average contractual life remaining (years) |
|-------------------|-------------------|----------------|------------------|---|
| 18 February 2021  | 21,500,000        | £0.08          | 17 February 2026 | 2.39  |
| 18 February 2021  | 16,500,000        | £0.12          | 17 February 2026 | 2.39  |
| 10 September 2021 | 3,000,000         | £0.10          | 9 September 2026 | 2.95  |
| 06 June 2022      | 16,250,000        | £0.15          | 5 June 2027      | 3.68  |
| 29 November 2022  | 2,500,000         | £0.15          | 28 November 2027 | 4.16  |
|                   | <b>59,750,000</b> | <b>£0.11</b>   |                  |   |

The fair value of 2022 Options granted at £0.15 were estimated using a Black Scholes model with the following inputs:

| Date of Grant                | 6 June 2022 | 29 November 2022 |
|------------------------------|-------------|------------------|
| Fair value as at grant date  | £0.04       | £0.02            |
| Share price as at grant date | £0.09       | £0.06            |
| Exercise price               | £0.15       | £0.15            |
| Volatility                   | 67.806%     | 69.732%          |
| Expected option life         | 4.05 years  | 4.09 years       |
| Dividends                    | Nil         | Nil              |
| Risk - free interest rate    | 1.997%      | 3.079%           |

**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 2023 and 31 December 2022, 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.

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2023 and 2022**

**11. Financial Instruments and risk management**

The following tables provide fair value measurement information for financial assets and liabilities as at 30 September 2023 and 31 December 2022. 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 2023        |                      | 31 December 2022         |                      |
|---|--------------------------|----------------------|--------------------------|----------------------|
|   | Carrying value<br>\$'000 | Fair value<br>\$'000 | Carrying value<br>\$'000 | Fair value<br>\$'000 |
| <b>Financial assets:</b>                            |                          |                      |                          |                      |
| Cash and cash equivalents including restricted cash | 16,240                   | 16,240               | 18,875                   | 18,875               |
| Accounts receivable                                 | 110                      | 110                  | 85                       | 85                   |
| <b>Financial Liabilities:</b>                       |                          |                      |                          |                      |
| <i>Other financial liabilities</i>                  |                          |                      |                          |                      |
| Accounts payable and accrued expenses               | 3,041                    | 3,041                | 332                      | 332                  |

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.

**12. General and administrative expenses**

|                                    | Three months ended 30 September |                | Nine months ended 30 September |                |
|------------------------------------|---------------------------------|----------------|--------------------------------|----------------|
|                                    | 2023<br>\$'000                  | 2022<br>\$'000 | 2023<br>\$'000                 | 2022<br>\$'000 |
| Accounting and audit fees          | (38)                            | (32)           | (130)                          | (110)          |
| Consulting fees                    | (13)                            | (10)           | (37)                           | (33)           |
| Legal fees                         | (7)                             | (6)            | (21)                           | (26)           |
| Investor relations                 | (39)                            | (39)           | (141)                          | (181)          |
| Office and administrative costs    | (30)                            | (43)           | (111)                          | (124)          |
| Payroll and related costs          | (506)                           | (214)          | (1,002)                        | (931)          |
| Directors' fees                    | (59)                            | (46)           | (178)                          | (157)          |
| Travel and promotion               | (2)                             | (5)            | (18)                           | (34)           |
| Shared based compensation (Note 9) | (45)                            | (147)          | (276)                          | (630)          |
|                                    | <b>(739)</b>                    | <b>(542)</b>   | <b>(1,914)</b>                 | <b>(2,226)</b> |

**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2023 and 2022****13. Decommissioning provision**

A reconciliation of the decommissioning provision for the period ended 30 September 2023 and the year ended 31 December 2022 is provided below:

|   | <b>30 September<br/>2023<br/>\$'000</b> | 31 December<br>2022<br>\$'000 |
|---|---|-------------------------------|
| Balance as at beginning of period                       | 15,602                                  | 11,775                        |
| Revision to Hungarian provision                         | -                                       | 825                           |
| Additions for Beetaloo working interests                | 341                                     | 2,694                         |
| Revision to previous Beetaloo decommissioning provision | (525)                                   | -                             |
| Adjustment for Canadian working interests               | -                                       | (2)                           |
| Foreign exchange - revaluation                          | (133)                                   | -                             |
| Accretion   | 326                                     | 310                           |
| <b>Non – current; balance at end of period</b>          | <b>15,611</b>                           | <b>15,602</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 has estimated the net present value of the decommissioning provision for its Hungarian well interests to be \$13 million as at 30 September 2023 (31 December 2022: \$12.9 million) based on an undiscounted total future liability of \$14.1 million (31 December 2022: \$14.4 million). These payments are expected to be made in 4 years. The discount factor, being the risk-free rate related to the liability, was 2.33% as at 30 September 2023 (31 December 2022: 2.33%). The inflation factor related to the liability, was 2.52% as at 30 September 2023 (31 December 2022: 2.52%). A 1% increase / (decrease) in the discount rate to 3.33% /1.33% will (decrease) / increase the provision by (\$763,000) / \$306,000.

The estimated net present value of the decommissioning provision for its Australian Beetaloo well interests is \$2.5 million as at 30 September 2023 (31 December 2022: \$2.7million) based on an undiscounted total future liability of \$5.4million (31 December 2022: \$3.4m). A review of the prior year estimates has resulted in a reduction in the provision of US\$525,000 and there were further additions for the two wells drilled during the period ended 30 September 2023 for US\$341,000. These payments are expected to be made between 5-30 years. The discount factors, being the risk-free rate related to the liability, were 3.95% and 4.34% and 3.70% and 4.34% respectively as at 30 September 2023 and 31 December 2022. The inflation factor related to the liability, was 2.50% as at 30 September 2023 and 31 December 2022. A 1% increase / (decrease) in the discount rate will (decrease) / increase the provision by (\$320,000) / \$412,000.

**14. Accounts payable and accrued expenses**

|                  | <b>30 September<br/>2023<br/>\$'000</b> | 31 December<br>2022<br>\$'000 |
|------------------|---|-------------------------------|
| <b>Current</b>   |   |                               |
| Accounts payable | 81                                      | 84                            |
| Accrued expenses | 2,960                                   | 248                           |
|                  | <b>3,041</b>                            | <b>332</b>                    |

**15. Related party transactions**

There were no related party transactions during the period.

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three and Nine Months Ended 30 September 2023 and 2022**

**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. Work recommenced in 2019 following the moratorium on hydraulic fracturing, details of current operations are included in the Management's Discussion & Analysis document for the three and nine months ended 30 September 2023.

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 were combined and increased by A\$150.5 million to A\$263.8 million. Furthermore, as announced on 11 October 2022, Falcon Australia were granted an additional carry on future well costs up to A\$30 million and the introduction of DSUs on sole risk operations provides optionality to Falcon Australia on future wells drilled. As part of the latest executed JOA the size of a DSU varies depending on (a) the type and length of the well to be drilled and (b) whether or not the well is a "commitment well" under the terms of the exploration permit, a non-commitment well creates a DSU to a maximum of 6,400 acres, while a commitment well creates a DSU to a maximum of 25,600 acres. The cost cap and the first portion of the additional carry have now been consumed and Falcon is contributing to the costs in proportion to its 22.5% participating interest.

*Hungary - Makó Trough, Hungary*

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

**17. Subsequent Events**

There were no subsequent events noted up to the approval of the of these interim financial statements on 15 November 2023.

**18. Share capital**

As at 30 September 2023 and 31 December 2022, 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<br/>\$'000</b> |
|---|-------------------------|---------------------------------|
| At 1 January 2022                         | 981,847,425             | 392,170                         |
| Private placement – April 2022            | 62,500,000              | 10,000                          |
| Private placement – April 2022 - expenses | -                       | (50)                            |
|   | <b>62,500,000</b>       | <b>9,950</b>                    |
| <b>At 31 December 2022</b>                | <b>1,044,347,425</b>    | <b>402,120</b>                  |
| <b>At 30 September 2023</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 CDN\$0.20 per share to Sheffield Holdings LP for gross proceeds of \$10 million pursuant to the private placement announced on 31 March 2022.

**Falcon Oil & Gas Ltd.**  
**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**  
**For the Three and Nine Months Ended 30 September 2023 and 2022**

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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 15 November 2023.

**[End of document]**