



**Falcon Oil & Gas Ltd.**

Interim Condensed Consolidated Financial Statements  
Three Months Ended 31 March 2019 and 2018

(Presented in U.S. Dollars)

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23 May 2019

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 months ended 31 March 2019, 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 Months Ended 31 March 2019 and 2018**

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**Table of Contents**

	<b>Page Number</b>
Interim Condensed Consolidated Statement of Operations and Comprehensive Loss	4
Interim Condensed Consolidated Statement of Financial Position	5
Interim Condensed Consolidated Statement of Changes in Equity	6
Interim Condensed Consolidated Statement of Cash Flows	7
Notes to the Interim Condensed Consolidated Financial Statements	8

**Falcon Oil & Gas Ltd.****Interim Condensed Consolidated Statement of Operations and Comprehensive Loss**

(Unaudited)

		Three months ended 31 March 2019 \$'000	Three months ended 31 March 2018 \$'000
	Notes		
<b>Revenue</b>			
Oil and natural gas revenue	3	2	1
		2	1
<b>Expenses</b>			
Exploration and evaluation expenses		(41)	(41)
Production and operating expenses		(3)	(4)
General and administrative expenses		(459)	(504)
Share based compensation	9	(12)	(59)
Foreign exchange (loss) / gain		(51)	62
		(566)	(546)
<b>Results from operating activities</b>		<b>(564)</b>	<b>(545)</b>
Fair value (loss) - outstanding warrant	12	(467)	(56)
Finance income	4	43	6
Finance expense	4	(57)	(60)
Net finance expense		(14)	(54)
<b>Loss and comprehensive loss for the period</b>		<b>(1,045)</b>	<b>(655)</b>
Loss and comprehensive loss attributable to:			
Equity holders of the company		(1,044)	(655)
Non-controlling interests		(1)	-
<b>Loss and comprehensive loss for the period</b>		<b>(1,045)</b>	<b>(655)</b>
Loss per share attributable to equity holders of the company:			
Basic and diluted	5	(\$0.001)	(\$0.001)

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 31 March 2019 \$'000	At 31 December 2018 \$'000
	Notes		
<b>Assets</b>			
<b>Non-current assets</b>			
Exploration and evaluation assets	6	39,707	39,705
Property, plant and equipment		2	2
Trade and other receivables		31	31
Restricted cash	7	2,248	2,294
		<b>41,988</b>	<b>42,032</b>
<b>Current assets</b>			
Cash and cash on deposit	8	6,438	6,967
Trade and other receivables		208	100
		<b>6,646</b>	<b>7,067</b>
<b>Total assets</b>		<b>48,634</b>	<b>49,099</b>
<b>Equity and liabilities</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		383,737	383,737
Contributed surplus		45,075	45,063
Retained deficit		(392,648)	(391,604)
		<b>36,164</b>	<b>37,196</b>
<b>Non-controlling interests</b>		<b>699</b>	<b>700</b>
<b>Total equity</b>		<b>36,863</b>	<b>37,896</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Decommissioning provision	13	10,160	10,102
		<b>10,160</b>	<b>10,102</b>
<b>Current liabilities</b>			
Accounts payable and accrued expenses	14	665	622
Derivative financial liabilities	12	946	479
		<b>1,611</b>	<b>1,101</b>
<b>Total liabilities</b>		<b>11,771</b>	<b>11,203</b>
<b>Total equity and liabilities</b>		<b>48,634</b>	<b>49,099</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 2018		383,570	44,937	(390,223)	38,284	701	38,985
Share based compensation	9	-	59	-	59	-	59
Loss and total comprehensive loss for the period		-	-	(655)	(655)	-	(655)
<b>At 31 March 2018</b>		<b>383,570</b>	<b>44,996</b>	<b>(390,878)</b>	<b>37,688</b>	<b>701</b>	<b>38,389</b>
At 1 January 2019		383,737	45,063	(391,604)	<b>37,196</b>	700	<b>37,896</b>
Share based compensation	9	-	12	-	12	-	<b>12</b>
Loss and total comprehensive loss for the period		-	-	(1,044)	(1,044)	(1)	(1,045)
<b>At 31 March 2019</b>		<b>383,737</b>	<b>45,075</b>	<b>(392,648)</b>	<b>36,164</b>	<b>699</b>	<b>36,863</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)

	Notes	Three months ended 31 March	
		2019 \$'000	2018 \$'000
<b>Cash flows from operating activities</b>			
Net loss for the period		(1,045)	(655)
Adjustments for:			
Share based compensation	9	12	59
Fair value loss - outstanding warrant	12,15	467	56
Net finance expense	4	14	54
Effect of exchange rates on operating activities		(51)	(62)
Change in non-cash working capital:			
Trade and other receivables		(108)	(87)
Accounts payable and accrued expenses		140	90
<b>Net cash used in operating activities</b>		<b>(571)</b>	<b>(545)</b>
<b>Cash flows from investing activities</b>			
Interest received		35	6
Decrease in cash deposits – other receivables		-	3,028
Exploration and evaluation assets		(2)	-
<b>Net cash generated by investing activities</b>		<b>33</b>	<b>3,034</b>
Change in cash and cash equivalents		(538)	2,489
Effect of exchange rates on cash & cash equivalents		9	(1)
Cash and cash equivalents at beginning of period		6,967	2,967
<b>Cash and cash equivalents at end of period</b>	8, 18	<b>6,438</b>	<b>5,455</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 Months Ended 31 March 2019 and 2018

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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 31 March 2019 of the Company's interest in Australia is \$39.7 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); AIM, a market operated by the London Stock Exchange (symbol: FOG) and ESM, a market regulated by the Irish Stock Exchange (symbol: FAC).

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

#### 2. Accounting policies

##### Basis of preparation and going concern

These Interim Condensed Consolidated Financial Statements ("**Interim Statements**") of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' and, except as described below, on the basis of the same accounting principles as, and should be read in conjunction with, the Consolidated Financial Statements for the year ended 31 December 2018 (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 2019.

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.

It was noted in the Consolidated Financial Statements for the year ended 31 December 2018 ("**2018 Consolidated Financial Statements**") the Group's cash and cash deposits were sufficient to cover ongoing operating costs for the 12 months from the date of signing the financial statements. Work had recommenced on the Group's Beetaloo Sub-basin asset in the Northern Territory Australia, with the Group having entered Stage 2 of the work programme, with a Cost Cap of approximately A\$65 million, and costs above the Cost Cap to be financed by the Group in accordance with their 30% participating interest. It was further noted that the Directors and Management were confident that should funding be required it could be raised through either an equity raise or debt funding. As at the date of the 2018 Consolidated Financial Statements no such further funding had been raised and there was no certainty that sufficient funds could be raised if required, indicating the existence of a material uncertainty, which could cast significant doubt over the Group's ability to continue as a going concern, being unable to realise its assets and discharge its liabilities in the normal course of business. Having given due consideration to the cash requirements of the Group, the Board of Directors ("**the Board**") had a reasonable expectation that the Group had adequate resources to continue in operational existence for the foreseeable future and for this reason adopted the going concern basis in preparing the 2018 Consolidated Financial Statements.

Subsequent to the signing of the 2018 Consolidated Financial Statements, on 17 May 2019 the Company completed a Placing and raised gross proceeds of c.£7 million (c.\$9 million), further details of which are included at Note 18. Having given due consideration to the cash requirements of the Group as at the date of these financial statements, with Falcon's net cash contribution to the first c.\$100 million of gross capex for Stage 2 and Stage 3 estimated at c.\$5.5 million before contingency, the Board 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

**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three Months Ended 31 March 2019 and 2018****2. Accounting policies (continued)**

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
Three months ended 31 March 2019					
<b>Revenue</b>	-	-	-	2	2
<b>Net loss <sup>(i)</sup></b>	(75)	(34)	(174)	(762)	(1,045)
At 31 March 2019					
<b>Capital assets <sup>(ii)</sup></b>	39,707	-	-	2	39,709

	Australia \$'000	South Africa \$'000	Hungary \$'000	Other \$'000	Total \$'000
Three months ended 31 March 2018					
Revenue	-	-	-	1	1
Net loss <sup>(i)</sup>	(89)	(92)	(149)	(325)	(655)
At 31 March 2018					
Capital assets <sup>(ii)</sup>	39,630	-	-	3	39,633

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

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

**4. Finance income and expense**

	Notes	Three months ended 31 March 2019 \$'000	2018 \$'000
<b>Finance income</b>			
Interest income on bank deposits		35	6
Net foreign exchange gain		8	-
		43	6
<b>Finance expense</b>			
Accretion of decommissioning provisions	13	(57)	(55)
Net foreign exchange loss		-	(5)
		(57)	(60)
<b>Net finance expense</b>		<b>(14)</b>	<b>(54)</b>

**Falcon Oil & Gas Ltd.**  
**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**  
**For the Three Months Ended 31 March 2019 and 2018**

**5. Net loss per share**

Basic and diluted loss per share is calculated as follows:

	For the three months ended 31 March	
	2019	2018
	\$'000	\$'000
Loss attributable to equity holders of the company	<b>(1,045)</b>	(655)
Weighted average number of common shares in issue - (thousands)	<b>931,304</b>	930,404
Loss / diluted loss per share	<b>(\$0.001)</b>	(\$0.001)

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

	Australia	Total
	\$'000	\$'000
At 1 January 2019	<b>39,705</b>	<b>39,705</b>
Additions	2	2
<b>At 31 March 2019</b>	<b>39,707</b>	<b>39,707</b>

	Australia	Total
	\$'000	\$'000
At 1 January 2018	39,630	39,630
Additions	75	75
At 31 December 2018	39,705	39,705

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 months ended 31 March 2019 on pages 6-14.

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**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three Months Ended 31 March 2019 and 2018****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>31 March 2019 \$'000</b>	31 December 2018 \$'000
Restricted cash	<b>2,248</b>	2,294
	<b>2,248</b>	2,294

**8. Cash and cash on deposit**

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

	<b>31 March 2019 \$'000</b>	31 December 2018 \$'000
Cash and cash equivalents	<b>6,438</b>	6,967
Cash on deposit	-	-
	<b>6,438</b>	6,967

**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 \$12,000 during the period ended 31 March 2019 (2018: \$59,000).

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.

**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three Months Ended 31 March 2019 and 2018****9. Share based compensation (continued)**

A summary of the Group's stock option plan as of 31 March 2019 and 31 December 2018 and changes during the periods then ended, is presented below:

	Three months ended 31 March 2019		Year ended 31 December 2018	
	Number of options	Weighted average exercise price CDN\$	Number of options	Weighted average exercise price CDN\$
Outstanding as at beginning of period	40,333,334	0.13	42,233,334	0.13
Expired	-	-	(1,000,000)	0.24
Exercised	-	-	(900,000)	0.24
Outstanding as at end of period	40,333,334	0.13	40,333,334	0.13
Exercisable as at end of period	40,333,334	0.13	38,333,334	0.13

The exercise prices of the outstanding options are as follows:

Date of grant	Options	Exercise price CDN\$	Date of Expiry	Weighted average contractual life remaining (years)
26 January 2015	5,000,000	0.15	25 January 2020	0.82
15 January 2016	29,333,334	0.11	14 January 2021	1.79
22 February 2017	6,000,000	0.20	21 February 2022	2.90
	<b>40,333,334</b>	<b>0.13</b>		

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

As at 31 March 2019 and 31 December 2018, the fair value of cash and cash on deposit, restricted cash, accounts receivable, accounts payable and accrued expenses approximated their carrying value due to their short term to maturity.

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**Falcon Oil & Gas Ltd.****Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three Months Ended 31 March 2019 and 2018****11. Financial Instruments and risk management**

The following tables provide fair value measurement information for financial assets and liabilities as at 31 March 2019 and 31 December 2018. The carrying value of cash and cash on deposit, restricted cash, accounts receivable, and accounts payable and accrued expenses included in the consolidated statement of financial position approximate fair value due to the short term nature of those instruments.

	31 March 2019		31 December 2018	
	Carrying value \$'000	Fair value \$'000	Carrying value \$'000	Fair value \$'000
<b>Financial assets:</b>				
Cash and cash on deposit including restricted cash	8,686	8,686	9,261	9,261
Accounts receivable	221	221	121	121
<b>Financial Liabilities:</b>				
<i>Other financial liabilities</i>				
Accounts payable and accrued expenses	665	665	622	622

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

*Level 1 Fair Value Measurements*

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

*Level 2 Fair Value Measurements*

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

*Level 3 Fair Value Measurements*

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

	Carrying amount \$'000	Fair value \$'000
<b>31 March 2019</b>		
Financial liabilities:		
Hess warrant	946	946
<b>31 December 2018</b>		
Financial liabilities:		
Hess warrant	479	479

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

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three Months Ended 31 March 2019 and 2018**

**12. Derivative liabilities**

Derivative liabilities consist of the fair value of a warrant. Changes in the fair value of the derivative liabilities are recorded in the Consolidated Statement of Operations and Comprehensive Loss. The composition of the derivative liabilities as at 31 March 2019 and 31 December 2018, and the changes therein for the period then ended, are as follows:

	<b>Warrant \$'000</b>
At 1 January 2018	1,563
Derivative gain – unrealised – outstanding warrant	(1,084)
At 31 December 2018 - current	479
Derivative loss – unrealised – outstanding warrant	467
<b>At 31 March 2019 - current</b>	<b>946</b>

The terms of the warrant are as follows:

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

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

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

	<b>Warrant 31 March 2019</b>	<b>Warrant 31 December 2018</b>
<b>Number</b>	10,000,000	10,000,000
<b>Expiry</b>	13 January 2020	13 January 2020
<b>Exercise price</b>	CDN\$0.19	CDN\$0.19
<b>Volatility</b>	53.666%	57.271%
<b>Expected warrant life</b>	0.79 years	1.04 years
<b>Dividends</b>	Nil	Nil
<b>Risk-free rate</b>	1.54%	1.85%

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

**Falcon Oil & Gas Ltd.**  
**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)**  
**For the Three Months Ended 31 March 2019 and 2018**

**13. Decommissioning provision**

A reconciliation of the decommissioning provision for the period ended 31 March 2019 and the year ended 31 December 2018 is provided below:

	<b>31 March 2019 \$'000</b>	31 December 2018 \$'000
Balance as at beginning of period	10,102	9,886
Revision to provisions	1	(5)
Accretion	57	221
<b>Non – current; Balance at end of period</b>	<b>10,160</b>	<b>10,102</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 \$9.9 million as at 31 March 2019 (2018: \$9.9 million) based on an undiscounted total future liability of \$12 million (2018: \$12.1 million). These payments are expected to be made over approximately the next eight years. The discount factor, being the risk-free rate related to the liability, was 2.25% as at 31 March 2019 (2018: 2.25%).

**14. Accounts payable and accrued expenses**

	<b>31 March 2019 \$'000</b>	31 December 2018 \$'000
<b>Current</b>		
Accounts payable	167	140
Accrued expenses	479	464
Royalties payable	19	18
	<b>665</b>	<b>622</b>

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

	<b>Notes</b>	<b>Derivative liability \$'000</b>
At 1 January 2019		479
Non-cash flows – fair value losses unrealised	12	467
<b>At 31 March 2019</b>		<b>946</b>

## Falcon Oil & Gas Ltd.

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the Three Months Ended 31 March 2019 and 2018

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#### 16. Related party transactions

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

##### *Senzus Plus Tanácsadó Bt.*

On 1 March 2017, Senzus Plus Tanácsadó Bt. agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. The contract was subsequently terminated with effect on 28 February 2018. There was no consultancy fee for the period ended 31 March 2019 (2018: \$6,700).

##### *Geoportal Plus Tanácsadó Bt.*

On 1 March 2018, *Geoportal Plus Tanácsadó Bt.* agreed the terms on which it would provide the geological services of Dr. Gábor Bada to TXM. It was paid a consultancy fee of \$8,900 for the period ended 31 March 2019 (2018: \$3,300).

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

The Group previously engaged Oakridge Financial Management Inc. ("Oakridge") to assist in submitting returns to the Canada Revenue Agency ("CRA"). Mr. Greg Smith, a current director of Falcon, is the sole shareholder of Oakridge. Oakridge no longer provides assistance for returns submitted to the CRA, therefore the Group did not incur costs during the period ended 31 March 2019 (2018: CDN\$158).

#### 17. Commitments

##### *Australia - Beetaloo Basin, Northern Territory, Australia*

The work commitment on the Beetaloo Sub-basin, Northern Territory, Australia is aligned with the farm-out agreement entered into in August 2014.

The Group had planned a nine well drilling programme with Origin. The details are as follows:

- Falcon covered for the full cost of completing the first five wells, estimated at A\$64 million.
- Origin to pay the full cost of the next two horizontally fracture stimulated wells, 90 day production tests and micro seismic with a capped expenditure of A\$53 million, any cost overrun funded by each party in proportion to their working interest.
- Origin to pay the full cost of the final two horizontally fracture stimulated wells and 90 day production tests capped at A\$48 million, any cost overrun funded by each Party in proportion to their working interest.

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 need to be financed by the Group in accordance with their 30% participating interest. Stage 2 of the work programme has only recently commenced, with drilling targeted for mid-2019. As at the date of these interim financial statements, Falcon's net cash contribution to the first c.\$100 million of gross capex for Stage 2 and Stage 3 is estimated at c.\$5.5 million before contingency.

Originally the Group indicated that it expected the work on the first five wells to be completed in 2016, the next two horizontally fracture stimulated wells to be undertaken in 2017 and the final two horizontally fracture stimulated wells to be undertaken in 2018. The introduction of a moratorium on hydraulic fracturing has 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 has already commenced at some well sites, including water bore drilling and water monitoring.

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

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

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

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

**Falcon Oil & Gas Ltd.**

**Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)  
For the Three Months Ended 31 March 2019 and 2018**

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**18. Subsequent Events**

On 23 April 2019 it was announced that Falcon Australia had successfully negotiated a two-year extension of the call option up to and including 31 August 2021 (“the **Extension**”), to acquire its 30% portion of the 2% Overriding Royalty Interest (“**ORRI**”) from Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC (“**TOG Group**”). The Extension will be submitted to the Northern Territory government, Australia for review, approval and registration if required.

Falcon Australia will pay \$500,000 to the TOG Group for granting the Extension, with the cost of exercising Falcon Australia’s portion of the call option increasing from \$4.5 million to \$7.5 million.

On 17 May 2019 the Company completed a Placing and raised gross proceeds of c. £7 million (c.\$9 million), with Placees agreeing to subscribe for a total of 50,543,242 new Common Shares in Falcon at a Placing Price of £0.14 per Placing Share. The net proceeds of the Placing will primarily be used to fund Falcon’s share of estimated capital expenditure in respect of the drilling and hydraulic fracture stimulation of four horizontal wells in the Beetaloo Sub-basin, Australia.

**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 23 May 2019.

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