Falcon Oil & Gas Ltd.

Form 51-102F1
Management's Discussion & Analysis
For the Three and Six Months Ended 30 June 2020

(Presented in U.S. Dollars)

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INTRODUCTION

The following management's discussion and analysis (the "**MD&A**") was prepared as at 27 August 2020 and is management's assessment of Falcon Oil & Gas Ltd.'s ("**Falcon**") financial and operating results and provides a summary of the financial information of the Company (as hereinafter defined) for the three and six months ended 30 June 2020. This MD&A should be read in conjunction with the unaudited interim financial statements for the three and six months ended 30 June 2020 and 2019 and the audited consolidated financial statements and MD&A for the years ended 31 December 2019 and 2018.

The Company's independent auditors have not performed a review on the unaudited interim financial statements for the three and six months ended 30 June 2020 and 2019.

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**").

Additional information related to the Company, including the Company's Annual Information Form ("**AIF**") for the year ended 31 December 2019 dated 28 April 2020 can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com and Falcon's website at www.falconoilandgas.com.

Forward-looking statements

Forward-looking statements include, but are not limited to, statements with respect to: the focus of capital expenditures; Falcon's acquisition strategy; the criteria to be considered in connection therewith and the benefits to be derived therefrom; Falcon's goal to sustain or grow production and reserves through prudent management and acquisitions; the emergence of accretive growth opportunities; Falcon's ability to benefit from the combination of growth opportunities and the ability to grow through the capital markets; development costs and the source of funding thereof; the quantity of petroleum and natural gas resources or reserves; treatment under governmental regulatory regimes and tax laws; liquidity and financial capital; the impact of potential acquisitions and the timing for achieving such impact; expectations regarding the ability to raise capital and continually add to reserves through acquisition and development; the performance characteristics of Falcon's petroleum and natural gas properties; realisation of the anticipated benefits of acquisitions and dispositions; expectations regarding the ability of Falcon to access additional sources of funding not currently available; and Falcon's ability to leverage its experience in the unconventional oil and gas industry to acquire interests in licenses.

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in Canada, the Republic of Hungary, the Commonwealth of Australia, the Republic of South Africa and globally; supply and demand for petroleum and natural gas; industry conditions, including fluctuations in the price of petroleum and natural gas; governmental regulation of the petroleum and natural gas industry, including income tax, environmental and regulatory matters; introduction of a moratorium; fluctuation in foreign exchange or interest rates; risks and liabilities inherent in petroleum and natural gas operations, including exploration, development, exploitation, marketing and transportation risks; need to obtain regulatory approvals before development commences; environmental risks and hazards and cost of compliance with environmental regulations; aboriginal claims; geological, technical, drilling and processing problems; unanticipated operating events which can reduce production or cause production to be shut-in or delayed; the ability of our industry partners to pay their proportionate share of joint interest billings; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, processing and transportation capacity, undeveloped land and skilled personnel; uncertainties inherent in estimating quantities of reserves and resources; the need to obtain required approvals from regulatory authorities; risks associated with drilling wells which is speculative and often involves significant costs that may be more than estimated and may not result in any discoveries and the other factors considered under "**Risk Factors**" in Falcon's AIF dated 28 April 2020. The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Falcon disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulation. In addition, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

The following table outlines certain forward looking statements contained in this MD&A and provides material assumptions used to develop such forward looking statements and material risk factors that could cause actual results to differ materially from the forward looking statements.

Page No.	Forward looking statements	Assumptions	Risk factors
6	*Overview of the business and overall performance - About the Group* This section of the document contains forward looking statements regarding the strategy of the Board of Directors of Falcon (the "**Board**") and the countries it believes support the exploitation of unconventional oil and gas.	The countries where the Group operates support the exploitation of unconventional oil and gas.	These countries may change their regulatory environment, adversely impacting the exploitation of unconventional oil and gas resources.
7	*Overview of the business and overall performance – Beetaloo Sub-basin, Northern Territory, Australia - Overview* "the Beetaloo Sub-basin …… is a relatively underexplored onshore exploration basin. The area is also remote and sparsely populated…. the Board believes the Beetaloo Sub-basin has shale oil and shale gas potential."	The Beetaloo Sub-basin is relatively under-explored and has shale oil and shale gas commercial potential.	As the Beetaloo Sub-basin is relatively under-explored it may not have shale oil and shale gas commercial potential.
7-8	*Beetaloo Sub-basin, Northern Territory, Australia –Transformational Farm out of Beetaloo unconventional acreage* This section of the document contains forward-looking statements pertaining to the work programme, expectations and bringing the project toward commerciality.	The work programme will continue and the project will be brought towards commerciality.	The risks are (1) Origin Energy B2 Pty Ltd.'s ("**Origin**") determines not to continue with the work programme and /or (2) the project is not brought to commerciality.
9-10	*Beetaloo Sub-basin, Northern Territory, Australia – Discoveries and prospectivity* This section of the document under the heading "Key Details of the Discovery Evaluation Report" includes details of what was submitted to the Northern Territory Government which indicated an original gas in place ("**OGIP**") of 496 trillion cubic feet ("**TCF**") over 16,145km^2. The section also includes Origin's gross contingent resource estimate of 6.6TCF over 1,968km^2.	The OGIP and contingent gas resource calculated are the best estimates based on the drilling results to date and other data (including seismic) available.	The OGIP and contingent gas resource are only estimates and the project may not be brought to commerciality.
11	*Beetaloo Sub-basin, Northern Territory, Australia – Discoveries and prospectivity - Further information relating to the disclosure of contingent gas resource estimates* This section of the document which includes the table relating to contingent gas resource estimates contains forward looking statements.	Work with Falcon's joint venture partner, Origin, will continue, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme.	The risks are (1) there may be undue delay in obtaining all necessary approvals for the drilling and stimulation of the wells which would adversely impact the work programme and /or (2) the project is not brought to commerciality.
13-15	*Beetaloo Sub-basin, Northern Territory, Australia – Current Activity* This section of the document contains forward looking statements relating to the Group's activities in the Beetaloo Sub-basin.	The Group has assumed that the drilling programme will continue as planned.	The risks are (1) Origin determines not to continue with the work programme and /or (2) the project is not brought to commerciality.

Page No.	**Forward looking statements**	**Assumptions**	**Risk factors**
14-15	*Beetaloo Sub-basin, Northern Territory, Australia – Current Activity* This section of the document contains forward looking statements relating to COVID-19 and the impact on the work programme.	The pause to operations in the Beetaloo Sub-Basin will be temporary while COVID-19 is controlled ensuring the safety of employees, contractors and communities.	The impact of COVID-19 may be longer than currently envisaged and may adversely impact the progress of the Stage 2 work programme.
16	*Karoo basin, South Africa – Fiscal Terms* "In September 2018, the Mineral and Petroleum Resources Development Amendment Bill ("**MPRDA Bill**"), the long-delayed draft legislation for the mining and petroleum industries was withdrawn. There are now plans to come up with separate laws to govern the two sectors. The MPRDA Bill touched on several contentious issues such as requirements for local processing of minerals and free-carry provisions on discoveries."	The awarding of the exploration right over the acreage is estimated to occur in 2021.	The finalisation of legislation and regulation in South Africa may be delayed or Falcon may not be awarded the licence.
27	*Liquidity and Capital resources – Going Concern* "….have 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 issue of the interim condensed consolidated financial statements for the three and six months ended 30 June 2020 and 2019.	The Group is a going concern.	The Group may not have cash available to meet unforeseen expenses as and when they fall due.
27-28	*Liquidity and capital resources – Capital Expenditures – Australia – Beetaloo Sub-basin, Northern Territory, Australia* This section of the document includes forward looking information relating to drilling operations.	The work programme will occur as expected and the project will be brought towards commerciality.	The risks are (1) the work programme does not continue and /or (2) the project is not brought to commerciality.

Dollar amounts

All dollar amounts in this document are in United States dollars **"$"**, except as otherwise indicated. "**CDN$**" where referenced represents Canadian Dollars; "**£**" where referenced represents British Pounds Sterling, "**HUF**" where referenced represents Hungarian Forints and "**A$**" where referenced represents Australian Dollars.

The financial information provided herein has been prepared in accordance with International Financial Reporting Standards ("**IFRS**").

OVERVIEW OF BUSINESS AND OVERALL PERFORMANCE

About the Group

Falcon is an international oil and gas company engaged in the exploration and development of unconventional oil and gas assets. The Company's interests are located in internationally diversified countries that are characterised by a high regional demand for energy and are close to existing infrastructure allowing for rapid delivery of oil and gas to market in Australia and Hungary.

Falcon's strategy is to leverage the Group's expertise in the unconventional oil and gas industry to acquire interests in licences covering large acreages of land and to build on its internationally diversified portfolio of unconventional assets and interests, which are located in countries that the Board believes support the exploitation of unconventional oil and gas. Falcon seeks to add value to its assets by entering into farm-out arrangements with major oil and gas companies that will fully or partially carry Falcon through seismic and drilling work programmes. The Group's principal interests are located in two major underexplored basins in Australia and South Africa; with further interests in Hungary, covering approximately 12.3 million gross acres in total. The carrying value at 30 June 2020 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 permit 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).

Summary of Operations

The following table summarises the principal oil and gas interests of the Company in Australia, South Africa and Hungary:

Assets (Country)	**Interest (%)**	**Operator**	**Status**	**Gross Area (km^2)**
Exploration Permit EP-76 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Origin [(iii)]	Exploration	1,891.3
Exploration Permit EP-98 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Origin [(iii)]	Exploration	10,316.0
Exploration Permit EP-117 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Origin [(iii)]	Exploration	6,412.0
Technical Cooperation Permit, (Karoo Basin, South Africa) [(ii)]	100	Falcon	TCP	30,327.9
Makó Production Licence (Makó Trough, Hungary)	100	TXM	Production	994.6

Notes:
(i) Falcon owns 98.1% of Falcon Australia, which holds a 22.5% interest (revised as of 7 April 2020 with the farm down of 7.5% of its participating interest to Origin, previously held a participating interest of 30%) in the Beetaloo Exploration Permits. The remaining 1.9% interest of Falcon Australia is held by others.

(ii) In compliance with the terms of the Technical Cooperation Permit ("**TCP**"), the Company submitted its application for an exploration licence in August 2010. Local counsel has confirmed that despite the TCP having an expiry date of October 2010, the Company's interests remain valid and enforceable.

(iii) Falcon completed its farm-out with Origin and Sasol Petroleum Australia Limited, a subsidiary of Sasol Limited ("**Sasol**"), collectively referred to herein as (the **"Farminees**") on 21 August 2014. On completion, Origin was appointed as operator of the exploration permits. On 5 May 2017, it was announced that Origin had acquired Sasol's 35% interest, bringing its overall interest to 70% in the Beetaloo Exploration Permits

<u>Beetaloo Sub-basin, Northern Territory, Australia</u>

Overview
Falcon Australia is one of the two registered holders of approximately 4.6 million gross acres (~ 18,619 km^2), 1 million net acres, of three exploration permits in the Beetaloo Sub-basin, Northern Territory, Australia. The Beetaloo Sub-basin is located 600 kilometres south of Darwin, close to infrastructure including a highway, a pipeline and a railway,

offering transport options to the Australian market and beyond via the existing and proposed liquified natural gas capacity in Darwin.

The Beetaloo Sub-basin is a Proterozoic and Cambrian tight oil and gas basin. In its entirety, the Beetaloo Sub-basin covers approximately 8.7 million acres (~ 35,260 km^2) and is a relatively underexplored onshore exploration basin. The area is also remote and sparsely populated. Considering all these factors, the Board believes the Beetaloo Sub-basin has shale oil and shale gas potential.

Exploration Permits
A summary of Falcon Australia's Beetaloo Exploration Permits is contained in the table on the previous page.

In accordance with local law and regulations, all of Falcon Australia's acreage interests are subject to combined government and Northern Land Council royalties on production values of up to approximately 12% and 1% (subject to the exercise of Falcon Australia's call option - see "Overriding Royalty Beetaloo Sub-basin exploration permits" for details) to other parties. Falcon Australia is subject to Commonwealth Government corporation tax of 30%, however where the entity has aggregated annual turnover of less than A$50 million for the financial year and 'base rate entity passive income' of 80% or less of assessable income, Falcon Australia would be considered a 'base rate entity' for Australian tax purposes and would be taxed at a lower rate of 27.5%. Falcon Australia is also subject to the Commonwealth Government's Petroleum Resource Rent Tax ("**PRRT**") levied at the rate of 40% on taxable profits derived from the petroleum projects. The PRRT is calculated on the individual projects, and royalties are deductible for PRRT purposes. The PRRT tax system is separate from the company income tax system and is based on cash flow. Both royalties and PRRT are deductible for corporate income tax purposes.

Overriding Royalty - Beetaloo Sub-basin exploration permits
In December 2013, Falcon Australia entered an agreement (**"TOG Agreement"**) with Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC ("**TOG Group**") to acquire 7% (seven eighths) of their 8% private overriding royalty interest ("**ORRI**") over the exploration permits, leaving a 1% royalty in private hands. Falcon Australia made a payment of $5 million to acquire 5% of the ORRI on the completion of the 2014 farm–out. The Group also agreed to acquire a further 2% based on a five year call options granted to Falcon Australia at a future cost of $15 million to Falcon Australia and Origin in proportion to their interest, with the TOG Group retaining a 1% royalty.

On **23 April 2019** it was announced that Falcon Australia had negotiated a two-year extension of the call option up to and including 31 August 2021 ("the **Extension**"), to acquire it's 30% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Extension from the Northern Territory government in August 2019, Falcon Australia paid $500,000 to the TOG Group for granting the Extension, with the cost of exercising the call option increasing from $4.5 million to $7.5 million.

On **7 April 2020** it was announced that Falcon Australia had agreed to farm down 7.5% of its participating interest ("**PI**") in the exploration permits, such that following the transaction, Falcon Australia now holds a 22.5% PI. As part of that deal Origin assumes 25% of the cost of Falcon Australia's remaining call option to reduce the overriding royalties with the TOG Group. The cost to Falcon Australia should it wish to exercise the call option, will reduce from $7.5million to $5.625 million, in line with the reduced PI.

On **7 July 2020** Falcon Australia agreed to a further extension of the call option up to and including 30 April 2022 ("**Additional Extension**"), to acquire it's 22.5% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Additional Extension from the Northern Territory government Falcon Australia will pay $150,000 to the TOG Group for granting the Additional Extension, with the cost of exercising the call option increasing from $5.625 million to $6 million.

Transformational Farm Out of Beetaloo unconventional acreage
On 21 August 2014, Falcon Australia completed its farm-out agreement and joint operating agreement (collectively the **"Agreements**") with the Farminees, each farming into 35% of Falcon Australia's exploration permits in the Beetaloo Sub-basin, Australia (the **"Permits**").

The transaction details were:

- Falcon Australia received A$20 million cash from the Farminees.
- Origin was appointed as operator.
- Farminees to carry Falcon Australia in a nine well exploration and appraisal programme over 2014 to 2018 inclusive, detailed as follows:
    - 3 vertical exploration/stratigraphic wells and core studies;

  - 1 hydraulic fracture stimulated vertical exploration well and core study;
  - 1 hydraulic fracture stimulated horizontal exploration well, commercial study and 3C resource assessment; and
  - 4 hydraulic fracture stimulated horizontal exploration/appraisal wells, micro-seismic and 90 day production tests.
- Drilling/testing specifically planned to take the project towards commerciality. Falcon Australia retained a 30% interest in the Permits.
- Farminees to pay for the full cost of completing the first five wells estimated at A$64 million, and to fund any cost overruns.
- Farminees to pay the full cost of the following two horizontally fracture stimulated wells, 90 day production tests and micro seismic data collection with a capped expenditure of approximately A$50 million, any cost overrun funded by each party in proportion to their working interest.
- Farminees 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.
- Farminees may reduce or surrender their interests back to Falcon Australia only after:
  - The drilling of the first five wells; or
  - The drilling and testing of the subsequent two horizontally fracture stimulated wells.

On **5 May 2017**, it was announced that Origin had acquired Sasol's 35% interest in the Beetaloo joint venture ("**JV**"). The transaction did not impact Falcon's 2014 farm-out agreement detailed above, as Origin assumed 100% of the future costs of the farm-out. Sasol departed the JV to focus its capital investment on its African and North American footprint.

On **16 August 2018**, Falcon announced it had signed an agreement to amend the farm-out Agreement with Origin to deem Stage 1 of the exploration and appraisal drilling programme in the Beetaloo Sub-basin complete and to commence Stage 2, with an A$15 million increase to the Stage 2 capped expenditure.

Stage 1 Early Completion
The JV agreed that, following the success of the fracture stimulated horizontal well in 2016, accelerating into the Stage 2 horizontal drilling programme is far more beneficial than fracture stimulating the final vertical well under Stage 1.

Stage 2 - A$15 million Cost Cap Increase
With the removal of the fracture stimulation of the vertical well and accelerating the commencement of Stage 2, Origin agreed to increase the Stage 2 expenditure by A$15 million, to approximately A$65 million for the exploration and appraisal programme Any portion of the A$15 million increase not utilised during Stage 2 would transfer to the Stage 3 capped expenditure, which stands at A$48 million.

Stage 2 Exploration and Appraisal Drilling Program
The JV agreed to evaluate the potential of the liquid-rich gas fairways in both the Kyalla and Velkerri plays. Planned exploration and appraisal activities include the drilling of one vertical well and the drilling and hydraulic fracture stimulation of two horizontal wells. This allows for the assessment of three plays, including the Velkerri B dry gas play discovered in 2016, for the most commercially prospective play to be targeted in Stage 3.

Stage 3 Early Capital Commitments
The Stage 2 exploration and appraisal drilling programme will determine the most commercially prospective play to be targeted during Stage 3. The JV agreed to the early commitment of Stage 3 capital expenditure during 2019, allowing for an efficient transition from Stage 2 to Stage 3, where Origin and Falcon agree to proceed to Stage 3.

The Group had 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 moratorium on hydraulic fracturing has delayed the completion of the drilling and exploration programme. Work re-commenced in 2019, with drilling results to date included on page 13-15.

On **7 April 2020** it was announced that Falcon Australia had executed an agreement which included a restated Farm-Out Agreement and Joint Operating Agreement (collectively "the Agreements") with Origin farming down 7.5% of Falcon Australia's PI in the Exploration Permits. Following the transaction Falcon Australia now holds a 22.5% PI. Full details of the announcement are included on page 15.

Discoveries and Prospectivity
Work was previously undertaken by a Rio Tinto subsidiary company, Sweetpea Petroleum Pty Ltd. ("**Sweetpea**"), Hess Australia (Beetaloo) Pty. Ltd ("**Hess**") and Falcon Australia. Sweetpea drilled the Shenandoah-1 vertical well, which was deepened by Falcon Australia. Hess acquired 3,490 kilometres of 2D seismic data. The seismic database, along with existing well data, provided a solid platform to extrapolate a detailed structural and stratigraphic model for the Beetaloo Sub-basin, concluding the Beetaloo Sub-basin is an active petroleum system.

The work programme commenced in 2015 with the drilling of three wells, Kalala S-1 to a total depth ("**TD**") of 2,619 metres, Amungee NW-1 to a TD of 2,611 metres and the first horizontal well, Amungee NW-1H to a TD of 3,808 metres, including a 1,100 metre horizontal section. In 2016, the Beetaloo W-1 well was drilled to a TD of 3,173 metres and the horizontal Amungee NW-1H well was hydraulic stimulated.

On **12 October 2016**, Falcon announced that Origin had submitted a notification of discovery and an initial report on discovery ("**Notification of Discovery**") to the Department of Primary Industry and Resources of the Northern Territory ("**DPIR**") on the Amungee NW-1H well in the Beetaloo Sub-basin and on **15 February 2017** it was announced that Origin had submitted the Results of Evaluation of the Discovery and Preliminary Estimate of Petroleum in Place for the Amungee NW-1H Velkerri B Shale Gas Pool ("**Discovery Evaluation Report**") to the Northern Territory Government.

The submission followed the completion of extended production testing at the Amungee NW-1H exploration well of the "B Shale" member of the Middle Velkerri formation.

In addition, Origin undertook a resource study based on the Amungee NW-1H well results and other key wells in the Beetaloo Sub-basin including regional seismic data to determine a best estimate ("**2C**") contingent gas resource estimate for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117.

<u>*Key Details of the Discovery Evaluation Report*</u>
The Discovery Evaluation Report was submitted in compliance with Section 64 of the Northern Territory Petroleum Act (2016) and as per the Reporting a Petroleum Discovery Guideline. It followed the initial submission of the Notification of Discovery in October 2016. The Report provides the following volumetric estimates and recovery / utilisation factors for the B Shale member of the Middle Velkerri formation within permits EP76, EP98, and EP117.

Middle Velkerri B Shale Volumetric Estimates as of 15 February 2017 ([1])		
	Gross	**Net Attributable ([2])**
	Best Estimate	**Best Estimate**
Area km^2 ([3])	16,145	3,564
Original Gas In Place ("**OGIP**") (TCF)([4])	496	109
Combined Recovery / Utilisation Factor ([5])	16%	16%
Technically Recoverable Resource (TCF)	85	19
OGIP Concentration (BCF/km^2) ([6])	31	31

1 The Report and estimates included in the table above were not prepared in accordance with the Canadian Oil and Gas Evaluation Handbook ("**COGEH**")
2 Falcon's working interest is 22.07% (revised as of 7 April 2020 following the farm down, previously 29.43%), net attributable numbers do not incorporate royalties over the permits
3 Area defined by a depth range at a maturity cut-off consistent with the dry gas window within the Beetaloo JV Permits (EP76, EP98, EP117)
4 Trillion cubic feet
5 The combined recovery/utilization factor range was applied stochastically to the OGIP range to calculate the range of technically recoverable resource within the Beetaloo JV permits.
6 Billion cubic feet per square kilometre

Understanding the factors controlling deliverability and recovery as well as spatial variation within the gas play/shale pool are in their infancy. A quantitative assessment of the aggregated estimated recoverable resource of the gas play that can handle these complexities will require a statistically significant number of wells testing the gas play. As there is only a single production test within the gas play Origin decided upon a qualitative assessment approach instead to estimate the technically recoverable resource. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

Factors considered in the qualitative assessment of technically recoverable hydrocarbon resource in the gas play were the stimulated rock volume recovery factor range, the subsurface utilization factor range and surface utilization factor range.

Origin's Contingent Gas Resource Estimates for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117

Origin also prepared a contingent resource estimate using probabilistic methods and reservoir evaluation data, in addition to regional seismic data.

Assessment of 2C Contingent Gas Resource Estimates for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117 as of 15 February, 2017[1]		
Measured and Estimated Parameters	**Units**	**Best Estimate**
Area [2]	km^2	1,968
OGIP [3]	TCF	61.0
Gross Contingent Resource[4]	TCF	6.6
Net Contingent Resource[4,5]	TCF	1.46

[1] Contingent resource estimates were prepared on a statistical aggregation basis and in accordance with the Society of Petroleum Engineers Petroleum Resources Management System ("**SPE-PRMS**"). SPE-PRMS was developed by an international group of reserves evaluation experts and endorsed by the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, and the Society of Exploration Geophysicists. Contingent resource estimates are those quantities of gas (produced gas minus carbon dioxide and inert gasses) that are potentially recoverable from known accumulations but which are not yet considered commercially recoverable due to the need for additional delineation drilling, further validation of deliverability and original gas in place, and confirmation of prices and development costs. If the estimates were to be prepared in accordance with COGEH, Falcon is highly confident that there would be no change to the contingent resource estimates above.
[2] P50 area from the Contingent Resource area distribution
[3] OGIP presented is the product of the P50 Area by the P50 OGIP per km^2
[4] Estimated gas contingent resource category of 2C. There is no certainty that it will be commercially viable to produce any portion of the resources
[5] Net to Falcon's 22.07% (revised as of 7 April 2020 following the farm down, previously 29.43%) working interest in EP76, EP98, and EP117, the net contingent resource number does not incorporate royalties over the permits

As noted in Origin's press release the "*The contingent resource estimates contained in [their] report are based on, and fairly represents, information and supporting documentation that have been prepared by Alexander Côté who is a full-time Origin employee and a Qualified Reserves and Resource Evaluator. Mr Côté is a registered professional engineer with specialised unconventional gas resource characterisation and development experience. Mr Côté has consented to the form and context in which these statements appear*". Mr Côté is a member of the Association of Professional Engineers and Geoscientists of Alberta.

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Further information relating to the disclosure of the contingent gas resource estimates

Well Name	Amungee NW-1H
Permit / location	EP98 (onshore Beetaloo Sub-basin Northern Territory, Australia)
Working interest in well	Falcon 22.07% (previously 29.43% prior to the farm down on 7 April 2020)
Product type	Shale gas
Geological rock type of formation drilled	Organic rich shale (mudstone and siltstone)
Depth of zones tested	~2170-2190 metres below sea level
Type of test	Production test following hydraulic fracture stimulation
Hydrocarbon phases recovered	Gas (Approximate composition: methane ~92%, ethane+ ~3%, carbon dioxide and inerts ~5%)
Flow rates and volumes	Average rate (57 days): 1.1 MMscf/d, Final production rate: 1.07 MMscf/d, Cumulative production: 63 MMscf
Number of fracture stimulation stages	11 stages (average size ~ 100 ton per stage)
Risks and level of uncertainty with recovery of resources	Risks and uncertainties include the lifting of the Northern Territory moratorium on hydraulic fracture stimulation, completing longer-duration production testing above the 57 days conducted on Amungee NW-1H, reducing well costs with scale of activity, establishing gas sales agreements and building infrastructure to connect the resource to market. Contingent on the moratorium being lifted, additional appraisal drilling is planned (as per the work program associated with the permits), along with hydraulic fracture stimulation and testing to assess deliverability and move the project towards commercialisation.
Significant positive and negative factors relevant to the estimate	Significant positive factors relevant to the estimate of the contingent resources include the successful well test at Amungee NW-1H which produced enough gas to surface to be of commercial interest; core and log data from Amungee NW-1H, Beetaloo W-1, Kalala S-1, Tanumbirini-1, McManus-1, Altree-2 and Walton-2 provide convincing evidence of a significant volume of moveable hydrocarbons; and the Marcellus Shale (Pa., USA) and Barnett Shale (Tx., USA) are analogous, commercially-productive fields that are similar to the Velkerri B Shale reservoir. Significant negative factors include the lifting of the Northern Territory moratorium on hydraulic fracture stimulation, the limited number of wells on the Company's acreage, lack of a developed service sector providing uncertainty regarding estimates of capital and operating costs, developing hydrocarbon regulations and environmental legislation and the requirement to obtain social acceptability for oil and gas operations.
Commerciality	Currently this project is based on a conceptual study. The economic status is undetermined at this time. The contingent resources will continue to be assessed as additional appraisal wells are drilled and tested in order to better evaluate the commercial potential of the play. After a sufficient number of wells have been drilled to demonstrate that the project is technically feasible and a development plan has been generated, economics can be run to determine commerciality of production.

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On **21 February 2018**, Falcon announced that Origin had presented a technical paper on the potential of the Kyalla formation in the Beetaloo Sub-basin at the Australia Exploration Geoscience Conference (AEGC) in Sydney. The key conclusions by Origin were the following:

- Reservoir and geomechanical analysis acquired at the Beetaloo W-1 well indicate the presence of two potential Source Rock Reservoir ("**SRR**") intervals; the middle Kyalla SRR and the lower Kyalla SRR.
- Geomechanical properties of the lower Kyalla SRR suggest it has the greater potential and could be conducive to successful hydraulic fracture stimulation.
- Development of the lower Kyalla SRR, if viable, could have significant cost advantages over that of the middle Velkerri SRR due to expected lower drilling costs.
- Mudgas and core analysis indicate the reservoir is likely to be wet gas which could also improve the economics considerably.
- There is also the possibility that a successful lower Kyalla SRR test could lead to a 'stacked' play development with the middle Velkerri SRR. Infrastructure sharing synergies, with a greater portion of centralised infrastructure, could result in significant cost savings and an optimised surface footprint.
- Further appraisal work is required to determine the deliverability of the identified Kyalla SRRs.

On **15 May 2018** Origin presented a technical paper, headlined - "Australia's premier shale basin: 5 plays 1,000,000,000 years in the making", at the Australian Petroleum Production and Exploration Association ("APPEA") Conference. The key findings are summarised as follows:

Origin identified four additional potential plays in the Beetaloo Sub-basin in addition to the existing and explored Velkerri shale dry gas play, namely;

- Velkerri shale liquids rich gas play,
- Kyalla shale and hybrid liquids rich gas plays, and
- Hayfield sandstone oil/condensate play.

The Velkerri shale dry gas remains the most materially and technically mature resource. Origin stated, "as such, the Beetaloo provides the JV with a diversified portfolio of material multi-TCF plays, each with the potential to redefine Australia's energy market."

<u>Velkerri shale liquids rich gas play</u>

- Located along the northern and south-eastern flanks of the Beetaloo Sub-basin.
- Indications that porosity and permeability are higher in these areas.
- Gas composition and maturity modelling indicate a possible condensate to gas ratio ("CGR") in the region of 5-40 bbl/MMscf.
- A horizontal fracture stimulated well is required to assess technical viability.

<u>Kyalla shale and hybrid lithology liquids rich gas play</u>

- Two related liquid rich gas play types have been identified for further appraisal:
  - shale play targets, and
  - hybrid play targets.
- Prospective areas are interpreted to be confined to the JV's permits.
- There is likely a cost advantage over the Velkerri shale dry gas play as it is shallower.
- Liquid yields could be in the range of 15-60 bbl/MMscf.
- Additional work is required to rank these plays for further appraisal.

<u>Hayfield sandstone oil/condensate play</u>

- Interpreted as a thin but regionally extensive sandstone confined to the north of the JV permits.
- Strong wet gas shows in the Amungee NW-1 and other regional wells suggest the presence of liquid hydrocarbons without significant formation water.
- The Hayfield Sandstone is a tight sandstone with a significant secondary porosity network (but low matrix permeability) and potentially the presence of open, uncemented, hydrocarbon filled natural fractures.
- Anticipated to have the highest liquid yields and lowest well costs that could contribute to improved economics of a stacked play development.
- Success will be dependent on the combination of system permeability and resource density.
- Would require a horizontal fracture stimulated well to assess the technical viability of the play.

Northern Territory Government Moratorium

In September 2016, the Northern Territory introduced a moratorium on hydraulic fracturing and a scientific inquiry into hydraulic fracturing was duly established. On **27 March 2018**, Falcon noted the publication of the Final Report by the scientific inquiry into hydraulic fracturing.

Justice Rachel Pepper noted in Community Update #31 that the overall conclusion was that risk is inherent for the onshore shale gas industry, however if all of the recommendations are implemented, the identified risks associated with any onshore shale gas industry can be mitigated or reduced to an acceptable level, and in some cases, the risks can be eliminated.

On **17 April 2018** Falcon welcomed the decision by the NT government to lift the moratorium on hydraulic fracturing. Resumption of field work with Origin to start as soon as practical, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme.

Current Activity

On **9 October 2019** Falcon announced the spudding of the Kyalla 117 N2-1 appraisal well in the Beetaloo Sub-Basin.

Highlights:

- Kyalla 117 N2-1 is the first well in the Stage 2 drilling programme to target the Kyalla shale liquids rich gas play.
- Located within Exploration Permit 117 approx. 32 kilometres north of the Beetaloo W-1 well.
- A vertical pilot hole will target a total vertical depth of approximately 1,750 metres into the Kyalla Formation.
- A subsequent horizontal section is planned for approximately 1,000 metres that will be drilled, completed, stimulated and production tested in the prospective Kyalla shale reservoir interval.
- Origin, as Operator, will drill the Kyalla 117 N2-1 well.

On **20 November 2019** Falcon announced that drilling of the vertical section of the Kyalla 117 N2-1 appraisal well in the Beetaloo Sub-Basin, Australia had been completed to a vertical TD of 1,895 metres.

Preliminary drilling data from the vertical section of the Kyalla 117 N2-1 appraisal well confirmed:

- The continuation of the regionally pervasive Kyalla Formation between the Beetaloo W-1 and Amungee NW-1H wells.
- Elevated gas show with relatively high constituents of natural gas propane, butane and pentane, respectively ("**C3, C4 and C5 components**") were observed across the carbonaceous shales.

Other work carried out as part of this drilling operation included:

- 45 metres of conventional coring was acquired in each of the Upper and Lower Kyalla reservoir sections.
- Sidewall cores and extensive wireline logging have been acquired.

On **10 December 2019** Falcon announced the commencement of the drilling of the horizontal section of the Kyalla 117 N2-1H appraisal well, along with the advancement of the vertical well evaluation. The following was noted;

- The JV elected to land the horizontal well within the Lower Kyalla shale, at a depth of ~1800m true vertical depth ("**TVD**").
- The horizontal section will be approximately 1,000-2,000 metres.
- On completion of drilling, the horizontal section will be fracture stimulated and production tested.

Evaluation of the Kyalla 117 N2-1 vertical well advances with the following noted:

- Three source rock reservoir ("**SRR"**) sections were identified within the Kyalla Shale Formation, characterised as the Lower, Middle and Upper Kyalla.
- The thickness of the entire Kyalla Shale Formation measured almost 900 metres.
- Gross thickness of each SRR interval is between 75 and 125 metres.
- Each SRR exhibited elevated gas shows with relatively high C_3, C_4 and C_5 components.
- Diagnostic fracture injection tests ("**DFITs"**) were performed on each SRR.

The analysis of conventional cores acquired in each of the Upper and Lower Kyalla reservoir sections, along with sidewall cores, DFITs and extensive wireline logging, enables a full-scale evaluation of prospectivity of the Kyalla Formation in the central part of the Beetaloo Sub-Basin.

On **13 January 2020** Falcon provided an operational update on the drilling of the Kyalla 117 N2-1H well in the Beetaloo Sub-Basin, Australia and noted the below.

The vertical section of the Kyalla 117 well was successfully and safely completed in late November 2019. Drilling of the horizontal production hole section with a target length of 1,000 to 2,000 metres, commenced in early December. However, after reaching a horizontal length of 700 metres, operational challenges were experienced in maintaining adequate clean hole conditions and stability over portions of the horizontal production hole section appropriate to complete operations.

The initial horizontal production hole section would be plugged, in line with regulatory requirements with subsequent sidetracking and drilling a new horizontal production hole section. Plugging back and drilling a new horizontal section from an existing vertical well is not uncommon in an exploration drilling program such as this.

With the drilling rig and equipment on-site and in position, it was estimated that drilling operations would recommence on the new horizontal well section within a month. It was further noted that fracture stimulation activity would only occur after the successful completion of drilling and the integrity of the well is tested and verified.

Results obtained from operations in the target shale formation demonstrated good reservoir continuity, conductive natural fractures, and continuous gas shows. The JV remain positive about the potential of the Lower Kyalla Formation, resulting in the decision to continue with drilling operations.

On **30 January 2020** Falcon announced the commencement of the sidetrack to drill the new horizontal production hole section of the Kyalla 117 N2-1H ST2 well. This new horizontal section would again target a lateral length of 1,000 to 2,000 metres within the Lower Kyalla shale, at a depth of ~1,800mTVD.

On **20 February 2020** Falcon announced that drilling operations, including casing and cementing, of the Kyalla 117 N2-1H ST2 well were successfully completed. The well was drilled to a total measured depth of 3,809 metres, including a 1,579 metre lateral section (from 90 degrees) in the Lower Kyalla Formation. Preparatory work, including the drilling of water impact monitoring bores - a new requirement of the Code of Practice for onshore petroleum activities in the NT - would commence in the following month ahead of the next stage of operations. The JV would continue its in-depth shale evaluation program of all the technical data gathered from the conventional cores, sidewall cores, DFITs and extensive wireline logging, to build an understanding of the prospectivity of the Kyalla Formation.

On **26 March 2020,** Falcon provided the following operational update on the Beetaloo project in the Northern Territory, Australia in light of COVID-19.

Following the successful completion of drilling operations, including cementing and casing of the horizontal well section of the Kyalla 117 N2-1H ST2 well (the "**Kyalla Well**"), the JV has completed the installation of water monitoring bores and preparatory work has continued towards the next phase of operations, which will include the fracture stimulation of the Kyalla Well.

Given the unprecedented circumstances brought about by COVID-19, the JV has made changes to its operations to protect the health and well-being of Origin employees, contractors and communities across the Northern Territory. Adhering to the latest guidelines and advice from the Northern Territory and Federal Government on health and safety and social distancing are of the utmost importance to the JV and all present on site are observing health authority requirements.

Following the implementation of the necessary control procedures, the JV elected to temporarily pause activities at the Kyalla Well site, reducing those on site to essential personnel only, whilst ensuring the required regulatory and environmental management conditions to monitor and maintain the site can be met. The JV plans to resume activities in the latter half of 2020 and during this interim period the JV will use Northern Territory based employees and contractors to undertake civil and other works in preparation for the resumption of activities.

The JV remains committed to the Beetaloo project which, if successful, has the potential to deliver long-term economic and social benefits for the Northern Territory, Australia and is encouraged by the positive results to date. However, the circumstances presented by COVID-19 have led the JV to conclude that the focus at this time must be to protect the people and communities of the Northern Territory.

On **7 April 2020** Falcon announced that Falcon Australia had executed an agreement which included a restated Farm-Out Agreement and Joint Operating Agreement (collectively "the 2020 Agreements") with Origin to farm down 7.5% of Falcon Australia's 30% PI in the Exploration Permits. Falcon and Origin are obligated to seek the Northern Territory government and TSXV stock exchange approvals, in respect of the 2020 Agreements.

Transaction details

- With the necessary approvals, the PI of the respective JV partners will be:
    - Falcon Australia 22.5%
    - Origin 77.5%
- In consideration of Falcon Australia transferring 7.5% of its PI, Origin increases 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 2020 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 (the "**Overall Cost Cap**"),
- This Overall Cost Cap will be applied to the completion of the Stage 2 and Stage 3 work programmes.
- Amounts of the Overall Cost Cap not utilised during Stage 2 and Stage 3 will be applied to future work programmes.
- Expenditure above the Overall Cost Cap will be borne by the JV partners in proportion to their PI.
- Origin will assume 25% of the cost of Falcon Australia's remaining call option to reduce the overriding royalties with the TOG Group. The cost to Falcon Australia, should it wish to exercise the call option, will reduce from $7.5 million to $5.625 million, in line with its reduced PI.

Operational Update

Drilling operations on the Kyalla Well were successfully completed in February 2020, reaching a total measured depth of 3,809 metres, including a 1,579-metre lateral section (from 90 degrees) in the Lower Kyalla Formation. Water impact monitoring bore drilling was completed in March and final preparatory work continues ahead of the next stage of operations. On 26 March, in response to the COVID-19 pandemic, Origin confirmed forward operations in the Beetaloo had been temporarily paused. As a result, Origin expects a delay to the Kyalla Well stimulation and extended production test of at least 3 months to now occur in H2 2020, and the drilling of the Velkerri Flank well in H1 2021.

On **7 July 2020** Falcon Australia agreed to a further extension of the call option up to and including 30 April 2022, to acquire it's 22.5% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Additional Extension from the Northern Territory government Falcon Australia will pay $150,000 to the TOG Group for granting the Additional Extension, with the cost of exercising the call option increasing from $5.625 million to $6 million.

On **20 August 2020** Falcon provided an operational update on the Beetaloo project in the Northern Territory, Australia. It noted that Kyalla Well results obtained demonstrated good reservoir continuity, conductive natural fractures and continuous gas shows.

Following the pause of operations in the Beetaloo Sub-Basin in response to the COVID-19 pandemic, the Ensign rig was secured and maintained locally, and by mid-May all personnel had left the Kyalla Well site.

Subject to COVID-19 related conditions, fracture stimulation of Kyalla Well is expected to commence in Q3/Q4 2020 with extended production testing of the well to follow. Initial results from the production test are expected during Q4 2020 with final results expected by the end of Q1 2021. These results will inform the decision to either further evaluate this liquids-rich gas play or commence activities in the Velkerri liquids-rich gas play.

Construction of the Velkerri 76 well lease pad was completed in early December 2019 and environmental approval to drill and fracture stimulate the Velkerri Flank well was granted in late December 2019.

Karoo Basin, South Africa

Overview
The Company holds a TCP covering an area of approximately 7.5 million acres (~ 30,327 km^2), in the southwest Karoo Basin, South Africa. The TCP granted Falcon exclusive rights to apply for an exploration right over the underlying acreage, which they duly did in August 2010, submitting an application to the Petroleum Agency of South Africa ("**PASA**"). The Company also submitted an environmental management plan in January 2011 which was updated at the request of the PASA and submitted on 27 February 2015.

Technical Regulations
On 3 June 2015, the Minister of Mineral Resources (the "**Minister**") published the Regulations for Petroleum Exploration and Production, which prescribe various technical and environmental standards for onshore hydraulic fracturing. The promulgation of the regulations means exploration companies can conduct hydraulic fracturing if all necessary statutory approvals are in place.

However, on 18 October 2017, the Eastern Cape High Court held that the Minister lacked the authority to promulgate the Regulations for Petroleum Exploration and Production. The Minister indicated they would review the outcome of the High Court ruling and would decide on how to proceed. He also signaled South Africa remained committed to a shale gas industry and licenses could be issued in 2019. On 4 July 2019, the Supreme Court of Appeal upheld the decision of the High Court principally because the Minister of Mineral Resources was not authorised to make the regulations. The provision of the MPRDA on which the Minister relied to make the regulations had been repealed in 2013 and therefore no longer existed.

Fiscal Terms
In September 2018, the MPRDA Bill, the long-delayed draft legislation for the mining and petroleum industries was withdrawn. There are now plans to come up with separate laws to govern the two sectors. The MPRDA Bill touched on several contentious issues such as requirements for local processing of minerals and free-carry provisions on oil discoveries.

Corporation tax in South Africa is imposed at a rate of 28% of taxable income. Dividends tax is imposed on the shareholder at a rate of 20%, but it may be reduced in terms of a Double Tax Agreement (if applicable) and is 0% in respect of dividends paid by an oil and gas company out of amounts attributable to its oil and gas income. The 20% rate is effective from 22 February 2017.

The South African Government is entitled to a royalty on the sale of mineral resources of up to 7% of gross sales for unrefined resources and 5% of gross sales for refined resources, such as oil and gas.

Discoveries and Prospectivity
The overall Karoo Basin is approximately 173 million acres (~ 700,000 km^2), located in central and southern South Africa, containing thick, organic rich shales such as the Permian Whitehill formation. The Karoo describes a geological period lasting some 120 million years, covering the late Paleozoic to early Mesozoic interval periods. Rocks were deposited in a large regional basin, resulting in the build-up of extensive deposits. Until recently, the Karoo Basin was not considered prospective for commercial hydrocarbons resulting, however in an independent report dated June 2013, the U.S. Energy Information Administration ("**EIA**") estimated there are 390 trillion cubic feet ("**Tcf**") of technically recoverable resources, ranking it fifth in the world after China, USA, Argentina and Mexico for shale gas potential. The Permian Ecca group contains three potential shales identified as having potential for shale gas, with the Whitehall Formation, in particular, considered ubiquitous, having a high organic content and deemed thermally mature for gas.

Current activity
The Board awaits the new legislation for the petroleum industry following the withdrawal of the MPRDA Bill in 2018 and the Board now estimates that awarding of an exploration right over the acreage could occur in 2021.

Makó Trough, Hungary

Overview

Falcon has been active in the Makó Trough since 2005 when it acquired two exploration licences, the Makó and the Tisza exploration licences. In 2007, Falcon's subsidiary, TXM, was awarded the 35-year Makó Production Licence which covers some of the acreage originally covered by the Makó and the Tisza exploration licences.

Makó Production Licence

The Makó Production Licence was granted by the Hungarian Mining Authority over a gas exploration project in the Makó Trough, covering approximately 245,775 acres (~ 1,000 km^2), located in south-eastern Hungary. It is located approximately ten kilometres to the east of the largest producing field in Hungary, the Algyő field, owned and operated by the MOL Group. The area is transected by existing gas pipelines and infrastructure, including a 12 kilometre gas pipeline built by Falcon, offering transport and potential access to local markets and larger distribution centres for international markets.

Under the terms of the licence, the Group is obliged to pay a 2% royalty to the Hungarian Government on any unconventional production and has a further 5% royalty payable to Prospect Resources Inc., the previous owners of the acreage.

From 1 January 2017, corporate income tax is a single rate of 9%, which is applicable to all levels of net income. There is also a profit based energy industry tax of 31% levied on energy supplying companies with deductions allowable for certain capital expenditures. TXM is the operator and there are no outstanding work commitments on the Makó Production Licence.

Discoveries and Prospectivity

The Makó Trough contains two plays:

- the shallower Algyő Play at depths between 2,300 metres and 3,500 metres; and
- a deeper unconventional play targeting significant contingent resources in the Deep Makó Trough.

The Algyő Play

The Algyő Play is a relatively shallow play between 2,300 and 3,500 metres deep. While wells have been drilled through the Algyő Play and encountered gas shows, none tested the shallow play at an optimal location, as they targeted the Deep Makó Trough. Multiple Algyő prospects have been identified by the Group through extensive amplitude versus offset analysis, and 3D seismic data showed the presence of possible gas zones above the Szolnok formation (part of the Deep Makó Trough).

In January 2013, Falcon agreed to a three-well drilling exploration programme with Naftna industrija Srbije jsc ("**NIS**"), a company 56% owned by Gazprom Group, to target the Algyő Play, with NIS making a cash payment of $1.5 million to Falcon.

Only two of the three wells were drilled. Kútvölgy-1 reached TD of 3,305 metres, with the well penetrating an alternating sequence of sandstones, siltstones and shales over a gross interval of 320 metres to TD, with gas shows throughout, however well production did not meet commercial rates and the well was plugged and abandoned.

Well testing on Besa-D-1, the second well, was completed in November 2014. The testing of two sand intervals, both part of the tight turbiditic sequence in the lower Algyő Formation, indicated well production did not meet commercial rates and the well was plugged and abandoned. In December 2015, Falcon signed a termination agreement with NIS, with NIS paying $3.7 million to Falcon in fulfilment of its contractual obligations. Falcon retains a 100% interest in the Algyő Play.

The Deep Makó Trough

This is a deeper unconventional play targeting gas, and to a lesser extent oil, in the low permeability and low porosity rocks in the deeper horizons of the basin.

Between 2005 and 2007, Falcon acquired 1,100 km^2 of 3D seismic data and executed a six-well drilling programme on the Deep Makó Trough. Each of the six wells encountered thick sequences of hydrocarbon bearing rocks, and tests flowed hydrocarbons from each tested horizon. Several wells flowed gas on test and one well, Magyarcsanád-1, tested light oil. The Makó-7 results demonstrated the presence of a very large column of hydrocarbons in the well-bore.

Current activity
Falcon continues to review its operations in Hungary, evaluating all options available to the Group to deliver shareholder value. The Group maintains its 100% interest in the Máko Trough.

Alberta, Canada

For the period ended 30 June 2020, Falcon earned $2,000 (2019: $3,000) in revenue from its Alberta, non-operating working interests (the "**Hackett Interest**"). Falcon's Alberta interests are in three producing and one shut-in, natural gas wells. Falcon does not anticipate further exploration or development of these wells, nor are further material revenue and costs expected.

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RESULTS OF OPERATIONS

This review of the results of operations should be read in conjunction with the unaudited unreviewed interim condensed consolidated financial statements for the three and six months ended 30 June 2020 and 2019 and, the audited consolidated financial statements for the year ended 31 December 2019 and 2018.

Management's Discussion and Analysis of financial condition and results of operations for the three months ended 30 June 2020 as compared to the three months ended 30 June 2019.

The Company reported a net income of $0.2 million for the three months ended 30 June 2020 as compared to a net income of $0.1 million for the three months ended 30 June 2019. Changes between 2020 and 2019 were as follows:

	Three months ended 30 June 2020 $'000	2019 $'000	Changes $'000	%
Revenue				
Oil and natural gas revenue	**1**	1	-	0%
	1	1	-	0%
Expenses				
Exploration and evaluation expenses	**(35)**	(108)	73	-68%
Production and operating expenses	**(3)**	(3)	-	0%
General and administrative expenses	**(597)**	(443)	(154)	35%
Foreign exchange gain	**17**	24	(7)	-29%
	(618)	(530)	(88)	17%
Results from operating activities	**(617)**	(529)	(88)	17%
Fair value gain – outstanding warrant	**-**	570	(570)	-100%
Finance income				
Interest income on bank deposits	**1**	35	(34)	-97%
Accretion of decommission provisions	**(58)**	(56)	(2)	4%
Net foreign exchange gain	**873**	109	764	701%
	816	88	728	827%
Income and comprehensive income	**199**	129	70	54%

Income and comprehensive income attributable to:				
Equity holders of the company	**183**	127	56	44%
Non-controlling interest	**16**	2	14	700%
Income and comprehensive income	**199**	129	70	54%

Oil and natural gas revenue
Oil and natural gas revenue of $1,000 (2019: $1,000) consists of the sale of natural gas from the Hackett Interest in Alberta, Canada. The Company has not yet realised significant revenue from its planned operations elsewhere.

Exploration and evaluation expenses

	Three months ended 30 June		Change	
	2020	2019		
	$'000	$'000	$'000	%
Consulting, legal and other associated costs	**(8)**	(50)	42	-84%
Well related costs	**(27)**	(58)	31	-53%
	(35)	(108)	73	-68%

Exploration and evaluation expenses relate to maintenance and landowner costs in maintaining and safeguarding the Company's Hungarian wells along with exploration costs associated with the Company's TCP in South Africa. Costs have decreased period on period, in 2019 maintenance work was undertaken on the Hungarian wells and there were legal fees incurred relating to South African, there were no similar fees in 2020.

General and administrative expenses

	Three months ended 30 June		Change	
	2020	2019		
	$'000	$'000	$'000	%
Accounting and audit fees	**(35)**	**(29)**	(6)	21%
Consulting fees	**(7)**	**(12)**	5	-42%
Legal fees	**(4)**	**20**	(24)	-120%
Investor relations	**(33)**	**(67)**	34	-51%
Office and administrative costs	**(53)**	**(53)**	-	0%
Payroll and related costs	**(414)**	**(208)**	(206)	99%
Directors' fees	**(50)**	**(50)**	-	0%
Travel and promotion	**(1)**	**(44)**	43	-98%
	(597)	**(443)**	(154)	35%

General and administrative expenses increased to $0.6 million in 2020 from $0.44 million in 2019. Changes include the following:

- Accounting and audit fees: Costs have increased marginally period on period due to foreign exchange fluctuations, management continues its on-going attention to cost containment.
- Consulting and legal fees: The overall increase is due to a once off reclassification in 2019 that resulted in a credit balance to the account.
- Investor relations: One of the main focuses of the Group's management is to actively engage with its shareholders and investors. The decrease for the three months ended 30 June 2020 in comparison with same period in 2019 relates to the appointment of Cenkos as NOMAD and sole broker to Falcon, thus reducing costs
- Office and administrative expenses have remained constant period on period due to managements on going attention to cost containment.
- Travel and promotion reduced period on period due to travel restrictions imposed by COVID-19.

Foreign exchange gain
The foreign exchange gain recorded in operating expenses for the three months ended 30 June 2020 is attributed to favourable movements to the US Dollar since 30 March 2020. There were similar favourable movements to the US Dollar in the same three-month period in 2019.

Fair value gain – outstanding warrant
There is no fair value gain or loss for the three months ended 30 June 2020, the warrant was not exercised and expired in January 2020 with a realised gain recognised at 31 March 2020. The primary factor associated with the June 2019 fair value gain was Falcon's share price (as quoted on the TSX-V), which decreased from CDN30.5 cents at 31 March 2019 to CDN21.5 cents at 30 June 2019, resulting in a gain period on period.

Finance income
The overall movement in finance income period on period relates to foreign exchange gains and favourable movements to the US Dollar for the three months period to 30 June 2020.

Gain attributable to non-controlling interest
The amounts reflected in 2020 and 2019 represent Falcon Australia's gain attributable to shareholders other than Falcon.

Cash flow

	Three months ended 30 June	
	2020	2019
	$'000	$'000
Net cash used in operating activities	**(522)**	**(373)**
Net cash generated from financing activities	**-**	**8,433**
Net cash (used in) / generated from investing activities	**(11)**	**24**
Change in cash and cash equivalents	**(533)**	**8,084**
Effect of exchange rates on cash & cash equivalents	**808**	**(57)**
Cash and cash equivalents at beginning of period	**11,540**	**6,438**
Cash and cash equivalents at end of period	**11,815**	**14,465**

Cash and cash equivalents have decreased by $2.7 million to $11.8 million in 2020 from $14.5 million in 2019. The main changes quarter on quarter were as follows:

- Net cash used in operating activities: The increase is due to the timing of payments and operational costs including payroll costs in 2020.
- Net cash generated from financing activities: 2019 total relates to the raising of equity in the period, there was no similar activity in 2020.
- Net cash (used in) / generated from investing activities: 2019 movement solely relates to interest received on cash on deposit in the period while 2020 net cash used relates to costs associated with the exploration and evaluation asset.

RESULTS OF OPERATIONS

This review of the results of operations should be read in conjunction with the unaudited unreviewed interim condensed consolidated financial statements for the three and six months ended 30 June 2020 and 2019 and, the audited consolidated financial statements for the year ended 31 December 2019 and 2018.

Management's Discussion and Analysis of financial condition and results of operations for the six months ended 30 June 2020 as compared to the six months ended 30 June 2019.

The Company reported a net loss of $1.2 million for the six months ended 30 June 2020 as compared to a net loss of $0.9 million for the six months ended 30 June 2019. Changes between 2020 and 2019 were as follows:

	Six months ended 30 June		**Changes**	
	2020	**2019**		
	$'000	**$'000**	**$'000**	**%**
Revenue				
Oil and natural gas revenue	**2**	3	(1)	-33%
	2	3	(1)	-33%
Expenses				
Exploration and evaluation expenses	**(73)**	(149)	76	-51%
Production and operating expenses	**(5)**	(6)	1	-17%
General and administrative expenses	**(1,000)**	(902)	(98)	11%
Share based compensation	**-**	(12)	12	-100%
Foreign exchange loss	**(11)**	(27)	16	-59%
	(1,089)	(1,096)	7	-1%
Results from operating activities	**(1,087)**	(1,093)	6	-1%
Fair value gain – outstanding warrant	**110**	103	7	7%
Finance (expense) / income				
Interest income on bank deposits	**15**	70	(55)	-79%
Accretion of decommission provisions	**(116)**	(113)	-3	3%
Net foreign exchange (loss) / gain	**(163)**	117	(280)	-239%
	(264)	74	(338)	-457%
Loss and comprehensive loss	**(1,241)**	(916)	(325)	35%

Loss and comprehensive loss attributable to:

Equity holders of the company	**(1,238)**	(917)	(321)	35%
Non-controlling interest	**(3)**	1	(4)	-400%
Loss and comprehensive loss	**(1,241)**	(916)	(325)	35%

Oil and natural gas revenue
Oil and natural gas revenue of $2,000 (2019: $3,000) consists of the sale of natural gas from the Hackett Interest in Alberta, Canada. The Company has not yet realised significant revenue from its planned operations elsewhere.

Exploration and evaluation expenses

	Six months ended 30 June		Change	
	2020	**2019**		
	$'000	**$'000**	**$'000**	**%**
Consulting, legal and other associated costs	**(16)**	(59)	43	-73%
Well related costs	**(57)**	(90)	33	-37%
	(73)	(149)	76	-51%

Exploration and evaluation expenses relate to maintenance and landowner costs in maintaining and safeguarding the Company's Hungarian wells along with exploration costs associated with the Company's TCP in South Africa. Costs have decreased period on period, in 2019 maintenance work was undertaken on the Hungarian wells and there were legal fees incurred relating to South African, there were no similar fees in 2020.

General and administrative expenses

	Six months ended 30 June		Change	
	2020	**2019**		
	$'000	**$'000**	**$'000**	**%**
Accounting and audit fees	**(63)**	(60)	(3)	5%
Consulting fees	**(20)**	(23)	3	-13%
Legal fees	**(11)**	(7)	(4)	57%
Investor relations	**(67)**	(132)	65	-49%
Office and administrative costs	**(106)**	(113)	7	-6%
Payroll and related costs	**(630)**	(409)	(221)	54%
Directors' fees	**(100)**	(101)	1	-1%
Travel and promotion	**(3)**	(57)	54	-95%
	(1,000)	(902)	(98)	11%

General and administrative expenses increased to $1 million in 2020 from $0.9 million in 2019. Changes include the following:

- Accounting and audit fees: Costs have increased marginally period on period due to foreign exchange fluctuations, management continues its on-going attention to cost containment.
- Consulting and legal fees: The overall decrease is due management's on-going attention to cost containment.
- Investor relations: One of the main focuses of the Group's management is to actively engage with its shareholders and investors. The decrease for the six months ended 30 June 2020 in comparison with same period in 2019 relates to Cenkos's appointment as NOMAD and sole broker.
- Office and administrative expenses have decreased in the period due to a reduction in filing fees with the relevant stock exchanges and reduced office and administrative costs in Hungary.
- Travel and promotion reduced period on period due to travel restrictions imposed by COVID-19. Certain levels of travel and promotion costs are due to the international geography of the Group's assets and investor base.

Share based compensation
There was no share based compensation expense incurred in the six months ended 30 June 2020 compared to the same six months in 2019. The charge for 2019 relates to the granting of 6 million options in February 2017, one third of which vested immediately with an additional one third vesting on each subsequent anniversary until they are fully vested in February 2019. There have been no stock options grants since 2017.

Foreign exchange loss / (gain)
The foreign exchange loss recorded in operating expenses for the six months ended 30 June 2020 and the same period in 2019 is attributed to unfavourable movements to the US Dollar since 31 December 2019. There were also unfavourable movements in the six-month period from 31 December 2018 to 30 June 2019.

Fair value gain – outstanding warrant
There is a fair value gain for the six months ended 30 June 2020, the warrant was not exercised and expired in January 2020 and hence the realised gain recognised at 30 June 2020. The primary factor associated with the June 2019 fair value loss was Falcon's share price (as quoted on the TSX-V), which decreased from CDN22.0 cents at 31 December 2018 to CDN21.5 cents at 30 June 2019, resulting in the recorded fair value gain for the six-month period to 30 June 2019.

Finance (expense) / income
The 2020 expense for the six months ended 30 June 2020 is attributable to foreign exchange losses due to unfavourable movements to the US dollar coupled with decreased interest income for the period relative to the same period in 2019 where there were favourable movements to the US Dollar.

(Loss) / gain attributable to non-controlling interest
The amounts reflected in 2020 represent Falcon Australia's loss attributable to shareholders other than Falcon whereas in 2019 there was a gain.

Cash flow

	Six months ended 30 June	
	2020	2019
	$'000	$'000
Net cash used in operating activities	**(993)**	(943)
Net cash generated from financing activities	**-**	8,433
Net cash (used in) / generated from investing activities	**(33)**	56
Change in cash and cash equivalents	**(1,026)**	7,546
Effect of exchange rates on cash & cash equivalents	**(225)**	(48)
Cash and cash equivalents at beginning of period	**13,066**	6,967
Cash and cash equivalents at end of period	**11,815**	14,465

Cash and cash equivalents have decreased by $2.6 million to $11.8 million in 2020 from $14.5 million in 2019. The main changes period on period were as follows:

- Net cash used in operating activities: The increase is due to the timing of payments and operational costs for certain activities including payroll costs in 2020.
- Net cash generated from financing activities: 2019 total relates to the raising of equity in the period (further details included on page 29), while there was no corresponding activity in 2020.
- Net cash (used in) / generated from investing activities: 2019 movement relates solely to interest received in the period while 2020 relates to interest income netted against costs related to the exploration and evaluation asset.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of the eight most recently completed quarters:

(In thousands of $ unless otherwise stated)

As of:	**30 September 2019**	**31 December 2019**	**31 March 2020**	**30 June 2020**
Total assets	55,742	55,725	54,157	54,460
Exploration and evaluation assets	40,220	40,246	40,282	40,294
Working capital	12,503	12,415	11,060	11,264
Total shareholders' equity	43,966	43,902	42,481	42,664

For the three months ended:	**30 September 2019**	**31 December 2019**	**31 March 2020**	**30 June 2020**
Revenue	1	1	1	1
(Loss) / income	(764)	(59)	(1,440)	199
(Loss) / income attributable to common shareholders	(758)	(64)	(1,421)	183
(Loss) / income per share-basic and diluted (cent)	(0.001)	(0.000)	(0.001)	0.001

As of:	**30 September 2018**	**31 December 2018**	**31 March 2019**	**30 June 2019**
Total assets	49,704	49,099	48,634	56,626
Exploration and evaluation assets	39,706	39,705	39,707	39,719
Working capital	6,008	5,966	5,035	13,610
Total shareholders' equity	37,313	37,196	36,164	44,724

For the three months ended:	**30 September 2018**	**31 December 2018**	**31 March 2019**	**30 June 2019**
Revenue	-	12	2	1
Loss	(94)	(139)	(1,045)	129
Loss attributable to common shareholders	(94)	(139)	(1,044)	127
Loss per share-basic and diluted (cent)	(0.000)	(0.000)	(0.001)	0.000

The Group is an exploration company with limited revenue which is not material. The Group's loss and loss per share relate to the Group's operations during a particular period and are not seasonal in nature.

Quarter 3 - 4 2018: Exploration and evaluation ("**E&E**") expenses continued to decrease period on period due to the continued focus on managing costs by the Group.

General and administrative ("**G&A**") expenses increased due to higher filing fees due to the improved market capitalisation of the Group throughout 2017 driven by the positive news relating to the Group's Australian E&E asset, further increases related to investor related expenses with the appointment of RBC Capital Markets as joint broker.

There was a decrease in the share based compensation expense relative to 2017 due to the vesting schedule of the stock options granted in previous years. There were no grants of stock options during 2018.

There were fair value gains on the outstanding warrants for Q2, Q3 and Q4 of $283k, $414k and $443k respectively, due to movement in the share price during the year.

Quarter 1 2019

E&E expenses remained consistent period on period due to the continued focus on managing costs by the Group.

G&A expenses decreased due to reduced payroll costs for the period relative to the same three months of 2018. This decrease was offset by increased investor related expenses with the appointment of Cenkos as joint broker in the latter part of 2018, along with increased legal fees.

Share-based compensation expenses decreased relative to 2018, due to the vesting schedule of the stock options granted in previous years.

There was a fair value loss on the outstanding warrants due to favourable movement in the share price during the period.

Quarter 2 2019

E&E expenses increased due to maintenance work undertaken on the Hungarian wells and South African legal expenses.

There were foreign exchange gains due to favourable movements against the US Dollar.

The Group incurred a fair value gain on the outstanding warrants due to a decrease in the share price during the three-month period.

Quarter 3 2019

There were foreign exchange losses due to unfavourable movements against the US Dollar.

Unfavourable movements in the share price during the period led to a fair value gain on the outstanding warrants.

Quarter 4 2019

The main movements in quarter 4 2019 relative to the same period in 2018 related to foreign exchange, which saw gains due to favourable movements against the US dollar in the period. Other movements related to a gain on warrants, due to a reduction in the share price for the period.

Quarter 1 2020

G&A expenses decreased due to reduced investor relation expenses given Cenkos is now Falcon's sole broker and NOMAD and there was reduced travel costs resulting from restrictions imposed by COVID-19.

There was a fair value gain on the warrant given it was not exercised and expired in January 2020.

There were foreign exchange losses due to unfavourable movements against the US Dollar.

Quarter 2 2020

E&E assets decreased relative to the same period in 2019 due to once off maintenance costs related to Hungary and legal costs associated with South Africa, there were no similar costs in 2020.

G&A expenses increased in the period due to payroll related cost increases.

There were foreign exchange gains in the quarter due to favourable movements against the US Dollar.

For further details of 2020 updates please refer to the Beetaloo Sub-basin, Northern Territory, section of this document.

Generally, the Group's total assets, exploration and evaluation costs, working capital and total shareholders' equity fluctuate in proportion to one another unless the Group completes financing. On 17 May 2019 the Company completed a Placing and raised gross proceeds of c. £7 million (c.$9 million) as detailed on page 29.

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LIQUIDITY AND CAPITAL RESOURCES

Going Concern

For the year ended 31 December 2019, the Group incurred losses of $1.7 million, had operating cash outflows of $2.0 million, financing cash inflows of $8.4 million and a retained deficit of $393.3 million. For the six months ended 30 June 2020, the Group incurred losses of $1.2 million, had operating cash outflows of $1 million and had a retained deficit of $394.6 million.

As at 30 June 2020 the Group had cash and cash on equivalents of $11.8 million.

Having given due consideration to the cash requirements of the Group, 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 issue of the interim condensed consolidated financial statements for the three and six months ended 30 June 2020 and 2019. As noted on 26 March 2020 given the unprecedented circumstances brought about by COVID-19 the joint venture decided to temporarily pause activities to the latter half of 2020, which resulted in reduced project costs for a number of months. Furthermore, on 7 April 2020 it was announced that Falcon Australia had agreed to farm down 7.5% of its participating interest in the Exploration Permits, following the transaction, Falcon Australia holds a 22.5% participating interest. In consideration for the farm down Origin agreed to increase the gross cost cap of the work program by A$150.5 million. The previous farm-in arrangement included a Stage 2 gross cost cap of A$65.3 million and a Stage 3 gross cost cap of A$48 million, or A$113.3 million in total. Under the Agreements, the Stage 2 and Stage 3 gross cost caps will be combined and increased by A$150.5 million to A$263.8 million. Northern Territory government approval remains outstanding; however, management expects this will be received in due course. On 20 August 2020 it was announced that subject to COVID-19 related conditions, fracture stimulation of Kyalla 117 is expected to commence in Q3/Q4 2020 with extended production testing of the well to follow. Initial results from the production test are expected during Q4 2020 with final results expected by the end of Q1 2021. These results will inform the decision to either further evaluate this liquids-rich gas play or commence activities in the Velkerri liquids-rich gas play. For these reasons, the Board continues to adopt the going concern basis in preparing this financial information which assumes the Group will be able to meet its liabilities as they fall due for at least twelve months from the date of this document.

Working Capital

Cash and cash on equivalents as at 30 June 2020 was $11.8 million, with movement of $1.2 million from $13 million as at 31 December 2019. Working capital as at 30 June 2020 decreased to $11.3 million from working capital of $12.4 million as at 31 December 2019.

The decrease to cash and cash equivalents was predominately the result of cash used in operating activities of $1 million.

Accounts Receivable

Current accounts receivable as at 30 June 2020 were $0.1 million, which includes $0.05 million receivable and prepayments of $0.05 million.

Accounts Payables and Accrued Expenses

Accounts payable and accrued expenses as at 30 June 2020 were $0.6 million which includes $0.1 million for accounts payable and $0.6 million accrued expenditures.

Capital Expenditures

For the period ended 30 June 2020 the following expenditure commitments exist.

Australia - Beetaloo Sub-Basin, Northern Territory, Australia

The Group planned a 9 well drilling programme which commenced in 2015 with its farm-out partners. The details were as follows:

- Farminees to pay the full cost of completing the first five wells estimated at A$64 million, funding any cost overruns.

- Farminees 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.
- Farminees 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 would need to be financed by the Group in accordance with their participating interest.

Originally the Group indicated that it expected the work on the first five wells to be completed in 2016, the next two horizontally fracture stimulated wells to be undertaken in 2017 and the final two horizontally fracture stimulated wells to be undertaken in 2018. The introduction of a moratorium on hydraulic fracturing 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 are included on pages 13 to 15.

Drilling in Stage 2 of the work programme commenced in October 2019, with drilling of the Kyalla 117 N2-1H ST2 horizontal well completed in February 2020. On 26 March 2020 it was announced that given the unprecedented circumstances brought about by COVID-19 that the joint venture would temporarily pause activities with plans to resume in the latter half of 2020.

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.

On 20 August 2020 Falcon announced that subject to COVID-19 related conditions, fracture stimulation of Kyalla 117 is expected to commence in Q3/Q4 2020 with extended production testing of the well to follow. Initial results from the production test are expected during Q4 2020 with final results expected by the end of Q1 2021. These results will inform the decision to either further evaluate this liquids-rich gas play or commence activities in the Velkerri liquids-rich gas play.

Construction of the Velkerri 76 well lease pad was completed in early December 2019 and environmental approval to drill and fracture stimulate the Velkerri Flank well was granted in late December 2019.

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

As at 30 June 2020, the Group's cumulative expenditures for the Production License and Exploration Licenses, including the acquisition, seismic testing, drilling of exploratory wells, and initial testing and completion of wells, was approximately $245 million.

The Group is not planning any independent technical operations in Hungary, and as such no material capital expenditures are expected.

Debt and Equity Capital

The availability of debt and equity capital, and the price at which additional capital could be issued will be dependent upon the success of the Group's exploration activities, and upon the state of the capital markets generally.

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 work programme in the Beetaloo Sub-basin, Australia.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share data as at 30 June 2020 and 27 August 2020:

Class of securities	30 June 2020	27 August 2020
Common shares	981,847,425	981,847,425
Stock options	35,333,334	35,333,334
Fully diluted common shares	1,017,180,759	1,017,180,759

LEGAL MATTERS

The Company may, from time to time, be involved in various claims, lawsuits, disputes with third parties, or breach of contract incidental to the operations of its business. The Company is not currently involved in any claims, disputes, litigation or other actions with third parties which it believes could have a material adverse effect on its financial condition or results of operations.

TRANSACTION WITH NON - ARMS LENGTH PARTIES AND RELATED PARTY TRANSACTIONS

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

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 $15,725 for the period ended 30 June 2020 (2019: $17,930).

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company does not have any off-balance sheet arrangements, other than an office lease which is deemed immaterial and payments with regards overriding royalties as disclosed within section "Overriding Royalty Beetaloo Sub-basin exploration permits" on page 7. The Company has no proposed transactions.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Derivative financial instruments

Derivatives (including embedded derivatives) are initially recognized at fair value of the date a derivative contract is entered into and subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any derivatives as hedges as at 30 June 2020 or 31 December 2019. The Group's sole financial instrument is a warrant. The Group has not entered into any contract for "other instruments" during 2020. The Group has no "other instruments" as at 30 June 2020 or 31 December 2019.

Warrants

Warrants which do not meet the criteria to be classified as an equity instrument are classified at fair value through the statement of operations and comprehensive loss and are recorded on the statement of financial position at fair value. Transaction costs are recognized in the statement of operations and comprehensive loss as incurred.

The fair value of the warrant and the incentive stock options granted to employees is calculated using a Black Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behavior), expected dividends, and the risk-free interest rate (based on government bonds). A forfeiture rate is estimated on the grant date and is adjusted to reflect the actual number of incentive stock options that vest.

The composition of the derivative liabilities as at 30 June 2020 and 31 December 2019, and the changes therein for the periods then ended, are as follows:

	Warrant $'000
At 1 January 2019	479
Derivative gain - unrealised – outstanding warrant	(369)
At 31 December 2019	110
Derivative gain realised – warrant	**(110)**
At 30 June 2020	**-**

The terms of the warrant were as follows:

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

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

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 remained unchanged, with an exercise price of CDN$0.19 per share and an expiry date of 13 January 2020. The warrant was not exercised and expired on 13 January 2020.

NEW ACCOUNTING PRONOUNCEMENTS

The Interim Condensed Consolidated Financial Statements ("**Interim Statements**") of the Group have been prepared in accordance with IAS 34 'Interim Financial Reporting' and, 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 2019 (pages 10 to 16) as filed on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

There are no amended accounting standards or new accounting standards that have any significant impact on the 30 June 2020 interim statements.

BUSINESS RISKS AND UNCERTAINTITIES

Risks and uncertainties that could cause the actual results to materially differ from current expectations have not changed from those disclosed in the Company's AIF dated 28 April 2020.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates that could cause the Company's actual results to materially differ from current expectations have not changed from those disclosed in the Company's MD&A and Consolidated Financial Statements for the year ended 31 December 2019 and 2018.

MANAGEMENT'S RESPONSIBILITY FOR MD&A

The information provided in this MD&A is the responsibility of management. In the preparation of this MD&A, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in this MD&A.

The audit committee has reviewed the MD&A with management and has approved the MD&A as presented.

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