Falcon Oil & Gas Ltd.

Form 51-102F1
Management's Discussion & Analysis
For the Three and Six Months Ended 30 June 2023

(Presented in U.S. Dollars)

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INTRODUCTION

The following management's discussion and analysis (the "**MD&A**") was prepared as at 24 August 2023 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 2023. This MD&A should be read in conjunction with the unaudited interim financial statements for the three and six months ended 30 June 2023 and 2022 and the audited consolidated financial statements and MD&A for the years ended 31 December 2022 and 2021.

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 2023 and 2022.

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

Additional information related to the Company, including the Company's Annual Information Form ("**AIF**") for the year ended 31 December 2022 dated 27 April 2023 can be found on the System for Electronic Document Analysis and Retrieval ("**SEDAR+**") at www.sedarplus.ca and Falcon's website at www.falconoilandgas.com.

Certain statements contained in this MD&A constitute forward-looking statements and are based on Falcon's beliefs and assumptions based on information available at the time the assumption was made. By its nature, such forward-looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes the expectations reflected in those forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Any statements not of historical fact may be deemed to be forward-looking information. Forward-looking information typically contains statements with words such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "preliminary" "projects", "dependent", "potential", "scheduled", "forecast", "outlook", "budget", "hope", "support" "ongoing", "objective", "measure", "depends", "could" or the negative of those terms or similar words suggesting future outcomes. In particular forward-looking statements in this MD&A include, but are not limited to, statements with respect to: strategy of the Board of Directors of Falcon (the "**Board**") and countries it believes support the exploitation of unconventional oil and gas; the shale oil and shale gas potential of the Beetaloo Sub-basin; the Beetaloo Sub-basin Stage 3 work programme; information relating to the commencement and completion of the stimulation programme at Amungee NW-2H ("**A2H**") well; the execution of the fracture stimulation of the A2H well; utilisation of proven US-style shale stimulation designs and techniques, including the use of 5-½-inch casing to allow for effective placement of proppant into the formation; completion of the stimulation programme at the A2H well; the prospectivity of the Amungee Member/Middle Velkerri play and the JV believing the A2H results are not indicative of the underlying production potential of the Amungee Member B Shale; the JV working with laboratories on fluid samples to determine how the JV can potentially clean-up potential skin with the A2H well and apply learnings going forward; analysis to compare the completion and stimulation design of the A2H well and the Amungee NW-1H ("**A1H**") fracture stimulation in 2016 to establish the optimum approach to future completion and fracture stimulation designs; JV believing flows from the well are yet to establish an uninhibited 30-day initial production rate; and objectives of the wells to be drilled in the Beetaloo Sub-basin Australia; expectations on bringing the project to commerciality and a multi-well pilot programme in 2023/24; information relating to the H&P (Helmerich & Payne) rig; a two well programme in 2023; the estimated target depth of the Shenandoah South 1H ("**SS1H**") well and the assumption that the deeper reservoir is expected to deliver high pressures; treatment under governmental regulatory regimes and tax laws; the quantity of petroleum and natural gas resources or reserves; statements relating to the Group's activities in the Beetaloo Sub-basin; the results at Kyalla 117 N2-1H ST2 ("**Kyalla 117**"); the contingent resource estimate for the A1H Velkerri B shale gas pool and statements relating to whether all frack stages contributed to the initial extended production test in 2016; details relating to normalised gas flow rates at Amungee, results of drilling Velkerri 76 S2-1 ("**Velkerri 76**") including comments on the preliminary petrophysics and mud gas composition at Velkerri-76, drilling in the Amungee Member/Middle Velkerri play, the prospectivity of the Amungee Member/Middle Velkerri play, anticipated production rates, information relating to the letter of intent ("**LOI**") executed with Tamboran (B2) Pty Limited ("**Tamboran B2"**) following Origin Energy B2 Pty Ltd.'s ("**Origin**") divestment of its interest in the Beetaloo Exploration Permits, amendments to the Joint Operating Agreement and the Farm-In Agreement following the executed LOI, limited proration units on sole risk operations providing future participation optionality and future sole risk operations; COVID-

19 and its impact on work programmes; fiscal terms regarding the Karoo basin, South Africa, the Mineral and Petroleum Resources Development Amendment Bill ("MPRDA Bill"), the awarding of exploration rights; liquidity and financial capital including the going concern capabilities of the Company; expectations regarding the ability of Falcon to access additional sources of funding including those 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 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 adversely impacting the exploitation of unconventional oil and gas resources; 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 risk and for relatively under-explored basins such as the Beetaloo Sub-basin there may not be the shale oil and gas commercial potential; renewal of exploration permits; need to obtain regulatory approvals before development commences; environmental risks and hazards and cost of compliance with environmental regulations; aboriginal claims; risks and uncertainties associated with wellbore or reservoir conditions, geological, technical, drilling and processing problems; unanticipated operating events which can delay exploration and appraisal or reduce production or cause production to be shut-in or delayed; willingness of joint venture partners to continue with a work programme and bringing towards commerciality; the ability of our joint venture 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 and bringing to commerciality; the need to obtain required approvals from regulatory authorities with delays impacting work programmes and associated costs or not receiving the requisite license to explore; 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; cash availability to meet unforeseen expenses as they fall due; pandemics such as COVID-19 may be prolonged, delaying work programmes and increasing cost; macroeconomic risks such as inflationary pressures and the current Ukraine Russia conflict also delay work programmes due to delivery of goods and increasing costs and the other factors considered under "**Risk Factors**" in Falcon's AIF dated 27 April 2023.

With respect to forward-looking statements contained in this MD&A, Falcon has made assumptions regarding: the countries where the Group operates supporting the exploitation of unconventional oil and gas; the shale oil and shale gas commercial potential of the Beetaloo Sub-basin while it remains relatively under-explored; the continuation of the Beetaloo Sub-basin work programme and the project being brought towards commerciality; the original gas in place and contingent gas resource calculated with respect to the Beetaloo Sub-basin are the best estimates based on the drilling results to date and other data (including seismic) available; work with Falcon's new joint venture partner, Tamboran B2, will continue, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme; estimated date for the awarding of the exploration right over the acreage in the Karoo Basin; the Group's ability to continue as a going concern; the Beetaloo Sub-basin project being brought towards commerciality.

Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide readers with a more complete perspective on Falcon's future operations and such information may not be appropriate for other purposes. Falcon's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, if any, that the Company will derive therefrom. Readers are cautioned that the foregoing lists of factors are not exhaustive.

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.

Advisory regarding oil and gas information

Any references in this MD&A to initial production rates are useful in confirming the presence of hydrocarbons; however, such rates are not determinative of the rates at which such wells will continue production and decline thereafter and are not necessarily indicative of long-term performance or ultimate recovery. While encouraging, readers are cautioned not to place reliance on such rates in calculating the aggregate production for Falcon. Such rates are based on field estimates and may be based on limited data available at this time.

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. There is uncertainty that it will be commercially viable to produce any portion of the resources. For additional information relating to contingent resource estimates in respect of the Amungee NW-1H Velkerri B Shale Gas Pool which were prepared by an Origin employee and a Qualified Reserves and Resources Evaluator effective as of February 15, 2017, please refer to Falcon's AIF dated April 27, 2023, which is available on SEDAR+ at www.sedarplus.ca.

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**").

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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 2023 of the Company's interest in Australia is $43 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. 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)	Tamboran (iii)	Exploration	1,891.3
Exploration Permit EP-98 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5 (i)	Tamboran (iii)	Exploration	10,316.0
Exploration Permit EP-117 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5 (i)	Tamboran (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 in EP-76, EP-98 and EP-117 (collectively the "**Exploration Permits**"). The remaining 1.9% interest of Falcon Australia is held by others. Renewal applications for EP-76 and EP-117 were submitted in September 2022 ahead of the end of the five year term which expired in December 2022, a further renewal application for EP-98 was submitted in March 2023 ahead of the current five year term expiring in June 2023. Both renewal applications have been approved by the Northern Territory Government.

(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) In September 2022 Origin announced the divestment of their interest in the Exploration Permits to Tamboran (B2), details are included on page 8, with Tamboran Resources Limited ("**Tamboran**") appointed as operator.

<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 developing 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, Falcon Australia's acreage interests are subject to combined government and Northern Land Council royalties on production values of up to approximately 12% and 3% (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 25%. 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

On **31 March 2022** it was announced that Falcon Australia had agreed to grant Sheffield Holdings LP ("**Sheffield**") a 2% overriding royalty interest ("**ORRI**") over Falcon Australia's 22.5% working interest in return for a cash payment of $6 million. The 2% ORRI granted to Sheffield will be calculated on equal economic terms as the Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC ("**TOG Group**"), with the cash proceeds of $6 million used to exercise Falcon Australia's call option to reduce the existing ORRI with the TOG group from 3% to 1%. Both transactions took place in April 2022. These changes to the ORRI's were submitted for registration to the Northern Territory Government, Australia and were approved.

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 Origin and a subsidiary of Sasol Limited, each farming into 35% of Falcon Australia's Exploration Permits in the Beetaloo Sub-Basin. In May 2017 Origin acquired Sasol's 35% interest in the Beetaloo joint venture ("**JV**") with Sasol departing 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.

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 2020 Agreements**") with Origin farming down 7.5% of Falcon Australia's participating interest ("**PI**") in the Exploration Permits. Following the transaction Falcon Australia now holds a 22.5% PI. Full details of the announcement are included in the Company's AIF for the year ended 31 December 2022 dated 27 April 2023 on page 12.

On **19 September 2022** Origin announced its divestment of their 77.5% interest in the Exploration Permits to Tamboran B2, a 50:50 joint venture between Daly Waters Energy, LP and Tamboran.

On **11 October 2022** Falcon announced that Falcon Australia had entered into a binding LOI with Tamboran B2 pursuant to which the parties have agreed to amend the terms of the Joint Operating Agreement ("**JOA**") and the Farm-In Agreement ("**FIA**"), each dated 2 May 2014 (as amended), entered into with Origin in respect of Falcon Australia's interest in the Beetaloo Sub-Basin Exploration Permits. The key terms of the LOI provide for:

- Falcon Australia to earn an additional carry on future well costs of up to A$30m (A$6.75m net to Falcon Australia);
- the introduction of limited proration units on sole risk operations providing Falcon Australia with participation optionality on the drilling of future wells;

- the sharing of well data on any sole risk wells, providing Falcon Australia with visibility on crucial data and analysis even where it elects not to participate; and
- pre-emptive rights in relation to Origin's divestment of its 77.5% interest in the Beetaloo Sub-basin would not be exercised by Falcon Australia and all pre-emptive and similar rights are to be removed from the JOA, providing Falcon Australia with greater flexibility for realisation of licence interests.

Discoveries and Prospectivity

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 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 on the Amungee NW-1H well. 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. For key details of the Discovery Evaluation Report and Origin's contingent gas resource estimate please refer to the Company's AIF, dated 27 April 2023, on pages 13-14.

On **19 January 2021** Falcon announced that Origin had submitted a Notification of Discovery to the Department of Industry, Tourism and Trade of the Northern Territory ("**DITT**") on Kyalla 117.

Current Activity

On **19 September 2022** Origin announced its divestment of their 77.5% interest in the Exploration Permits to Tamboran B2. On **11 October 2022** Falcon announced that Falcon Australia had entered into a binding LOI with Tamboran B2 pursuant to which the parties agreed to amend the terms of the JOA and FIA, each dated 2 May 2014 (as amended), entered into with Origin in respect of Falcon Australia's interest in the Beetaloo Sub-Basin Exploration Permits. The key terms of the LOI provide for:

- Falcon Australia to earn an additional carry on future well costs of up to A$30m (A$6.75m net to Falcon Australia);
- the introduction of limited proration units on sole risk operations, providing Falcon Australia with participation optionality on the drilling of future wells;
- the sharing of well data on any sole risk wells, providing Falcon Australia with visibility on crucial data and analysis even where it elects not to participate; and
- pre-emptive rights in relation to Origin's divestment of its 77.5% interest in the Beetaloo Sub-basin would not be exercised by Falcon Australia and all pre-emptive and similar rights are to be removed from the JOA, providing Falcon Australia with greater flexibility for realisation of licence interests.

On **10 November 2022** Falcon announced the spudding of the A2H well with the Silver City Rig 40 on exploration permit 98 in the Beetaloo Sub-Basin, with Falcon Australia Limited's joint venture partner, Tamboran B2. Tamboran was appointed operator across the Exploration Permits.

Tamboran planned to drill the vertical and build section to a depth of approximately 2,450 metres, followed by the drilling of a 1,000-metre horizontal section within the primary target of the Amungee Member B Shale.

Following drilling, the A2H well was expected to commence a hydraulic fracture stimulation programme with a US style unconventional shale design. The well was designed with 5-½ inch casing to allow for effective placement of proppant into the formation, optimizing completion efficiency.

The A2H well is the first of two horizontal wells in the Stage 3 programme to be drilled during this current drilling campaign. The precise location of the second horizontal well, also targeting the Amungee Member B shale was being evaluated, and an update would be provided in due course.

On **23 December 2022** Falcon announced that drilling operations, including casing and cementing at the A2H well were successfully completed. The A2H well was drilled to a TD of 3,883 metres, including a 1,275-metre horizontal section within the Amungee Member B Shale.

Key points to note:

- The A2H well intersected the Amungee Member B Shale at 2,413 metres vertical depth.
- Preliminary drilling data confirmed elevated gas shows with high concentration C1, (methane) observed.
- Drilling was completed in 38 days (spud to TD) and a total cost of A$14.1 million (excluding casing and cementing), slightly ahead of pre-drill design days and budget. Falcon remains fully carried for the cost of these operations.
- Up to 24 stimulation stages were planned within the Amungee Member B Shale when operations are expected to resume in the first quarter of 2023, subject to weather conditions.
- Stimulation and flow testing of the A2H well over the 1,275-metre horizontal section will enhance the joint venture's understanding of the potential commerciality of the Amungee Member B Shale.
- Tamboran B2 and Falcon Australia were undertaking a comprehensive review of all available data before finalising the location of the final well under the Stage 3 work programme, targeted to be drilled in 2023.

On **16 February 2023** Falcon announced the commencement of the well stimulation programme at the A2H well.

Details of the stimulation programme were as follows:

- The stimulation programme will include up to 24 stimulation stages over a 1,200-metre horizontal section within the Amungee Member B Shale, with operations expected to be completed within 2-3 weeks.
- The A2H stimulation programme will be executed utilising proven US-style shale stimulation designs and techniques, including the use of 5-½-inch casing, by Condor Energy Services, a respected Australian energy services provider.
- 5-½-inch casing will allow the optimal placement of sand and fluid at an increased rate to the perforations during stimulation and has been proven to deliver significantly higher production rates.
- Following stimulation, up to four-weeks of fluid flow back is expected to take place prior to the installation of production tubing.
- The 30-day initial production rates are expected early in the second quarter of 2023.

On **22 March 2023** Falcon announced the successful completion of a 25-stage stimulation programme at the A2H well.

The stimulation programme details were as follows:

- 25 stages were successfully stimulated across a 1,020-metre horizontal section within the Amungee Member B Shale, with approximately 2,125 pound per foot of proppant placed along the completed horizontal section.
- Proppant was placed using 5-½-inch casing and was based on modern US shale design, the design is anticipated to result in improved flow rates during the extended production test.
- Stimulation fluid flow back will commence imminently and is estimated to take several weeks before the well is shut-in for installation of production tubing.
- 30-day initial production (IP30) flow rates are expected during the second quarter of 2023.

On **22 June 2023** Falcon provided an update on operations at A2H. Operations to install production tubing were completed in late-April 2023 and the well was subsequently re-opened in preparation for production flow testing. This is only the sixth well drilled and fracture stimulated in the Beetaloo Sub-basin to date.

Update on Flow Testing

- The A2H well achieved gas breakthrough, however modelling and independent third-party analysis from a US laboratory identified a potential skin inhibiting the flow of gas from the stimulated shale. Despite this, the gas flowed at an average rate of 0.97 mmcf/d over 50 days with circa 10% of the water used in the simulation programme recovered at the date of the annoucement, well below other wells in the basin.
- The JV believe flows from the well did not establish an uninhibited 30-day initial production rate.
- As of June 2023 the well was producing approximately 0.83 mmcf/d and water recovery was approximately 50 bbl/d with cumulative gas production and water recovery of 52.37 mmcf and 17,879 bbl, respectively.

- The hydrocarbon phases recovered were dry gas with 90.4% methane and 2.9% ethane.
- The JV believes the results are not indicative of the underlying production potential of the Amungee Member B Shale as the Amungee NW-1H well ("A1H") achieved flow rates of >5 mmcf/d over a normalised 1,000 metres from the same well pad in 2021. Comparative details are included in the table below:

	A2H	**A1H (full)***	**A1H (flow)***
Stimulated Lat. Length (m)	1020	682	162
Stages	25	11	4
Proppant Volume (kbbls)	169	67	31
Proppant Tonnage (million pounds)	7.1	2.5	1.5
* [1]*The A1H well was stimulated over a 682-metre horizontal section in the Mid Velkerri "B Shale". Following testing, the flow was determined to be flowing over four stages (stage 8 – 11). A1H (flow) shows flow across this smaller length. A1H (full) is over 1,000 metre)*			

- Results from the laboratory will determine how the JV can potentially clean-up potential skin within the A2H well and apply learnings going forward on future completion operations.
- Analysis was also conducted to compare the completion and stimulation design of the A2H well and the A1H fracture stimulation in 2016, which had a production logging test completed in 2021, to establish the optimum approach to future completion and fracture stimulation designs.

On **24 July 2023** Falcon provided an update on operations as preparations to drill SS1H were underway.

- The H&P rig was successfully mobilised to the SS1H well pad location, in EP 117, ahead of drilling the first of a two well programme in 2023.
- Drilling of the SS1H well was expected to commence in early August 2023, subject to final joint venture approval, with drilling operations expected to take approximately 45 days.
- The SS1H well will target the Amungee Member B-shale at an estimated target depth of 3,200 metres, (approximately 700 metres deeper than the A2H well in EP 98).
- The SS1H well will be located approximately 60 kilometres south of the A2H well site. The deeper reservoir is expected to deliver higher pressures, based on data from the two Santos-operated Tanumbirini wells in EP 161.

On **1 August 2023** Falcon announced the spudding of SS1H with a H&P super-spec FlexRig® Flex 3 Rig.

- The SS1H well, which will include a horizontal section of approximately 1,000 meters, will target the Amungee Member B-shale at an estimated target depth of 3,200 metres (approximately 700 metres deeper than the Amungee NW-2H ("A2H") well in EP 98).
- The SS1H well, which is the first of two horizontal wells to be drilled in 2023 is located approximately 60 kilometres south of the A2H well site. The deeper reservoir in this area of the basin is expected to deliver higher pressures, based on data from the two Santos-operated Tanumbirini wells in EP 161.
- Falcon will participate in the SS1H well at its full participating interest of 22.5% which, under the terms of the Joint Operating Agreement, will create a drilling spacing unit ("DSU") (previously referred to as a proration unit) of 20,480 acres.
- Falcon remains fully funded for its share of all costs associated with the drilling and testing of the SS1H well.

Karoo Basin, South Africa

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. The Board awaits the new legislation for the petroleum industry following the withdrawal of the MPRDA Bill in 2018 and the Board does not foresee the awarding of an exploration right over the acreage within the next 12 months. For further details on South Africa, please refer to the AIF dated 27 April 2023 on page 20.

Makó Trough, Hungary

Falcon has been active in the Makó Trough since 2005 when it acquired 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. Falcon continues to maintain and safeguard its Hungarian wells and review its operations in Hungary, evaluating all options available to the Group to deliver shareholder value. The Group maintains its 100% interest in the Makó Trough. For further details on the Makó Trough, please refer to the AIF dated 27 April 2023 on page 21.

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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 2023 and 2022 and the audited consolidated financial statements for the year ended 31 December 2022 and 2021.

Management's Discussion and Analysis of financial condition and results of operations for the three months ended 30 June 2023 as compared to the three months ended 30 June 2022.

The Company reported a net loss of $0.74 million for the three months ended 30 June 2023 as compared to a net loss of $1.3 million for the three months ended 30 June 2022. Changes between 2023 and 2022 were as follows:

	Three months ended 30 June		**Changes**	
	2023	**2022**		
	$'000	**$'000**	**$'000**	**%**
Revenue				
Oil and natural gas revenue	**-**	-	**-**	-
	-	-	**-**	-
Expenses				
Exploration and evaluation expenses	**(47)**	(37)	(10)	27%
General and administrative expenses	**(578)**	(1,076)	498	-46%
Foreign exchange loss	**(9)**	(129)	120	-93%
	(634)	(1,242)	608	-49%
Results from operating activities	**(634)**	(1,242)	608	-49%
Finance expense				
Interest income on bank deposits	**44**	2	42	2100%
Accretion of decommission provisions	**(75)**	(58)	(17)	29%
Net foreign exchange loss	**(76)**	(25)	(51)	204%
	(107)	(81)	(26)	32%
Loss and comprehensive loss	**(741)**	(1,323)	582	-44%

Loss and comprehensive loss attributable to:

Equity holders of the company	**(740)**	(1,322)	582	-44%
Non-controlling interest	**(1)**	(1)	-	-
Loss and comprehensive loss	**(741)**	(1,323)	582	-44%

Exploration and evaluation expenses

	Three months ended 30 June		Change	
	2023	2022		
	$'000	$'000	$'000	%
Consulting, legal and other associated costs	**(8)**	(7)	(1)	14%
Well related costs	**(39)**	(30)	(9)	30%
	(47)	(37)	(10)	27%

Exploration and evaluation expenses relate to maintenance and landowner costs in maintaining and safeguarding the Company's Hungarian wells along with costs associated with the Company's TCP in South Africa. Movement period on period is attributable to increased landowner costs and ad hoc well related costs in Hungary.

General and administrative expenses

	Three months ended 30 June		Change	
	2023	2022		
	$'000	$'000	$'000	%
Accounting and audit fees	**(47)**	**(36)**	(11)	31%
Consulting fees	**(11)**	**(10)**	(1)	10%
Legal fees	**(8)**	**(11)**	3	-27%
Investor relations	**(64)**	**(73)**	9	-12%
Office and administrative costs	**(40)**	**(42)**	2	-5%
Payroll and related costs	**(244)**	**(483)**	239	-49%
Directors' fees	**(60)**	**(54)**	(6)	11%
Travel and promotion	**(10)**	**(20)**	10	-50%
Share based compensation	**(94)**	**(347)**	253	-73%
	(578)	**(1,076)**	498	-46%

General and administrative expenses decreased to $0.6 million in 2023 from $1 million in 2022. Changes include the following:

- Accounting and audit fees: Audit fee increases are the main contributor to the movement period on period.
- Consulting and legal fees: There were minimal changes in consulting fees period on period, while legal fees reduced, driven by business needs.
- Investor relations: The decrease period on period is attributable to no communication advisory costs in quarter 2 2023 due to the termination of the contract in the second quarter of 2022.
- Office and administrative costs: There was minimal movement period on period as management continue to manage costs closely.
- Travel and promotion costs: The decrease is due to the timing of ad hoc travel period on period.
- Share based compensation: The reduction in cost is attributable to the timing of the granting of options in 2021 and 2022, the vesting schedule attributed to these grants and the associated charge for the respective grants. There were no grants in 2023.

Foreign exchange loss
The foreign exchange loss recorded in operating expenses for the three months ended 30 June 2023 is attributed to unfavourable movements to the US Dollar since 31 March 2023. There were more significant unfavourable movements to the US Dollar in the same three-month period in 2022.

Finance expense
The movement in finance expenses for the three-month period to 30 June 2023 relative to the same period in 2022 is driven by increased accretion costs and foreign exchange losses offset by increased interest on deposit accounts for the same period.

Loss attributable to non-controlling interest
The amount reflected in 2022 and 2023 represents Falcon Australia's loss attributable to shareholders other than Falcon.

Cash flow

	Three months ended 30 June	
	2023	2022
	$'000	$'000
Net cash used in operating activities	**(546)**	(804)
Net cash generated from financing activities	**-**	9,950
Net cash generated from / (used in) investing activities	**9**	(13)
Change in cash and cash equivalents	**(537)**	9,133
Effect of exchange rates on cash & cash equivalents	**(74)**	(39)
Cash and cash equivalents at beginning of period	**16,269**	8,301
Cash and cash equivalents at end of period	**15,658**	17,395

Cash and cash equivalents have decreased by $1.7 million to $15.7 million in 2023 from $17.4 million in 2022. The main changes quarter on quarter were as follows:

- Net cash used in operating activities: The decrease is driven by the timing of payments and bonus payments made in 2022, where there were no similar bonus payments in the three months to 30 June 2023.
- Net cash generated from financing activities: 2022 total relates to equity raised through a private placement in the period, there was no similar activity in 2023.
- Net cash used in investing activities: 2023 movement relates to interest received on bank deposit accounts offset by exploration and evaluation costs. 2022 movement related to exploration and evaluation costs offset by interest received in the period.

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 2023 and 2022 and the audited consolidated financial statements for the year ended 31 December 2022 and 2021.

Management's Discussion and Analysis of financial condition and results of operations for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022.

The Company reported a net loss of $1.4 million for the six months ended 30 June 2023 as compared to a net loss of $2.1 million for the six months ended 30 June 2022. Changes between 2023 and 2022 were as follows:

	Six months ended 30 June		**Changes**	
	2023	**2022**		
	$'000	**$'000**	**$'000**	**%**
Revenue				
Oil and natural gas revenue	-	-	-	-
	-	-	-	-
Expenses				
Exploration and evaluation expenses	**(90)**	(77)	(13)	17%
General and administrative expenses	**(1,175)**	(1,684)	509	-30%
Foreign exchange gain / (loss)	**47**	(174)	221	-127%
	(1,218)	(1,935)	717	-37%
Results from operating activities	**(1,218)**	(1,935)	717	-37%
Finance expense				
Interest income on bank deposits	**112**	5	107	2140%
Accretion of decommission provisions	**(150)**	(117)	(33)	28%
Net foreign exchange loss	**(145)**	(26)	(119)	458%
	(183)	(138)	(45)	33%
Loss and comprehensive loss	**(1,401)**	(2,073)	672	-32%

Loss and comprehensive loss attributable to:				
Equity holders of the company	**(1,398)**	(2,072)	674	-33%
Non-controlling interest	**(3)**	(1)	(2)	200%
Loss and comprehensive loss	**(1,401)**	(2,073)	672	-32%

Exploration and evaluation expenses

	Six months ended 30 June		Change	
	2023	2022		
	$'000	$'000	$'000	%
Consulting, legal and other associated costs	**(17)**	(14)	(3)	21%
Well related costs	**(73)**	(63)	(10)	16%
	(90)	(77)	(13)	17%

Exploration and evaluation expenses relate to maintenance and landowner costs in maintaining and safeguarding the Company's Hungarian wells along with costs associated with the Company's TCP in South Africa. Movement period on period is attributable to increased landowner costs and ad hoc well related costs in Hungary.

General and administrative expenses

	Six months ended 30 June		Change	
	2023	2022		
	$'000	$'000	$'000	%
Accounting and audit fees	**(92)**	(78)	(14)	18%
Consulting fees	**(24)**	(23)	(1)	4%
Legal fees	**(14)**	(20)	6	-30%
Investor relations	**(102)**	(142)	40	-28%
Office and administrative costs	**(81)**	(81)	-	0%
Payroll and related costs	**(496)**	(717)	221	-31%
Directors' fees	**(119)**	(111)	(8)	7%
Travel and promotion	**(16)**	(29)	13	-45%
Share based compensation	**(231)**	(483)	252	-52%
	(1,175)	(1,684)	509	-30%

General and administrative expenses decreased to $1.2 million in 2023 from $1.7 million in 2022. Changes include the following:

- Accounting and audit fees: Audit fee increases are the main contributor to the movement period on period.
- Consulting and legal fees: There were minimal changes to consulting fees period on period, while legal fees reduced, driven by business needs.
- Investor relations: The decrease period on period is attributable to no communication advisory costs for the six months to 30 June 2023 due to the termination of the contract in the second quarter of 2022.
- Office and administrative costs: There was minimal movement period on period as management continue to manage costs closely.
- Travel and promotion costs: The decrease is due to the timing of ad hoc travel period on period.
- Share based compensation: The reduction in cost is attributable to the timing of the granting of options in 2021 and 2022, the vesting schedule attributed and the associated charge for the respective grants. There were no grants in 2023.

Foreign exchange gain / (loss)
The foreign exchange gain recorded in operating expenses for the six months ended 30 June 2023 is attributed to favourable movements to the US Dollar since 31 December 2022. There were unfavourable movements in the six-month period from 31 December 2021 to 30 June 2022.

Finance expense
The finance expense for the six months ended 30 June 2023 is attributable to the accretion expense coupled with foreign exchange losses, this was offset by interest income earned in the period. For the same period in 2022 the expense was mainly attributable to the accretion expense.

Loss attributable to non-controlling interest
The amounts reflected in 2023 and 2022 represent Falcon Australia's loss attributable to shareholders other than Falcon.

Cash flow

	Six months ended 30 June	
	2023	2022
	$'000	$'000
Net cash used in operating activities	**(1,067)**	(1,373)
Net cash generated from financing activities	**-**	9,950
Net cash generated from / (used in) investing activities	**85**	(39)
Change in cash and cash equivalents	**(982)**	8,538
Effect of exchange rates on cash & cash equivalents	**(145)**	(37)
Cash and cash equivalents at beginning of period	**16,785**	8,894
Cash and cash equivalents at end of period	**15,658**	17,395

Cash and cash equivalents decreased by $1.7 million to $15.7 million in 2023 from $17.4 million in 2022. The main changes period on period were as follows:

- Net cash used in operating activities: The decrease is driven by the timing of payments and bonus payments made in 2022, there were no similar bonus payments in the six months to 30 June 2023.
- Net cash generated from / (used in) investing activities: 2022 movement relates mainly to increased exploration and evaluation costs. For the same period in 2023 movement relates mainly to interest received in the period.
- Net cash generated from financing activities: Net cash generated in 2022 relates to equity raised through a private placement in the period, there was no similar activity in 2023.

SUMMARY OF QUARTERLY RESULTS

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

(In thousands of $ unless otherwise stated)

As of:

For the three months ended:	**30 September 2022**	**31 December 2022**	**31 March 2023**	**30 June 2023**
Revenue	-	-	-	-
Loss	(822)	(1,096)	(660)	(741)
Loss attributable to common shareholders	(822)	(1,100)	(658)	(740)
Loss per share-basic and diluted (cent)	(0.001)	(0.001)	(0.001)	(0.001)

For the three months ended:	**30 September 2021**	**31 December 2021**	**31 March 2022**	**30 June 2022**
Revenue	-	-	-	-
Loss	(842)	(1,871)	(750)	(1,323)
Loss attributable to common shareholders	(841)	(1,870)	(750)	(1,322)
Loss per share-basic and diluted (cent)	(0.001)	(0.002)	(0.001)	(0.001)

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. Factors that have impacted the Group's results during these quarterly periods presented above include:

Quarter 3 2021

General and administrative ("**G&A**") expenses were the main cost for Q3 2021, with no significant movement period on period. The main cost increase in the period relative to the same three months in 2020, was the share-based compensation expense resulting from the grant of 38 million share options in February 2021 and 3 million share options in September 2021.

Quarter 4 2021

G&A expenses were the main cost for Q4 2021, with no significant movement period on period. The main cost increase in the period relative to the same three months in 2020, was the share-based compensation expense resulting from the grant of 38 million share options in February 2021 and 3 million share options in September 2021.

Quarter 1 2022

G&A costs have remained relatively constant period on period, the main reduction relates to share based compensation given the vesting schedule of the 2021 grants, with an associated reduction in the charge of over $0.4 million.

Quarter 2 2022

G&A expenses were the main cost for Q2 2022, with an increase due to bonus payments made during the period. There was also an increase to the share-based compensation expense resulting from the grant of options in June 2022.

Quarter 3 2022

Similar to Q2 2022 G&A expenses were the main cost for Q3 2022, other expense movements related to the decrease to the share based compensation expense and the increase in the foreign exchange losses due to unfavourable movements to the US dollar.

Quarter 4 2022

The decommissioning provision was the main expense recorded for Q4 2022, due to a revision of costs for the year, followed by G&A expenses. There were significant movements in foreign exchange gains due to favourable movement against the US dollar.

Quarter 1 2023

G&A costs have remained relatively constant period on period. The overall movement period on period was driven by foreign exchange gains for the period relative to losses for the same three months in 2022.

Quarter 2 2023

G&A costs have decreased period on period by $0.5 million, this is driven by reduced payroll costs due to bonuses paid in 2022 and no similar payment in the same quarter in 2023, along with a reduction in share based compensation expenses, driven by the vesting schedule of the share options and their associated cost. Further movement period on period was driven by foreign exchange loss reductions for the period relative to losses for the same three months in 2022.

For further details of 2022/2023 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 31 March 2022 Falcon announced it had received a subscription from Sheffield for a $10 million private placement. Details of the placement is detailed on pages 21-22.

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LIQUIDITY AND CAPITAL RESOURCES

Going Concern

For the year ended 31 December 2022, the Group incurred losses of $3.9 million and had operating cash outflows of $2.3 million and a deficit of $403.9 million. For the six months ended 30 June 2023, the Group incurred losses of $1.4 million, had operating cash outflows of $1 million and had a deficit of $405.3 million.

As at 30 June 2023 the Group had $15.7m of cash and cash equivalents, which is sufficient to cover ongoing operating costs for the next 12 months from the date of the approval of this document. Falcon Australia holds a 22.5% PI in the Exploration Permits situated in the Beetaloo Sub-Basin, Northern Territory, Australia which has a gross cost cap of A$263.8 million, with costs above this cost cap to be borne by the joint venture partners in proportion to their respective PI. With Origin's divestment announced on 19 September 2022, the cost caps and obligations transferred to Tamboran B2. As part of the transaction agreed and the latest executed JOA Tamboran B2 granted Falcon Australia an additional carry beyond Stage 3 of A$30 million and terms were agreed on DSUs for sole risk operations, the size of which varies depending on (a) the type and length of the well to be drilled and (b) whether or not the well is a "commitment well" under the terms of the exploration permit, a non-commitment well creates a DSU to a maximum of 6,400 acres, while a commitment well creates a DSU to a maximum of 25,600 acres, providing Falcon Australia with participation optionality on the drilling of future wells. Falcon completed an equity raise of $10million in 2022.

The remaining cost cap and additional carry coupled with the cash on hand are sufficient to cover estimated committed costs under Stage 3 of the work programme including the drilling and testing of the SS1H well and other general operating costs for twelve months from the date of the approval of the financial statements. While Falcon has participation optionality in future drilling activities based on the latest executed JOA, participation in drilling activities beyond SS1H at Falcon's PI requires further funding.

Management and those charged with governance are confident that further funding required can be raised through either an equity raise or debt funding. As at the date of the approval of this document no such further funding has been raised and there can be no certainty that sufficient funds can be raised if required. This indicates the existence of a material uncertainty, which may cast significant doubt over the Group's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Group's financial statements do not include adjustments that would result if the Group was unable to continue as a going concern. Having given due consideration to the cash requirements of the Group, management and those charged with governance has a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least twelve months from the date of approval of the financial statements. For this reason, the Board continues to adopt the going concern basis in preparing the consolidated financial statements which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future.

Working Capital

Cash and cash equivalents at 30 June 2023 were $15.7 million, with movement of $1.1 million from $16.8 million as at 31 December 2022. Working capital at 30 June 2023 decreased to $15.4 million from working capital of $16.5 million as at 31 December 2022.

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

Accounts Receivable

Current accounts receivable as at 30 June 2023 were $0.1 million, which relates to prepayments of $0.1 million.

Accounts Payables and Accrued Expenses

Accounts payable and accrued expenses as at 30 June 2023 were $0.3 which includes $0.1 million for accounts payable and $0.2 million accrued expenditures.

Capital Expenditures

For the period ended 30 June 2023 the following expenditure commitments exist.

Australia - Beetaloo Sub-Basin, Northern Territory, Australia

The Group planned a drilling programme which commenced in 2015 with its farm-out partners.

Originally the Group indicated that it expected the work to be undertaken between 2016 and 2018, however the introduction of a moratorium on hydraulic fracturing delayed the completion of the drilling and exploration programme. In March 2018, the inquiry concluded its work with the publication of a Final Report and on 17 April 2018, the Northern Territory government announced they would be lifting the moratorium on hydraulic fracturing. Work recommenced in 2019, details of current operations to date are included in this document on pages 8 to 10.

In August 2018 the Group agreed to amend the original farm-out agreement to deem Stage 1 of the exploration and appraisal drilling programme complete, thereby removing the requirement to fracture stimulate a vertical well and accelerate the programme into Stage 2 with a A$15 million increase to the Stage 2 Cost Cap to approximately A$65 million. Costs above the Cost Cap would need to be financed by the Group in accordance with their participating interest.

On 7 April 2020 it was announced that Falcon Australia agreed to farm down 7.5% of its PI in the Exploration Permits, following the transactions, Falcon Australia holds a 22.5% PI. In consideration for the farm down Origin agreed to increase the gross cost cap of the work program by A$150.5 million. The previous farm-in arrangement included a Stage 2 gross cost cap of A$65.3 million and a Stage 3 gross cost cap of A$48 million, or A$113.3 million in total. Under the Agreements, the Stage 2 and Stage 3 gross cost caps will be combined and increased by A$150.5 million to A$263.8 million. Costs in excess of the cost cap of A$263.8 million will be funded in proportion to the participating interest of the joint venture partners. With Origin's divestment announced on 19 September 2022, the cost caps and obligations transfer to Tamboran B2. Furthermore, as announced on 11 October 2022, Falcon Australia will earn an additional carry on future well costs up to A$30m and the introduction of DSUs on sole risk operations provides optionality to Falcon Australia on future wells drilled. As part of the latest executed JOA the size of a DSU varies depending on (a) the type and length of the well to be drilled and (b) whether or not the well is a "commitment well" under the terms of the exploration permit, a non-commitment well creates a DSU to a maximum of 6,400 acres, while a commitment well creates a DSU to a maximum of 25,600 acres.

The latest updates on the Stage 3 work programme are included on pages 8-10.

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 2023, 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 31 March 2022 Falcon announced it had received a subscription from Sheffield for a $10 million private placement through the issue of 62,500,000 Common Shares at a price of CDN$0.20 per share. The Placing Shares will not trade on the TSX Venture Exchange Market until the date that is four months and a day after the day of issuance. The Company's total issued share capital following Admission was 1,044,347,425 Common Shares. The Placing added $10 million to the Company's cash balance.

On 08 April 2022 Falcon announced that, following the approval of the TSX Venture Exchange, it issued a total of 62,500,000 Common Shares ("Placing Shares") at a price of CDN$0.20 per share to Sheffield for gross proceeds of $10 million pursuant to the private placement announced on 31 March 2022.

The Company applied for admission of the Placing Shares to trading on AIM ("Admission"), with Admission taking place on 13 April 2022. As noted previously, the Placing Shares will not trade on the TSX Venture Exchange Market until the date that is four months and a day after the day of issuance, being 07 August 2022. The Company's total issued share capital following Admission was 1,044,347,425 Common Shares.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share capital as at 30 June 2023 and 24 August 2023:

Class of securities	30 June 2023	24 August 2023
Common shares	1,044,347,425	1,044,347,425
Stock options	59,750,000	59,750,000
Fully diluted common shares	1,104,097,425	1,104,097,425

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

There were no related party transactions during the period.

OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS

The Company does not have any off-balance sheet arrangements, other than operating leases 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 2023 or 31 December 2022. The Group has not entered into any contract for "other instruments" during 2023. The Group has no "other instruments" as at 30 June 2023 or 31 December 2022.

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 2022 (pages 11 to 19) as filed on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval (SEDAR+) at www.sedarplus.ca.

There are no amended accounting standards or new accounting standards that have any significant impact on the 30 June 2023 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 27 April 2023.

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 2022 and 2021.

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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