Falcon Oil & Gas Ltd.

Form 51-102F1
Management's Discussion & Analysis
For the Three Months Ended 31 March 2022

(Presented in U.S. Dollars)

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INTRODUCTION

The following management's discussion and analysis (the "**MD&A**") was prepared as at 18 May 2022 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 months ended 31 March 2022. This MD&A should be read in conjunction with the unaudited interim financial statements for the three months ended 31 March 2022 and 2021 and the audited consolidated financial statements and MD&A for the years ended 31 December 2021 and 2020.

The Company's independent auditors have not performed a review on the unaudited interim financial statements for the three months ended 31 March 2022 and 2021.

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 2021 dated 27 April 2022 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

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, expectations on bringing the project to commerciality and multi-well pilot programme in 2023/24; 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; information relating to the 2021 work programme; the pause to operations and results at Kyalla 117 N2-1H ST2 ("**Kyalla 117**"), the contingent resource estimate for the Amungee NW-1H ("**Amungee**") 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, COVID-19 and the impact on the work programme; 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 delaying 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 2022.

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 joint venture partner, Origin Energy B2 Pty Ltd. ("**Origin**"), will continue, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme; the pause to operations in the Beetaloo Sub-Basin was temporary while COVID-19 was controlled; 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, 2022, which is available on SEDAR at www.sedar.com.

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 31 March 2022 of the Company's interest in Australia is $40.2 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)]	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 EP-76, EP-98 and EP-117 (collectively the "**Exploration Permits**"). Northern Territory government approval remains outstanding for the farm down of the 7.5%; however, management expects this will be received in due course. The remaining 1.9% interest of Falcon Australia is held by others. The permits are currently in year 5 with a permit year end of 31 December 2022.

(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. That overall interest increased to 77.5% with the farm down in April 2020.

<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 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 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
In 2013, Falcon Australia entered an agreement with Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC ("**TOG Group**") to acquire 7% of their 8% private overriding royalty interest ("**ORRI**") over the Exploration Permits. Falcon Australia made a payment of $5 million to acquire 5% of the ORRI in 2014. The Group also agreed to acquire a further 2% based on a five year call option granted to Falcon Australia at a future cost of $15 million to the joint venture 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 to exercise the call option, reduced 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. Confirmation of registration of the Additional Extension from the Northern Territory government has been received and Falcon Australia has paid $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 **31 March 2022** it was announced that Falcon Australia had agreed to grant Sheffield Holdings LP ("**Sheffield**") a 2% ORRI over Falcon Australia's 22.5% working interest in return for a cash payment of US$6 million. The 2% ORRI granted to Sheffield Holdings LP will be calculated on equal economic terms as the TOG Group, with the cash proceeds of US$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, have been submitted to the Northern Territory Government, Australia for registration.

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.

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, 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.

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 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 2021 dated 27 April 2022 on page 12.

Discoveries and Prospectivity

The work programme with Origin 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 2022, on pages 12-14.

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

For details relating to Kyalla 117 up to June 2021 and the planned Stage 3 work programme for 2021 please refer to the Company's AIF for the year ended 31 December 2021 dated 27 April 2022.

On **22 June 2021** Falcon announced the commencement of the 2021 work programme, starting with operations at Kyalla 117. On-site operations had begun, with rigging up complete, and clean-up operations resumed.

On **20 July 2021,** Falcon provided an update to the 2021 work programme with activity focusing on the continued clean-up of Kyalla 117 in preparation for extended production testing, using nitrogen to support operations. This allowed Kyalla 117 to begin flowing again without assistance for intermittent periods, however, production was not sustained and there was evidence of a potential downhole flow restriction. Operations were temporarily paused while the cause of the restriction was investigated, the results of which would inform the development of a new go-forward plan for Kyalla 117.

On **09 August 2021** Falcon announced the commencement of production testing operations at Amungee. On-site operations had begun with all equipment on site and preparatory works complete with a production test underway to determine whether all eleven frack stages contributed to the initial extended production test in 2016. For key details of the 2016 results at Amungee including the contingent gas resource estimate please refer to the Company's AIF, dated 27 April 2022, on pages 12-14.

On **12 August 2021** Falcon announced the spudding of the Velkerri 76 well, targeting the Velkerri play along the south-eastern flank of the Beetaloo Sub-Basin, which was predicted to be in a liquids rich gas window.

The principal objectives for drilling Velkerri 76 were to:

- drill a vertical pilot well to acquire core and log and conduct a diagnostic fracture injection test data across the Velkerri;
- penetrate the Velkerri formation to assess hydrocarbon maturity, saturation and reservoir quality;
- provide further information on the areal distribution of the Velkerri formation; and
- collect data for potential future horizontal drilling, completion, stimulation and production testing, including ability to flow liquids rich gas.

On **3 September 2021** Falcon provided results on the production log test at the Amungee well. The results suggest a normalised gas flow rate equivalent of between 5.2-5.8 MMscf/d per 1,000m of horizontal section.

Amungee Background

- Located in Exploration Permit 98, approximately 60 kilometres east of Daly Waters, just south of the Carpentaria Highway.
- It was the first horizontal well to be drilled and first well to be fracked with Falcon's JV partner and operator, Origin.
- In November 2015, the JV successfully drilled the well to a total measured depth of 3,808m, including a 1,100m horizontal section.
- In September 2016, 11 hydraulic stimulation stages were completed along the horizontal section in the Middle Velkerri B shale zone.
- In December 2016, a 57-day extended production test ("**EPT**") was completed, with production averaging 1.10 MMscf/d.
- In February 2017, the Results of Evaluation of the Discovery and Preliminary Estimate of Petroleum in Place were published for the Velkerri B Shale Gas Pool, confirming a gross contingent resource of 6.6 TCF, 1.46 TCF net to Falcon, full details are contained in Falcon's AIF.

Details of Amungee Testing

- The well was successfully put back on production testing on 7 August 2021.
- Initial flow rates during the first 48 hours of testing ranged between 2 - 4 MMscf/d with rates averaging 1.23 MMscf/d over the first 23 days.
- A production logging tool ("**PLT**") was run on 19 August 2021 to 3,098 metres measured depth ("**mMD**"), just prior to the casing deformation at 3,112mMD.
- The PLT data confirmed that:
  - Only 5-15% of the production came from stages 1-7 beyond the casing deformation point at 3,112 mMD.
  - 85-95 % of the production came from stages 8-11 spanning a 200m horizontal section, prior to the casing deformation.
- The low contribution from stages 1-7 is likely the result of a restriction caused by the casing deformation or the plugs having not milled out, or both.
- Conclusion: stages 8-11 may be representative of the deliverability that can be achieved within the Middle Velkerri B Shale at Amungee.
- The PLT test results equate to a normalised gas flow rate of between 5.2-5.8 MMscf/d per 1,000m of horizontal section.
- A typical future production well would be likely to have a horizontal production section up to three kilometres**.**
- The result validates the decision to undertake a second EPT in order to run a PLT.

On **14 September 2021** it was announced that operations had resumed at Kyalla 117 and it was further noted on **7 October 2021** that production testing was completed and the well shut in. As noted on 20 July, while Kyalla 117 flowed liquids-rich gas without assistance for intermittent periods, production was not sustained and there were indications of a potential downhole flow restriction.

On 14 September, coil tubing operations recommenced at Kyalla 117. No apparent restriction or blockage was identified in the production casing. Following a nitrogen lift, the well was able to flow unassisted at rates of between 0 (i.e. rates too small to measure) and 1.5 MMcsf/d for five days before loading up with water. Gas compositions data were not yet available, but gas specific gravity data is similar to that measured during the previous phase of testing. Trace condensate was also observed.

Further analysis will be undertaken, including additional core analysis and well design considerations, to enable a conclusion to be reached on the results from operations at Kyalla 117, which will inform the future approach to further drilling and testing of the Kyalla play.

The purpose of the exploration campaign was to collect data across the three primary plays within the permits: Velkerri dry gas, Velkerri liquids rich, and Kyalla liquids rich. Despite the challenges, the Kyalla remains a viable target within the Beetaloo. Kyalla 117 was the first horizontal well targeting the Kyalla and achieved its primary technical objective of demonstrating liquids rich gas flow potential of the Kyalla.

On **15 October 2021** Falcon announced that drilling of Velkerri 76 was complete, with the well drilled to a vertical total depth of 2,129 metres.

Preliminary evaluation of the Velkerri-76 well was very encouraging and confirmed:

- the presence of four prospective intervals within the Amungee Member (formerly known as the Middle Velkerri), the A, AB, B and C shales, as established in the Amungee NW-1 / 1H, Beetaloo W-1 and Kalala S-1 wells;
- the continuation of the regionally pervasive Amungee Member within the Velkerri Formation towards the eastern flank of the Beetaloo Sub-Basin approximately 78 kilometres from the Amungee NW-1H and 73 kilometres from the Beetaloo W-1 wells; and
- the Amungee Member is likely within the wet gas maturity window as evidenced by mud gas data during drilling.

93 metres of continuous conventional core was acquired in the Velkerri B and AB shales and extensive wireline logging data was collected to enable detailed formation evaluation of the prospective zones within the Amungee Member. A diagnostic fracture injection test (DFIT) will provide further understanding for future appraisal of the Velkerri wet gas play.

On **12 November 2021** Falcon provided details on the preliminary petrophysical interpretation and mud gas composition data from the Velkerri 76.

The preliminary petrophysical interpretation of the Velkerri-76 wireline logs has been carried out, which has confirmed positive indications in particular from the B shale of the Amungee Member. Other intervals within the Amungee Member, also show positive indications, and further analysis would be undertaken to confirm these results.

The Amungee Member B shale was the principal area of focus with Falcon's operations at Amungee NW-1H and the results obtained to date compare very favourably to some of the most commercially successful shale plays in North America. The Amungee Member B shale is also the focus of activities in the neighbouring Santos and Empire Resources operated blocks.

Mud gas composition data also provides evidence that the Amungee Member is within the wet gas maturity window and contains good liquefied petroleum gas yields and high heating gas value.

Key information with respect to the preliminary petrophysics and mud gas composition of the Amungee Member B shale are included in the table below:

	Amungee Member B Shale
Gross thickness (metres)	53.9
Total Porosity Ave. (%BV)	7.7
Total organic carbon Ave. (TOC, %wt)	4.3
C1 (mol%)	79.65
C2 (mol%)	16.49
C3+ (mol%)	3.86

(C_1 methane, C_2 ethane, C_{3+} Propane and heavier constituents of natural gas, %BV percentage of bulk rock volume, %wt weight percent)

The results of preliminary petrophysical interpretation confirmed:

- The prospectivity of the Amungee Member B shale.
- Reservoir quality of the B shale (TOC, porosity and gross thickness) compares strongly with commercial shale plays in the United States.
- The Velkerri 76 S2-1 well provides yet another robust data point for the joint venture to consider various commercialization options across its permits.

Additional analysis of the conventional core acquired during the drilling of Velkerri 76 will be required to confirm the preliminary petrophysics interpretation outlined above and will take place over the coming months.

Laboratory analysis of gas samples collected during drilling will be carried out to further refine gas composition data within the Amungee Member shale intervals.

On **25 January 2022** Falcon provided details of the planned Stage 3 work programme which included the drilling, fracture stimulation and extended production test of two horizontal wells.

Stage 3 Planned Work Programme includes:

- acquisition of 40 km^2 of 3D seismic survey on the Amungee NW-1H well lease area;
- drilling two 2,000+ metre horizontal wells on the Amungee NW-1H pad, targeting the Amungee Member (formerly knowns as the Middle Velkerri) B Shale;
- fracture stimulation of both horizontal wells;
- extended production testing of between 90 and 180 days on each well;
- follow up core and log analysis of the very encouraging preliminary evaluation of the 2021 Velkerri 76 well results; and
- further evaluation of the results of the Kyalla 117 to better understand the issues encountered during testing in 2021.

Stage 3 Drilling and 3D Programme Objectives

- The acquisition and interpretation of 3D seismic will be used to:
  - plan the drilling of the 2022 wells and any future horizontal wells in the area;
  - optimise horizontal well trajectories; and
  - assess the viability of future 3D surveys in the Basin.
- The two horizontal wells are being designed to:
  - demonstrate scalability of the Amungee NW-1H results over longer laterals; and
  - establish operational and cost efficiencies by drilling more than one well from the same pad.

On **04 May 2022** Falcon announced that following discussions with Origin, in order to maximise the impact of Stage 3 operations the joint venture had agreed to modify the Stage 3 programme announced previously, to include a step out location for one well.

Stage 3 Planned Work Programme includes:

- Acquisition of a 58km line of high spec 2D seismic on the Amungee NW-1H well lease area;
- Drilling one ~1,000 metre horizontal well on the Amungee NW-1H pad, targeting the Amungee Member (formerly knowns as the Middle Velkerri) B Shale;
- Step out location approximately 10km from the Amungee NW-1H pad, drilling a vertical pilot and a ~1,000 metre horizontal well also targeting the Amungee Member B shale;
- 15 stage fracture stimulation on both horizontal wells;
- Extended production testing of between 90 and 180 days on each well;
- As previously announced there will also be:
  - follow up core and log analysis of the very encouraging preliminary evaluation of the 2021 Velkerri 76 well results; and
  - further evaluation of the results of the Kyalla 117 N2-1H well to better understand the issues encountered during testing in 2021.

Stage 3 Drilling and 3D Programme Objectives:

- The primary objective of the two wells is to:
  - Obtain a production rate over the first 30 days of between 2-3 MMscf/d to support a multi-well pilot programme in 2023/24.

- Secondary objectives for the Stage 3 programme are to:
  - Achieve a drill duration of less than 45 days;
  - Characterise natural fracture network and complexity; and
  - Integrate well data with seismic data and assess merits of future 3D seismic surveys in the Beetaloo.

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 on page 20.

Makó Trough, Hungary

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. 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 Máko Trough. For further details on the Makó Trough, please refer to the AIF on page 21.

Alberta, Canada

For the period ended 31 March 2022, Falcon earned $0 (2021: $2,000) in revenue from its Alberta, non-operating working interests (the "Hackett Interest") in three producing natural gas wells. On 22 February 2021 it was announced that Falcon had agreed to assign its working interest in three gross producing wells and one gross shut-in well and associated infrastructure in Alberta, to a large Canadian-based company. Under the terms of the assignment, Falcon agreed to pay a total of CAD$37,000 to cover its net working interest share of the abandonment and reclamation obligations of the wells and associated infrastructure.

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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 months ended 31 March 2022 and 2021 and, the audited consolidated financial statements for the years ended 31 December 2021 and 2020.

Management's Discussion and Analysis of financial condition and results of operations for the three months ended 31 March 2022 as compared to the three months ended 31 March 2021

The Company reported a net loss of $750,000 for the three months ended 31 March 2022 as compared to a net loss of $1.3 million for the three months ended 31 March 2021. Changes between 2022 and 2021 were as follows:

	Three months ended 31 March		**Changes**	
	2022	**2021**		
	$'000	**$'000**	**$'000**	**%**
Revenue				
Oil and natural gas revenue	**-**	2	(2)	-100%
	-	2	(2)	-100%
Expenses				
Exploration and evaluation expenses	**(40)**	(40)	-	0%
General and administrative expenses	**(472)**	(466)	(6)	1%
Share based compensation	**(136)**	(565)	429	-76%
Foreign exchange loss	**(45)**	(155)	110	-71%
	(693)	(1,226)	533	-43%
Results from operating activities	**(693)**	(1,224)	531	-43%
Finance expense				
Interest income on bank deposits	**3**	1	2	200%
Accretion of decommission provisions	**(59)**	(59)	-	0%
Net foreign exchange loss	**(1)**	(8)	7	-88%
	(57)	(66)	9	-14%
Loss and comprehensive loss	**(750)**	(1,290)	540	-42%

Loss and comprehensive loss attributable to:

Equity holders of the company	**(750)**	(1,289)	539	-42%
Non-controlling interest	**-**	(1)	1	-100%
Loss and comprehensive loss	**(750)**	(1,290)	540	-42%

Oil and natural gas revenue
There is no oil and natural gas revenue in 2022 (2021: $2,000). Revenue consisted of the sale of natural gas from the Hackett Interest in Alberta, Canada. On 22 February 2021 it was announced that Falcon had agreed to assign its working interest in three gross producing wells and one gross shut-in well and associated infrastructure in Alberta, to a large Canadian-based company. Under the terms of the assignment, Falcon agreed to pay a total of CAD$37,000 to cover its net working interest share of the abandonment and reclamation obligations of the wells and associated infrastructure.

Exploration and evaluation expenses

	Three months ended 31 March		**Change**	
	2022	**2021**		
	$'000	**$'000**	**$'000**	**%**
Consulting, legal and other associated costs	**(8)**	(8)	-	0%
Well related costs	**(32)**	(32)	-	0%
	(40)	(40)	-	0%

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. Costs remained constant period on period.

General and administrative expenses

	Three months ended 31 March		**Change**	
	2022	**2021**		
	$'000	**$'000**	**$'000**	**%**
Accounting and audit fees	**(42)**	(48)	6	-13%
Consulting fees	**(13)**	(11)	(2)	18%
Legal fees	**(9)**	(7)	(2)	29%
Investor relations	**(69)**	(39)	(30)	77%
Office and administrative costs	**(39)**	(70)	31	-44%
Payroll and related costs	**(234)**	(239)	5	-2%
Directors' fees	**(57)**	(51)	(6)	12%
Travel and promotion	**(9)**	(1)	(8)	800%
	(472)	(466)	(6)	1%

General and administrative expenses increased marginally to $472,000 in 2022 from $466,000 in 2021. The main changes were as follows:

- Accounting and audit fees: Ad hoc tax advisory costs incurred in 2021 were not required in 2022 resulting in the decrease period on period.
- Consulting and legal fees: There were marginal increases to both consulting and legal fees in the period relative to the same three months in 2021.
- Investor relations: One of the main focuses of the Group's management is to actively engage with its shareholders and investors. Increases period on period is predominately attributable to the appointment of communications advisor n the latter half of 2021, with no similar costs in the period to March 2021..
- Office and administrative expenses have decreased primarily due to insurance premiums not being renewed for 2021-2022 period due to very challenging market conditions.
- Travel and promotion costs have increased due to the resumption of business travel following the easing of COVID-19 travel restrictions.

Share based compensation
The share based compensation expense incurred for the three months to 31 March 2022 was $136,000 and for comparative period in 2021 was $565,000. The 2022 charge relates to the options granted in February and September 2021. 38 million share options were granted on 18 February 2021, 21.5 million options at an exercise price of GBP£0.08 and the remaining 16.5 million options at an exercise price of GBP£0.12, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 18 February 2023. The options have an expiry date of 17 February 2026.

In September 2021 there was additional 3 million stock options granted at an exercise price of GBP£0.10, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 9 September 2023. The options have an expiry date of 9 September 2026. The decrease period on period is given the charge associated with one third of the 38 million shares granted in February 2021 vesting immediately.

Foreign exchange loss
The foreign exchange loss recorded in operating expenses for the three months ended 31 March 2022 is attributed to unfavorable movements to the US Dollar since 31 December 2021. Similarly, there were unfavorable movements to the US Dollar in the same three-month period in 2021.

Finance expense
The favourable variance in finance expenses for 2022 relative to the same period in 2021 is predominantly related to movement in the foreign exchange loss to the US dollar period on period.

Loss attributable to non-controlling interest
The amounts reflected in 2022 and 2021 represent Falcon Australia's losses attributable to shareholders other than Falcon.

Cash flow

	Three months ended 31 March	
	2022	2021
	$'000	$'000
Net cash used in operating activities	**(569)**	(550)
Net cash (used in) / generated by investing activities	**(26)**	1
Change in cash and cash equivalents	**(595)**	(549)
Effect of exchange rates on cash & cash equivalents	**2**	(5)
Cash and cash equivalents at beginning of period	**8,894**	11,036
Cash and cash on equivalents at end of period	**8,301**	10,482

Cash and cash equivalents have decreased by $2.2 million to $8.3 million in 2022 from $10.5 million in 2021. The main period on period changes were as follows:

- Net cash used in operating activities: The increase is due to the timing of payments and operational costs for certain activities in 2022.
- Net cash (used in) / generated by investing activities: The 2021 movement relates solely to interest income in the period whereas 2022 movement relates to movement in exploration and evaluation assets in the period offset by interest income received.

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 June 2021**	**30 September 2021**	**31 December 2021**	**31 March 2022**
Revenue	-	-	-	-
Loss	(693)	(842)	(1,871)	(750)
Loss attributable to common shareholders	(693)	(841)	(1,870)	(750)
Loss per share-basic and diluted (cent)	(0.001)	(0.001)	(0.002)	(0.001)

For the three months ended:	**30 June 2020**	**30 September 2020**	**31 December 2020**	**31 March 2021**
Revenue	1	1	2	2
Income / (loss)	199	(146)	(442)	(1,290)
Income / (loss) attributable to common shareholders	183	(150)	(442)	(1,289)
Income / (loss) per share-basic and diluted (cent)	0.000	(0.000)	(0.000)	(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.

Quarter 2 2020

Exploration and evaluation **("E&E")** expenses 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.

General and administrative ("**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.

Quarter 3 2020

The main movement for quarter 3 related to favourable movements against the US Dollar. Similar to quarter 2 2020 there was no loss or gain on the warrant given it expired in January 2020.

Quarter 4 2020

The main contributor to costs for quarter 4 2020 were general and administrative ("**G&A**") expenses, these costs remained relatively constant to the previous quarter with nothing of significance to note.

Quarter 1 2021

The main contributor to cost increases for quarter 1 2021 was the share-based compensation expense resulting from the grant of 38 million share options in February 2021. G&A costs have increased on the same period in 2020 while foreign exchange losses have reduced on the three months to March 2020.

Quarter 2 2021

G&A expenses were the main cost for Q2 2021, which have reduced on the same period in 2020 due to reduced payroll costs. 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.

Quarter 3 2021

Similar to Q2 2021 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 shares in September 2021.

For further details of 2021 updates please refer to the Beetaloo Sub-basin, Northern Territory, section of this document.

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 shares in September 2021.

Quarter 1 2022

G&A costs have remained relatively constant year on year, 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.

For further details of 2021/2022 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). On 31 March 2022 Falcon announced it had received a subscription from Sheffield for a US$10 million private placement. Details of both placements are included on pages 19 - 20.

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LIQUIDITY AND CAPITAL RESOURCES

Going Concern

For the year ended 31 December 2021, the Group incurred losses of $4.7 million, had operating cash outflows of $2 million, and a deficit of $399.9 million. For the three months ended 31 March 2022, the Group incurred losses of $0.75 million, had operating cash outflows of $0.6 million and had a deficit of $400.6 million.

As at 31 March 2022 the Group had cash and cash equivalents of $8.3 million which is sufficient to cover ongoing operating costs for the next 12 months from the date of this document. In April 2020 Falcon Australia agreed to farm down 7.5% of its participating interest in the Exploration Permits to Origin, following the transaction, Falcon Australia holds a 22.5% participating interest ("**PI**"). In consideration for the farm down the Stage 2 and Stage 3 gross cost caps were combined and increased by A$150.5 million to A$263.8 million, with costs above this cost cap to be borne by Falcon and Origin in proportion to their PI. Northern Territory government approval remains outstanding; however, management expects this will be received in due course. It is further noted that Falcon completed an equity raise of US$10million, details of which were announced on 31 March 2022. The Stage 2 work programme carried out during 2021 included operations at Kyalla 117 N2-1H ST2, Amungee NW-1H and Velkerri 76 S2-1. Results from Stage 2 have determined the focus of the Stage 3 programme. From the date of this MD&A the remaining cost cap coupled with the cash on hand are sufficient to cover estimated committed costs under Stage 3 and other general operating costs for twelve months from the date of this document. Costs incurred beyond this period and beyond the Stage 3 phase of the work programme would require further funding.

The Directors and Management are confident that the further funding required beyond the twelve months can be raised through either an equity raise or debt funding. As at the date of this document, funding requirements beyond twelve months have not been determined, no such further funding has been raised and there can be no certainty that sufficient funds can be raised if required. Whilst this represents an uncertainty, given the timeframe to raise these funds and the Group's history of achieving this, this is not considered a material uncertainty. Management note if sufficient funding was not raised during that period beyond 12 months and commitments under future exploration phases not met, then this could impact the Group's future participation in the underlying assets and, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The interim financial statements for the three months ended 31 March 2022 and 2021 do not include adjustments that would result if the Group was unable to continue as a going concern. Having given due consideration to the cash requirements of the Group, the Board 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 this MD&A . For this reason, the Board continues to adopt the going concern basis in preparing its 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 31 March 2022 were $8.3 million, with movement of $0.6 million from $8.9 million as at 31 December 2021. Working capital at 31 March 2022 decreased to $8 million from working capital of $8.6 million as at 31 December 2021.

The decrease to cash and cash equivalents was predominantly the result of cash used in operating activities of $0.6 million.

Accounts Receivable

Current accounts receivable as at 31 March 2022 were $0.2 million, which includes $0.02 million receivable and prepayments of $0.18 million.

Accounts Payables and Accrued Expenses

Accounts payable and accrued expenses as at 31 March 2022 were $0.5 million which includes $0.1 million for accounts payable and $0.4 million accrued expenditures.

Capital Expenditures

For the period ended 31 March 2022 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.

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 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 11.

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. Northern Territory government approval remains outstanding; however, management expects this will be received in due course. 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.

The latest updates on the 2021 work programme are included on pages 8-11.

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 31 March 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 of four horizontal wells in the Beetaloo Sub-basin, Australia.

On 31 March 2022 Falcon announced it had received a subscription from Sheffield for a US$10 million private placement through the issue of 62,500,000 Common Shares at a price of CAD$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 US$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 CAD$0.20 per share to Sheffield Holdings LP for gross proceeds of US$10 million pursuant to the private placement announced on 31 March 2022.

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 31 March 2022 and 18 May 2022:

Class of securities	31 March 2022	18 May 2022
Common shares[i]	981,847,425	1,044,347,425
Stock options[2]	41,000,000	41,000,000
Fully diluted common shares	1,022,847,425	1,085,347,425

[1] On 31 March 2022 Falcon announced it had received a subscription from Sheffield for a US$10 million private placement through the issue of 62,500,000 Common Shares at a price of CAD$0.20 per share. The Company's total issued share capital following admission was 1,044,347,425 Common Shares.

[2] 6,000,000 stock options with an exercise price of CDN$0.20 were not exercised and expired on 21 February 2022. On 18 February 2021 38,000,000 stock options were granted, 21,500,000 at an exercise price of GBP£0.08 and 16,500,000 at an exercise price of GBP£0.12. On 10 September 2021 3,000,000 stock options were granted at an exercise price of GBP£0.10.

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 31 March 2022 or 31 December 2021. The Group has not entered into any contract for "other instruments" during 2022. The Group has no "other instruments" as at 31 March 2022 or 31 December 2021.

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 2021 (pages 10 to 16) as filed on the Canadian Securities Administrator's System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

There are no amended accounting standards or new accounting standards that have any significant impact on the 31 March 2022 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 2022.

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 2021 and 2020.

COVID-19 PANDEMIC

On 11 March 2020, the World Health Organization ("WHO") characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The Company has taken steps to ensure the health and safety of employees and that all safety guidelines as established by health authorities are met. On 26 March 2020 given the unprecedented circumstances brought about by COVID-19, the joint venture decided to temporarily pause activities in the Beetaloo Sub-basin, with the resumption of activities at Kyalla 117 in September 2020, full details are included in the Company's AIF.

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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