Falcon Oil & Gas Ltd.

Form 51-102F1
Management's Discussion & Analysis
For the Three and Nine Months Ended 30 September 2024

(Presented in U.S. Dollars)

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INTRODUCTION

The following management's discussion and analysis (the "**MD&A**") was prepared as at 27 November 2024 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 nine months ended 30 September 2024. This MD&A should be read in conjunction with the unaudited interim financial statements for the three and nine months ended 30 September 2024 and 2023 and the audited consolidated financial statements and MD&A for the years ended 31 December 2023 and 2022.

The Company's independent auditors have not performed a review on the unaudited interim financial statements for the three and nine months ended 30 September 2024 and 2023.

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 ("**2023 AIF**") for the year ended 31 December 2023, dated 25 April 2024 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.

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: the 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, Australia; the objectives of the wells to be drilled in the Beetaloo Sub-basin; information relating to drilling operations at the Shenandoah South 1H ("**SS1H**") well, Shenandoah S2-2H ("**SS2H**") well, Shenandoah S2-2H ST1 sidetrack ("**SS2H ST1**") well and Shenandoah S2-4H ("**SS4H**") well; the belief by the Beetaloo Joint Venture partners ("**BJV**") of Falcon and Tamboran (B2) Pty Limited ("**Tamboran B2**") that the SS1H 30-day initial production ("**IP30**"), 60-day initial production ("**IP60**") and 90-day initial production ("**IP90**") results are above the commercial threshold required to progress development plans for the proposed 40 million cubic feet per day (**"MMcf/d**") stimulation campaign of six wells at the Shenandoah South location subject to funding and key approvals; the plan for two wells to be drilled in 2024 and four wells to be drilled in 2025, collectively knowns as the Shenandoah South Pilot Project ("**Pilot Project**"); the planned stimulation of the SS2H ST1 and SS4H and the respective number of stages; the geological rock properties in the region indicative of favourable well performance with potential to result in long-term, low-declining gas production, this region being one of the best locations in the Beetaloo Sub-basin to commence Pilot Project development activities, the project expecting to require six 10,000-foot development wells initially to achieve plateau production of 40 MMcf/d; the increased efficiency and performance of the Liberty fleet resulting in a material increase in the completed stages per day and optimised gas flows for SS2H, SS2H ST1 and SS4H wells, each well expecting to be drilled in 30 days, initial flow test results from each well expected in Q1 2025 and the targeting of first gas in H1 2026, funding for drilling of all of the wells in the program and evaluation of opportunities to support funding the remaining capital commitments to reach first production, including issuance of equity and/or debt, evaluation of pre-payment for gas from the proposed Pilot Project and potential farm-down opportunities; signing of a Binding Agreement for a long term Gas Sales Agreement to supply the Northern Territory, conditional on entering a binding Gas Transportation Agreement and Gas Processing Agreement and reaching a Final Investment Decision ("**FID**") on upstream drilling activity and the plan for first gas flow in H1 2026; potential development of and production from Beetaloo West; 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 prospectivity of the Amungee Member/Middle Velkerri play, anticipated production rates, limited proration units on sole risk operations providing future participation optionality and future sole risk operations; 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 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 2023 AIF.

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, 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 Energy B2 Pty Ltd's ("**Origin**") employee and a Qualified Reserves and Resources Evaluator effective as of February 15, 2017, please refer to Falcon's 2023 AIF, 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 September 2024 of the Company's interest in Australia is $50.7 million, while the Hungarian asset is nil due to a determination in 2014 that the estimated recoverable amount was insufficient to cover the carrying value of the asset. For the South African interest, costs associated with the technical cooperation permit are expensed as incurred.

Falcon is incorporated in British Columbia, Canada and headquartered in Dublin, Ireland with a technical team based in Budapest, Hungary. Falcon's Common Shares are traded on Toronto's TSX Venture Exchange ("**TSX-V**") (symbol: FO.V); and AIM, a market operated by the London Stock Exchange (symbol: FOG).

Summary of Operations

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

Assets (Country)	**Interest (%)**	**Operator**	**Status**	**Gross Area (km^2)**
Exploration Permit EP-76 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Tamboran B2[(iii)]	Exploration	1,891.3
Exploration Permit EP-98 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Tamboran B2[(iii)]	Exploration	10,316.0
Exploration Permit EP-117 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5[(i)]	Tamboran B2[(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 EP76, EP98 and EP117 (collectively the "**Exploration Permits**"). The remaining 1.9% interest of Falcon Australia is held by others. Renewal applications for EP76 and EP117 were submitted in September 2022 ahead of the end of the five year term which expired in December 2022, a further renewal application for EP98 was submitted in March 2023 ahead of the five year term expiring in June 2023. Both renewal applications have been approved by the Northern Territory Government. The permits are currently in year 2 with a permit year end 31 May 2028. On 25 March 2024 Falcon announced that Falcon Australia had elected to reduce its working interest in the proposed Pilot Project from 22.5% to 5%, for details please refer to page 9.

(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 in the Company's 2023 AIF. Tamboran B2 were 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 ORRIs were submitted for registration to the Northern Territory Government, Australia and were approved.

On **18 April 2024** Falcon announced that Falcon Australia had agreed to grant Daly Waters Energy, LP ("**Daly Waters**") and a major US-based energy industry service provider an ORRI over Falcon Australia's working interests in the Beetaloo Sub-basin Exploration Permits in return for cash payments of $3 million and $1 million respectively. These changes to the ORRIs were submitted for registration to the Northern Territory Government, Australia and were approved.

Falcon Australia agreed to grant:

- to Daly Waters, in consideration for a cash payment of $3 million, an ORRI of 6.0% in respect of the area around the Pilot Project development, measuring ~51,200 acres, in which Falcon Australia has a 5% working interest, and an ORRI of 1.3333% in respect of the remaining 4.52 million acres; and
- to a major US-based energy services provider, in consideration for a cash payment of $1 million, an ORRI of 2% in respect of the area around the Pilot Project development, measuring ~51,200 acres, and an ORRI of 0.4444% in respect of the remaining 4.52 million acres.

Transformational Farm Out of Beetaloo unconventional acreage & Discoveries and Prospectivity

For details on the farm in and the discoveries and prospectivity please refer to the Company's 2023 AIF.

Current Activity

For details relating to the SS1H well up to December 2023 please refer to the Company's 2023 AIF.

On **29 January 2024** Falcon announced the commencement of the IP30 testing at the SS1H well in EP117. Following the completion of the 10-stage stimulation program announced on 7 December 2023 and the subsequent successful installation of production tubing, the SS1H well was opened to allow sufficient flow back of stimulation fluid ahead of commencing the IP30 test. For normal operational reasons, the SS1H well was shut-in for a three week soak period and was successfully re-opened on 25 January 2024. The aim of soaking was to allow for sufficient stimulation fluid to be absorbed by the shale, increasing the relative permeability to gas of the formation and enhancing future production performance.

On **26 February 2024** Falcon announced that the SS1H well in EP117 achieved commercial IP30 flow rate of 3.2 MMcf/d (normalised to 6.4 MMcf/d over 1,000 metres), significantly higher than pre-drill expectations. Details were as follows:

- The SS1H well in EP117 achieved an average IP30 flow rate of 3.2 MMcf/d over the 1,644-foot (501 metres), 10 stage stimulated length within the Amungee Member B-Shale, normalised to 6.4 MMcf/d over 3,281-feet (1,000 metres).
- Results from the SS1H well significantly exceeded pre-drill expectations and achieved what Falcon and its partners believe to be above the commercial threshold required to progress the Beetaloo to Pilot Project development during 2024.
- Exit rate trajectory after the 30 days of flow testing showed a steady low declining curve at 2.9 MMcf/d over the stimulated length (normalised at 5.8 MMcf/d per 3,281 feet) and stable reservoir back pressure of 575 pounds per square inch ("**psi**").
- The IP30 flow test extrapolates to ~19.5 MMcf/d for proposed future 10,000-foot (3,000 metres) development wells, in line with some of the highest flow rates achieved in the US Marcellus shale.
- The geological rock properties at SS1H, indicative of favourable well performance, met or exceed that of the US Marcellus shale, including reservoir pressure, effective porosity and gas-in-place. This creates the potential to result in long-term, low decline gas production, ultimately leading to very significant estimated ultimate recovery per well ("**EUR**").
- Flow testing of the SS1H well to achieve average IP90 flow rates will better determine the well's EUR.

Shenandoah South 1H flow results

The SS1H well in permit EP117 successfully achieved IP30 flow rates following the 10-stage stimulation program within the bottom 501 metres (1,644 ft) of the 1,020-metre (3,346 ft) lateral section in the Amungee Member B-Shale (depth of c.9,957 ft). The fracture stages had an average interval spacing of 50 metre (164 ft) and the average proppant concentrations of 2,212 lbs/ft across the 10 main stages with a total of over 3.5 million pounds of sand placed.

Testing was carried out following the installation of production tubing and a three-week soaking period to allow for water used in the stimulation process to be absorbed by the shale. The soaking aims to increase the relative permeability to gas of the formation and enhance production performance.

During the initial draw down period from 25 January to 8 February 2024 (13.3 days) the choke was opened from 16/64 to 40/64 over staged intervals resulting in gas rates from 12.9 MMcf/d to 3.0 MMcf/d, with flowing wellhead pressures drawn down from 4,611 to 792 psi. During the subsequent flowing period from 08 Feb – 24 Feb (16.7 days) the choke was opened up to 43/64 at the beginning of the period, resulting in gas rates from 3.3 to 2.9 MMcf/d, with an average of 3.0 MMcf/d with flowing wellhead pressures drawn down from 792 to 578 psi. Total cumulative gas production during the IP30 test was 92.2 MMcf.

The well achieved an IP30 flow rate of 3.2 MMcf/d over the 501 metres (1,644 ft), normalised to 6.4 MMcf/d over 1,000 metres (3,481 ft), and 19.5 MMcf/d over 3,048 metres (10,000 ft) significantly exceeding Falcon's normalised pre-drill expectations and Falcon's estimated Beetaloo Sub-basin commerciality threshold.

Table 1: Breakdown of the SS1H IP30 flow result

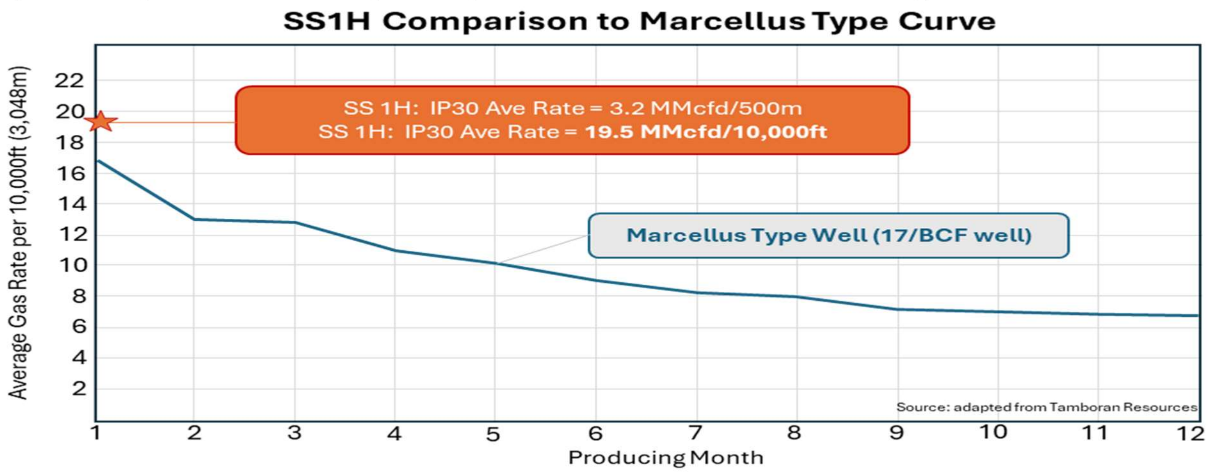
SS1H Rates (MMcf/d)	**Actual (501m; 1,644 ft)**	**Normalized (1,000m; 3,281 ft)**	**Normalized (3,048m; 10,000 ft)**
Average IP30 flow rate	3.2	6.4	19.5
Peak rate	12.9	N/A	N/A
IP30 exit rate	2.9	5.8	18.3

Source: Company Data

The SS1H has demonstrated that the geological rock properties, indicative of favourable well performance, met or exceed the US Marcellus shale (including reservoir pressure, effective porosity and gas in place). The analysis of the gas recovered at SS1H confirms that it is Dry Gas with the following composition (mole %): Methane 91.7, Ethane 2.8 and CO_2 3.4. Flow testing has demonstrated pore pressure gradient of ~0.6 psi/ft, resulting in higher reservoir pressure at Shenandoah compared to all other Basin wells.

The SS1H IP30 flow rate delivered the highest normalised rates achieved in the Beetaloo Sub-basin to date, exceeding the previous normalised IP30 record achieved by the Tanumbirini 3H well in the Santos-operated EP161 acreage in 2022. The SS1H result continues to demonstrate that the deepest regions of the basin have the most consistent geology and deliver the highest flow rates and recoverable volumes. The SS1H IP30 flow rate extrapolated over 10,000 ft (3,048m) of 19.5 MMcf/d compares very favourably with the average US Marcellus Type Well (figure 1).

Figure 1: Comparison of SS1H flow potential performance to the US Marcellus Shale Type Well



Pilot Development Program
The results from the SS1H well give the BJV confidence to progress to the proposed 40 MMcf/d Pilot Project (9 MMcf/d net Falcon) in the Shenandoah South region. The BJV is targeting first production from the project in H1 2026, which is expected to deliver volumes into the Northern Territory gas market over a 10-year plateau period, subject to completion of a binding Gas Sales Agreement, funding and key stakeholder approvals.

The program is expected to include six development wells drilled to 10,000 feet to achieve plateau production, the construction of the 40 MMcf/d Sturt Plateau Compression Facility and the 35-kilometre Sturt Plateau Pipeline connecting the Sturt Plateau Compression Facility to the APA-owned Amadeus Gas Pipeline. Additional wells will be required over the project life, which are expected to be funded from future project cash flow.

Liberty Energy Inc (NYSE: LBRT), a leading North American energy services firm with significant operational and subsurface engineering expertise, plans to import a modern frac fleet into the Beetaloo Sub-basin in 2024 to support the stimulation campaign. Liberty plans to dedicate a frac fleet and crew to the Beetaloo to reduce any potential for delays in mobilising equipment to site and increasing completion efficiencies while reducing costs of future stimulation programs. Liberty's presence in the Beetaloo Sub-basin follows on from the previously announced similar arrangement with H&P, the largest drilling solutions provider in the US, whereby H&P imported a 2,000 H&P rig into the Beetaloo. It is expected to support a material reduction in drilling times and costs.

On **25 March 2024** Falcon announced that Falcon Australia had elected to reduce its working interest in the proposed Pilot Project from 22.5% to 5%, with the two wells in the 2024 drilling program creating two new DSU's totalling 51,200 acres. This optimises Falcon Australia's interest in the Beetaloo, since Falcon Australia will only have to pay for 5% of the costs of the two wells to be drilled in 2024 but will still retain a 10% working interest in the enlarged area of circa 72,000 acres around the Pilot Project and a 22.5% working interest in the remaining 4.52 million acres.

On **26 March 2024** Falcon announced that the SS1H well achieved above commercial IP60 flow rate of 3.0 MMcf/d (normalised to 6.0 MMcf/d over 1,000 metres). Details were as follows:

- The SS1H well achieved an average IP60 flow rate of 3.0 MMcf/d over the 1,644-foot (501 metres), 10 stage stimulated length, normalised to 6.0 MMcf/d over 3,281-feet (1,000 metres).
- Exit rate trajectory after the 60 days of flow testing showed a steady low declining curve at 2.76 MMcf/d over the stimulated length (normalised at 5.52 MMcf/d per 3,281 feet) and stable reservoir back pressure of 530 psi.
- The SS1H IP60 flow test indicates that future development wells with lateral length of 10,000-foot (3,000 metres) may be capable of delivering average rates of 18.4 MMcf/d over the first 60 days of production.
- Results confirmed that this region measuring more than 1 million gross acres below 8,850 feet (2,700 metres) is one of the best locations in the Beetaloo Sub-basin to commence Pilot Project development activities.
- Flow testing of the SS1H well will continue for the next 30 days to achieve average IP90 flow rates to better determine the well's EUR.

- The BJV Partners will continue to progress development plans for the proposed 40 MMcf/d Pilot Project at the Shenandoah South location. The project is expected to require six 10,000-foot development wells initially to achieve plateau production of 40 MMcf/d. Drilling of the first of these wells was planned to commence in Q2 2024 and the BJV is targeting first gas in H1 2026.

SS1H Rates (MMcf/d)	**Actual (501m; 1,644 ft)**	**Normalized (1,000m; 3,281 ft)**	**Normalized (3,048m; 10,000 ft)**
Peak rate	12.9	N/A	N/A
Average IP30 flow rate	3.2	6.4	19.5
IP30 exit rate	2.9	5.8	17.6
Average IP60 flow rate	3.0	6.0	18.4
IP60 exit rate	2.8	5.5	16.8

Source: Tamboran B2

On **18 April 2024** Falcon announced that Falcon Australia had agreed to grant Daly Waters Energy, LP ("**Daly Waters**") and a major US-based energy industry service provider ORRIs over Falcon Australia's working interests in the Beetaloo Sub-basin Exploration Permits in return for cash payments of $3 million and $1 million, respectively, as further detailed below. These changes to the ORRI's were submitted for registration to the Northern Territory Government, Australia and were approved.

Falcon Australia agreed to grant:

- to Daly Waters, in consideration for a cash payment of $3 million, an ORRI of 6.0% in respect of the area around the Pilot Project development, measuring 51,200 acres, in which Falcon Australia has a 5% working interest, and an ORRI of 1.3333% in respect of the remaining 4.52 million acres; and
- to a major US-based energy services provider, in consideration for a cash payment of $1 million, an overriding royalty interest of 2% in respect of the area around the Pilot Project development, measuring 51,200 acres, and an ORRI of 0.4444% in respect of the remaining 4.52 million acres.

On **23 April 2024** Falcon announced that the BJV had signed a Binding Agreement for a long-term Gas Sales Agreement ("**GSA**") to supply the Northern Territory Government (Buyer) with 14.6 PJ (13.8 BCF) per annum from the proposed Shenandoah South Pilot Project for an initial term of nine years, with a Buyer's option to extend for a further six-and-a-half years.

Details of the Binding Agreement are as follows:

- Gas will be delivered to the APA-owned Amadeus Gas Pipeline on a take-or-pay basis at a market-competitive gas price, escalating at 100% of the Consumer Price Index. The Buyer's extension option is at a slightly discounted price.
- The Agreement is a binding supply commitment conditional on the BJV entering into a binding Gas Transportation Agreement with APA on the proposed Sturt Plateau Pipeline, a binding Gas Processing Agreement for the proposed Sturt Plateau Compression Facility, reaching an FID on upstream drilling activity and receiving all necessary approvals to proceed with these projects.
- The BJV is targeting FID on the proposed 40 TJ (38,000 MCF/D) per day upstream drilling program in mid-2024, subject to securing funding and key regulatory and stakeholder approvals. First gas flow is planned for H1 2026.
- Falcon Australia holds a 5% working interest in the 51,200-acre area that will include the wells required to deliver the proposed Pilot Project volumes.

On **26 April 2024** Falcon announced that the SS1H achieved above commercial IP90 flow rate of 2.9 MMcf/d (normalised to 5.8 MMcf/d over 1,000 metres). Details were as follows:

- The SS1H well in EP117 achieved an average IP90 flow rate of 2.9 MMcf/d over the 1,644-foot (501 metres), 10 stage stimulated length within the Amungee Member B-Shale, normalised to 5.8 MMcf/d over 3,281-feet (1,000 metres).
- On completion of the IP90 flow test, the well was delivering 2.7 MMcf/d, normalized to 5.4 MMcf/d over 3,281-feet (1,000 metres) at a pressure of 518 psi prior to being shut-in.
- The SS1H flow test indicates that future development wells with lateral lengths of 10,000 feet may be capable of delivering average rates of 17.8 MMcf/d over the first 90 days of production.

- The SS1H well has demonstrated steady gas flows and decline profiles in line with some of the most prolific regions of the Marcellus Shale in the US.
- The well was shut in and suspended as a potential future production well.
- The BJV will continue to undertake Front End Engineering and Design **("FEED**") studies on the proposed Shenandoah South Pilot Project. The Company expected to take FID subject to funding and key stakeholder approvals.
- The strong SS1H result has further validated the decision to progress with the Pilot Project in the Shenandoah South region within the deep shale in the Beetaloo West. The 1 million acres of deep shale in the Beetaloo West, at a similar depth to SS1H, has the potential to deliver the BJV's production ambition of 2 Bcf/d (equivalent to more than 13.0 million tonnes per annum of LNG export capacity) for 40 years from a single landing zone.

On **30 August 2024** Falcon announced the commencement of the 2024 drilling programme with the spudding of the SS2H horizontal well in EP98. Details were as follows:

- Following the drilling of the SS2H well, Tamboran B2 will immediately move to the SS4H well off the same well pad location ahead of the stimulation program.
- Both wells will be drilled with a H&P super-spec FlexRig® Flex 3 Rig and will include a horizontal section of approximately 3,000 metres and will target the Amungee Member B-shale at an estimated target depth of 3,020 metres. Each well is expected to be drilled in 30 days.
- The wells will be stimulated with up to 60 stages utilising the Liberty Energy modern frac fleet currently being mobilised from the US to Australia. The increased efficiency and performance of the Liberty fleet is expected to result in a material increase in the completed stages per day and optimised gas flows.
- Initial flow test results from each well are expected in Q1 2025. Once flow testing is complete, both wells will be suspended as future producers to supply the proposed 40 MMcf/d Shenandoah South Pilot Project, which is expected to commence production in H1 2026, subject to final stakeholder and regulatory approvals.
- The two well program will be the largest single campaign in the Beetaloo Sub-basin to date. An additional four well program is planned for 2025 which will complete the drilling for the proposed Shenandoah South Pilot Project that will supply 40 MMcf/d to the Northern Territory government.
- Falcon Australia will participate in both wells in the Shenandoah South Pilot Project at its elected participating interest of 5%.

On **12 November 2024** Falcon provided an update on the SS2H horizontal well in EP98. The SS2H well is located approximately 2.7 miles (4.3 kilometres) north of the previously flow tested SS1H well in EP117. Details were as follows:

- The SS2H well was successfully drilled to a total depth of 20,669 feet (6,300 metres) in 35 days, intersecting the Amungee B Shale as prognosed. This included a 9,843 foot (3,000 metre) horizontal section that was successfully geo-steered within the shale without the need for a pilot hole. Data from the SS2H well has demonstrated geological rock properties consistent with the SS1H location, with strong gas shows across the entire horizontal section and no observed faulting. When preparing to run production casing a downhole mechanical issue was unable to be remediated, which resulted in the SS2H well been plugged and sidetracked.
- The SS2H ST1 sidetrack well was at a depth of 16,201 feet (4,938 metres), and it was hoped that the drilling of the well would be completed in days.
- Following the drilling of the SS2H ST1 sidetrack well, the Helmerich & Payne rig would skid across the same pad in preparation for the drilling of the SS4H well, which is planned to be completed with a 10,000 foot (~3,000 metre) horizontal section.
- Liberty Energy's frac fleet was successfully mobilized to the Beetaloo Sub-basin ahead of the 120-stage stimulation campaign (60 stages each) for the SS2H ST1 and SS4H wells

On **18 November 2024** Falcon announced that the SS2H ST1 well had been cased and suspended at a total measured depth of 16,182 feet (4,932 metres). This included a 5,906-foot (1,800-metre) horizontal section within the Amungee Member B-Shale, of which ~5,577 feet (1,700 metres) is planned to be stimulated. Details were as follows:

- The decision to case and suspend SS2H ST1 well came following consultation with Tamboran B2 on the failure of a directional drilling tool while drilling the horizontal section. This decision avoided additional rig costs and enabled the immediate drilling of the SS4H well from the same well pad, which is planned to be drilled with a 10,000-foot (3,000 metre) horizontal section in the Amungee member B-Shale.

- Following the drilling of the SS4H well, Liberty Energy will complete multi-stage stimulations on the SS2H ST1 and SS4H wells. Stimulation of both wells is expected to commence in Q1 2025 with 30 day initial production flow rates expected in the same period.
- The successful stimulation of SS2H ST1 will create a drilling spacing unit of 20,480 acres.

On **25 November 2024** Falcon announced the spudding of the SS4H horizontal well in exploration permit 98. Details were as follows:

- SS4H is the second well of the Pilot Project and will be drilled from the same well pad as the SS2H ST1 using the H&P super-spec FlexRig® Flex 3 Rig.
- The SS4H well will include a horizontal section of approximately 10,000 feet, (3,000 metres) and will target the Amungee Member B-shale at an estimated target depth of 9,041 feet (2,756 metres).
- Following the drilling of the SS4H well, Liberty Energy will complete the stimulation of the SS2H ST1 and SS4H wells, with multi-stage stimulations planned at the respective wells. Stimulation of both wells is expected to commence in Q1 2025 with 30 day initial production flow rates expected in the same period.
- Falcon Australia will continue its participation in the Pilot Project at its elected participating interest of 5%.

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**"). Local counsel has confirmed that despite the TCP having an expiry date of October 2010, the Company's interests remain valid and enforceable. 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 2023 AIF on page 23.

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 2023 AIF on page 24.

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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 nine months ended 30 September 2024 and 2023 and, the audited consolidated financial statements for the year ended 31 December 2023 and 2022.

Management's Discussion and Analysis of financial condition and results of operations for the three months ended 30 September 2024 as compared to the three months ended 30 September 2023.

The Company reported a net loss of $0.24 million for the three months ended 30 September 2024 as compared to a net loss of $1.05 million for the three months ended 30 September 2023. Changes between 2024 and 2023 were as follows:

	Three months ended 30 September		**Changes**	
	2024	**2023**		
	$'000	**$'000**	**$'000**	**%**
Revenue				
Oil and natural gas revenue	**-**	-	-	-
	-	-	-	-
Expenses				
Exploration and evaluation expenses	**(44)**	(39)	(5)	13%
General and administrative expenses	**(523)**	(739)	216	-29%
Foreign exchange gain	**91**	38	53	139%
	(476)	(740)	264	-36%
Results from operating activities	**(476)**	(740)	264	-36%
Finance income / (expense)				
Interest income on bank deposits	**13**	43	-30	-70%
Accretion of decommission provisions	**(132)**	(176)	44	-25%
Net foreign exchange gain / (loss)	**352**	(176)	528	-300%
	233	(309)	542	-175%
Loss and comprehensive loss	**(243)**	(1,049)	806	-77%
Loss and comprehensive loss attributable to:				
Equity holders of the company	**(247)**	(1,046)	799	-76%
Non-controlling interest	**4**	(3)	7	-233%
Loss and comprehensive loss	**(243)**	(1,049)	806	-77%

Exploration and evaluation expenses

	Three months ended 30 September		Change	
	2024	2023		
	$'000	$'000	$'000	%
Consulting, legal and other associated costs	**(14)**	(8)	(6)	75%
Well related costs	**(30)**	(31)	1	-3%
	(44)	(39)	(5)	13%

Exploration and evaluation ("**E&E**") 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 for E&E expenses overall is mainly attributable to increased landowner costs in 2024.

General and administrative expenses

	Three months ended 30 September		Change	
	2024	2023		
	$'000	$'000	$'000	%
Accounting and audit fees	**(76)**	(38)	(38)	100%
Consulting fees	**(16)**	(13)	(3)	23%
Legal fees	**(22)**	(7)	(15)	214%
Investor relations	**(59)**	(39)	(20)	51%
Office and administrative costs	**(26)**	(30)	4	-13%
Payroll and related costs	**(253)**	(506)	253	-50%
Directors' fees	**(60)**	(59)	(1)	2%
Travel and promotion	**(8)**	(2)	(6)	300%
Share based compensation	**(3)**	(45)	42	-93%
	(523)	(739)	216	-29%

General and administrative expenses decreased to $523,000 in 2024 from $739,000 in 2023. Changes include the following:

- Accounting and audit fees: Ad hoc tax advice and audit fee increases are the main contributors to the movement period on period.
- Consulting and legal fees: There were increases in consulting and legal fees period on period driven by business needs.
- Investor relations: The increase period on period is attributable to the appointment of a joint broker in Q4 2023.
- Office and administrative costs: There was a minimal decrease period on period as management continue to manage costs closely.
- Travel and promotion costs: The increase 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 or 2024.

Foreign exchange gain

The foreign exchange gain recorded in operating expenses for the three months ended 30 September 2024 is attributed to favourable movements to the US Dollar since 30 June 2024. There was also a foreign exchange gain due to favourable movements to the US Dollar in the same three month period in 2023.

Finance income / (expense)

The movement in finance income / (expense) for the three-month period to 30 September 2024 relative to the same period in 2023 is driven by the foreign exchange gain in 2024 against a foreign exchange loss in 2023 and accretion costs in Australia. There is also a reduction in deposit interest income in 2024 against the same 2023 period.

Loss attributable to non-controlling interest

The amounts reflected in 2024 and 2023 represent Falcon Australia's loss attributable to shareholders other than Falcon.

Cash flow

	Three months ended 30 September	
	2024	2023
	$'000	$'000
Net cash used in operating activities	**(501)**	(758)
Net cash used in investing activities	**(1,385)**	(571)
Change in cash and cash equivalents	**(1,886)**	(1,329)
Effect of exchange rates on cash & cash equivalents	**351**	(174)
Cash and cash equivalents at beginning of period	**11,500**	15,657
Cash and cash equivalents at end of period	**9,965**	14,154

Cash and cash equivalents have decreased by $4.2 million to $10.0 million in 2024 from $14.2 million in September 2023. The main changes quarter on quarter were as follows:

- Net cash used in operating activities: The main driver for movement period on period is there were no payroll related bonuses made in 2024 compared to a bonus paid in the third quarter of 2023.
- Net cash used in investing activities: In September 2023 Falcon started contributing to Beetaloo joint venture costs at its participating interest of 22.5% and 5%, as applicable, resulting in the increased net cash used in investing activities.

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 nine months ended 30 September 2024 and 2023 and, the audited consolidated financial statements for the year ended 31 December 2023 and 2022.

Management's Discussion and Analysis of financial condition and results of operations for the nine months ended 30 September 2024 as compared to the nine months ended 30 September 2023.

The Company reported a net loss of $1.8 million for the nine months ended 30 September 2024 as compared to a net loss of $2.45 million for the nine months ended 30 September 2023. Changes between 2024 and 2023 were as follows:

	Nine months ended 30 September		Changes	
	2024	2023		
	$'000	$'000	$'000	%
Revenue				
Oil and natural gas revenue	**-**	-	-	-
	-	-	-	-
Expenses				
Exploration and evaluation expenses	**(130)**	(129)	(1)	1%
General and administrative expenses	**(1,601)**	(1,914)	313	-16%
Foreign exchange gain	**133**	85	48	56%
	(1,598)	(1,958)	360	-18%
Results from operating activities	**(1,598)**	(1,958)	360	-18%
Finance expense				
Interest income on bank deposits	**31**	155	(124)	-80%
Accretion of decommission provisions	**(393)**	(326)	(67)	21%
Net foreign exchange gain / (loss)	**162**	(321)	483	-150%
	(200)	(492)	292	-59%
Loss and comprehensive loss	**(1,798)**	(2,450)	652	-27%

Loss and comprehensive loss attributable to:				
Equity holders of the company	**(1,798)**	(2,444)	646	-26%
Non-controlling interest	**-**	(6)	6	-100%
Loss and comprehensive loss	**(1,798)**	(2,450)	652	-27%

Exploration and evaluation expenses

	Nine months ended 30 September		Change	
	2024	**2023**		
	$'000	**$'000**	**$'000**	**%**
Consulting, legal and other associated costs	**(31)**	(25)	(6)	24%
Well related costs	**(99)**	(104)	5	-5%
	(130)	(129)	(1)	1%

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 for E&E expenses is mainly attributable to increased landowner costs in 2024.

General and administrative expenses

	Nine months ended 30 September		Change	
	2024	**2023**		
	$'000	**$'000**	**$'000**	**%**
Accounting and audit fees	**(200)**	(130)	(70)	54%
Consulting fees	**(49)**	(37)	(12)	32%
Legal fees	**(46)**	(21)	(25)	119%
Investor relations	**(199)**	(141)	(58)	41%
Office and administrative costs	**(82)**	(111)	29	-26%
Payroll and related costs	**(740)**	(1,002)	262	-26%
Directors' fees	**(178)**	(178)	-	0%
Travel and promotion	**(42)**	(18)	(24)	133%
Share based compensation	**(65)**	(276)	211	-76%
	(1,601)	(1,914)	313	-16%

General and administrative expenses decreased to $1.6 million in 2024 from $1.9m in 2023. Changes include the following:

- Accounting and audit fees: Ad hoc business projects and Audit fee increases are the main contributor to the movement period on period.
- Consulting and legal fees: Increases to consulting fees and legal fees period on period are driven by business needs.
- Investor relations: The increase period on period is attributable to the appointment of a joint broker in Q4 2023.
- Office and administrative costs: There was a decrease period on period as management continue to manage costs closely.
- Travel and promotion costs: The increase 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 or 2024.

Foreign exchange gain
The foreign exchange gain recorded in operating expenses for the nine months ended 30 September 2024 is attributed to favourable movements to the US Dollar since 31 December 2023. There were favourable movements in the nine-month period to 30 September 2023.

Finance expense
The net decrease in finance expense for the nine months ended 30 September 2024 as compared to 2023 is attributable to the foreign exchange gain in 2024 as against a foreign exchange loss in 2023 and reduced accretion costs in Australia. There is decreased deposit interest earned in 2024 against the same 2023 period..

Loss attributable to non-controlling interest
The amounts reflected in 2024 and 2023 represent Falcon Australia's loss attributable to shareholders other than Falcon.

Cash flow

	Nine months ended 30 September	
	2024	2023
	$'000	$'000
Net cash used in operating activities	**(1,637)**	(1,829)
Net cash generated from financing activities	**4,570**	-
Net cash used in investing activities	**(1,122)**	(482)
Change in cash and cash equivalents	**1,811**	(2,311)
Effect of exchange rates on cash & cash equivalents	**162**	(320)
Cash and cash equivalents at beginning of period	**7,992**	16,785
Cash and cash equivalents at end of period	**9,965**	14,154

Cash and cash equivalents have decreased by $4.2 million to $10.0 million in 2024 from $14.2 million in September 2023. The main changes period on period were as follows:

- Net cash used in operating activities: The main driver for the movement was there was no payroll related bonuses made in 2024 compared to a bonus paid in the third quarter of 2023.
- Net cash generated from financing activities: Net cash generated in 2024 relates to net equity raised through a subscription and placing in the period, there was no similar activity in 2023.
- Net cash generated from investing activities: 2024 movement includes $4 million from the sale of ORRIs during the period, for further details please refer to page 7. The sale of the ORRIs was offset by exploration and evaluation costs. In September 2023 Falcon started contributing to Beetaloo joint venture costs at its participating interest of 22.5% and 5%, as applicable, resulting in the increased net cash used in investing activities.

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:	**31 December 2023**	**31 March 2024**	**30 June 2024**	**30 September 2024**
Revenue	-	-	-	-
Loss	(891)	(806)	(749)	(243)
Loss attributable to common shareholders	(893)	(804)	(747)	(247)
Loss per share-basic and diluted (cent)	(0.001)	(0.001)	(0.001)	(0.000)

For the three months ended:	**31 December 2022**	**31 March 2023**	**30 June 2023**	**30 September 2023**
Revenue	-	-	-	-
Loss	(1,096)	(660)	(741)	(1,049)
Loss attributable to common shareholders	(1,100)	(658)	(740)	(1,046)
Loss per share-basic and diluted (cent)	(0.001)	(0.001)	(0.001)	(0.0001)

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 4 2022

The decommissioning provision was the main expense recorded for Q4 2022, due to a revision of costs for the year, followed by general and administrative expenses ("**G&A**"). 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.

Quarter 3 2023

The accretion cost has increased period on period due to provisioning costs for the Group's Australian assets commencing during 2023, G&A costs have also increased period on period due to bonuses being paid during the quarter. There was no similar payment in Q3 2022 as bonuses were paid in Q2 2022. The quarterly loss was also impacted by movements in the foreign exchange gains and losses.

Quarter 4 2023

G&A costs were the largest cost for the quarter but have decreased period on period due to a decrease to the share based compensation expense. The decommissioning provision charge is due to a revision of costs for the year, The accretion cost has increased period on period due to provisioning costs for the Group's Australian assets commencing during 2023. There was a net favourable decrease on the foreign exchange gain period on period.

Quarter 1 2024

G&A costs were the largest cost for the quarter but have decreased period on period due to a decrease to the share based compensation expense, given the vesting schedule of the 2022 grants, with an associated reduction in the charge of over $0.1 million for the quarter relative to the same period in 2023. The accretion cost has increased period on period due to decommissioning provision for the Group's Australian assets recognised from 2023. There was a net unfavourable decrease on the foreign exchange gain period on period.

Quarter 2 2024

G&A costs have reduced slightly period on period, mainly due to a reduction in share based compensation expenses, driven by the vesting schedule of the share options and their associated cost. There were increased foreign exchange losses for the period relative to the losses for the same three months in 2023. The accretion cost has increased period on period due to the decommissioning provision for the Group's Australian assets as further wells are drilled.

Quarter 3 2024

G&A costs have decreased period on period due to bonuses being paid in Q3 2023 with no similar payment in Q3 2024. The quarterly loss was also impacted by favourable foreign exchange movements and a reduction in share based compensation period on period.

For further details of 2024 updates please refer to the Beetaloo Sub-basin, Northern Territory, section of this document. Please refer to the company's 2023 AIF for details of prior periods.

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 22 April 2024 the Company announced that it had raised gross proceeds of c.$4.9 million (c. £3.9 million) through the Subscription and Placing for a total number of 64,794,087 New Common Shares at an issue price of £0.06 per share, details of which are included on page 24.

LIQUIDITY AND CAPITAL RESOURCES

Going Concern

For the year ended 31 December 2023, the Group incurred losses of $3.3 million and had operating cash outflows of $2.4 million and a deficit of $407.2 million. For the nine months ended 30 September 2024, the Group incurred losses of $1.8 million, had operating cash outflows of $1.7 million and a deficit of $409 million.

As at 30 September 2024 the Group had $10 million of cash and cash equivalents, which is sufficient to cover Falcon's own ongoing operating costs for the next 12 months from the date of the approval of the financial statements, However, as outlined below, further funding will be required for Falcon Australia's continued participation in the Beetaloo and estimated costs to be incurred in quarter 1 2025, which is within the 12 months from the date of approval of this document. Falcon Australia holds a 22.5% Participating Interest ("**PI**") in the Exploration Permits situated in the Beetaloo Sub-basin, Northern Territory, Australia with Tamboran B2 appointed operator. As part of the 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 these DSUs 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. As announced on 25 March 2024 Falcon Australia elected to reduce its working interest in the Pilot Project from 22.5% to 5%, optimizing Falcon's interest in the Beetaloo, since Falcon will only have to pay 5% of the costs of the two wells to be drilled in 2024 as part of the Pilot but will still retain a ~10% working interest in the enlarged area of circa 67,000 acres around the Pilot and a 22.5% working interest in the remaining 4.52 million acres.

The A$263.8 million cost cap and additional carry for 2023 and 2024 are now utilized, therefore cash on hand at 30 September 2024 and an estimation for a R&D refund for exploration costs in the Beetaloo under the Research and Development Tax Incentive, which will be completed and submitted for approval to the Australian authorities in the coming months will contribute to costs of the Pilot Project including the well pad and the two commitment wells, however funding will be required to meet estimated expenditure in quarter 1 2025.

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 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 this document. 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 30 September 2024 were $10.0 million, with movement of $2 million from $8 million as at 31 December 2023. Working capital at 30 September 2024 increased to $9.6 million from working capital of $5.7 million as at 31 December 2023.

The increase to cash and cash equivalents was the result of (a) net cash generated from financing activities of $4.57 million, (b) cash generated from investing activities of $4 million from the sale of two ORRIs, (c) cash used in investing activities related to the exploration and evaluation assets of $5.1 million and (d) net cash used in operating activities of $1.6million.

Accounts Receivable

Current accounts receivable as at 30 September 2024 were $0.9 million, which is predominately prepayments of $0.9 million.

Accounts Payables and Accrued Expenses

Accounts payable and accrued expenses as at 30 September 2024 were $1.3 million which includes $1.0 million for accounts payable and $0.3 million accrued expenditures.

Capital Expenditures

For the period ended 30 September 2024 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 7 to 11.

In August 2018 the Group agreed to amend the original farm-in 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 PI.

On 7 April 2020 it was announced that Falcon Australia had agreed to farm down 7.5% of its PI in the Exploration Permits, such that following the transactions, Falcon Australia holds a 22.5% PI. In consideration for the farm down Origin agreed to increase the gross cost cap of the work program by A$150.5 million. The previous farm-in arrangement included a Stage 2 gross cost cap of A$65.3 million and a Stage 3 gross cost cap of A$48 million, or A$113.3 million in total. Under the Agreements, the Stage 2 and Stage 3 gross cost caps were combined and increased by A$150.5 million to A$263.8 million. Furthermore, as announced on 11 October 2022, Falcon Australia were granted an additional carry on future well costs up to A$30 million and the introduction of DSUs on sole risk operations provides optionality to Falcon Australia on future wells drilled. As part of the latest executed JOA the size of a DSU varies depending on (a) the type and length of the well to be drilled and (b) whether or not the well is a "commitment well" under the terms of the Exploration Permits, 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 optionality created by the DSUs allows Falcon to participate at its PI of 22.5% or reduce its interest as low as 0% in a particular DSU without impairing the percentage it participates in a future DSU across the acreage. The cost cap and the first portion of the additional carry have now been consumed and Falcon is contributing to the costs in proportion to its 22.5% participating interest or reduced interest as elected. A Pilot project for six wells at the Shenandoah South location over 2 years will commence in 2024. Falcon has elected to reduce its participation interest in the Pilot Project to 5%.

The latest updates on Beetaloo activities are included on pages 7-11.

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 30 September 2024, 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 **22 April 2024** Falcon announced the Company had raised gross proceeds of c. $4.9 million (c. £3.9 million) through the Subscription and Placing for a total number of 64,794,087 New Common Shares at an Issue Price of £0.06 per share. The settlement of the subscription and placing was completed in two tranches.

The settlement of the relevant New Common Shares forming part of the First Admission (being 58,155,490 New Common Shares) and the admission became effective and dealings in those New Common Shares commenced on 26 April 2024. The settlement of the relevant New Common Shares forming part of the Second Admission (being 6,638,597 New Common Shares) and the admission became effective and dealings in those New Common Shares commenced on 7 May 2024.

The Company's total issued share capital following Admission is 1,109,141,512 Common Shares.

DISCLOSURE OF OUTSTANDING SHARE DATA

The following is a summary of the Company's outstanding share capital as at 30 September 2024 and 27 November 2024:

Class of securities	30 September 2024	27 November 2024
Common shares	1,109,141,512	1,109,141,512
Stock options	59,750,000	59,750,000
Fully diluted common shares	1,168,891,512	1,168,891,512

LEGAL MATTERS

The Company may, from time to time, become involved in 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 an office lease which is deemed immaterial and payments with regards overriding royalties as disclosed within section "Overriding Royalty Beetaloo Sub-basin Exploration Permits" on page 7. The Company has no proposed transactions.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

Derivative financial instruments

Derivatives (including embedded derivatives) are initially recognized at fair value of the date a derivative contract is entered into and subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any derivatives as hedges as at 30 September 2024 or 31 December 2023. The Group has not entered into any contract for "other instruments" during 2024. The Group has no "other instruments" as at 30 September 2024 or 31 December 2023.

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 2023 (pages 11 to 18) 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 September 2024 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 2023 AIF.

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 2023 and 2022.

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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