ABN 53 132 857 008

Falcon Oil & Gas Australia Limited

Financial Report
Year Ended 31 December 2023

(Presented in U.S. Dollars)

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Operating and Financial Review

Beetaloo Sub-basin, Northern Territory, Australia

Overview

Falcon Oil & Gas Australia Limited ("**Falcon Australia**" or the **"Company"**) 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. Australia has a developed resources industry with a stable political, legal and regulatory system.

Exploration Permits
The following table summarises the principal oil and gas interests of Falcon Australia:

Assets	**Interest (%)**	**Operator**	**Status**	**Gross Area (km^2)**
Exploration Permit EP76 (Beetaloo Basin, Northern Territory, Australia)	22.5(ii)	Tamboran B2(i)	Exploration	1,891.3
Exploration Permit EP98 (Beetaloo Basin, Northern Territory, Australia)	22.5(ii)	Tamboran B2(i)	Exploration	10,316.0
Exploration Permit EP117 (Beetaloo Basin, Northern Territory, Australia)	22.5(ii)	Tamboran B2(i)	Exploration	6,412.0

(i) In September 2022 Origin Energy B2 Pty Ltd. ("**Origin**") announced the divestment of their interests in EP76, EP98 and EP117 (collectively the **Exploration Permits**) to Tamboran (B2) Pty Limited ("**Tamboran B2**"), with Tamboran B2 appointed as operator for the joint venture.

(ii) 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 current five year term expiring in June 2023. Both renewal applications have been approved by the Northern Territory Government. All permits are currently in year 1 with a permit year end of 31 May 2028.

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" below for details) to other parties. Falcon Australia is subject to Commonwealth Government corporation tax of 30%, however where the entity has aggregated annual turnover of less than A$50 million for the financial year, and "base rate entity passive income" of 80% or less of assessable income, Falcon Australia would be considered a 'base rate entity' for Australian tax purposes and would be taxed at a lower rate of 25%. Falcon Australia is also subject to the Commonwealth Government's Petroleum Resource Rent Tax ("**PRRT**") levied at the rate of 40% on taxable profits derived from the petroleum projects. The PRRT is calculated on the individual projects, and royalties are deductible for PRRT purposes. The PRRT tax system is separate from the company income tax system and is based on cash flow. Both royalties and PRRT are deductible for corporate income tax purposes.

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

On **18 April 2024** it was 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. Completion of the grant of the ORRIs is subject to agreement of final legal documentation and to submission to the Northern Territory Government, Australia for registration.

Operating and Financial Review (continued)

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 development, measuring 51,200 acres, in which Falcon 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 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
On 21 August 2014, Falcon Australia completed its farm-in agreement and joint operating agreement (collectively the **"Agreements**") with Origin and a subsidiary of Sasol Limited, each farming into 35% of Falcon Australia's Exploration Permits in the Beetaloo Sub-basin. In May 2017 Origin acquired Sasol's 35% interest in the Beetaloo joint venture ("**JV**") with Sasol departing to focus its capital investment on its African and North American footprint.

On **16 August 2018**, it was announced that Falcon Australia had signed an agreement to amend the farm-in 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 a restated Farm-In Agreement and Joint Operating Agreement (collectively the "**2020 Agreements**") with Origin to farm down 7.5% of Falcon Australia's 30% participating interest ("**PI**") in the Exploration Permits. Falcon Australia and Origin were obligated to seek the Northern Territory government and TSXV stock exchange approvals, in respect of the 2020 Agreements.

Transaction details

- With the necessary approvals, the PI of the respective JV partners was:
  - Falcon Australia 22.5%
  - Origin 77.5%
- In consideration of Falcon Australia transferring 7.5% of its PI, Origin increased the gross cost cap of the work program by A$150.5 million.
- The previous farm-in arrangement included a Stage 2 gross cost cap of A$65.3 million and a Stage 3 gross cost cap of A$48 million, or A$113.3 million in total. Under the 2020 Agreements, the Stage 2 and Stage 3 gross cost caps were combined and increased by A$150.5 million to A$263.8 million (the "**Overall Cost Cap**"),
- The Overall Cost Cap applied to the completion of the Stage 2 and Stage 3 work programmes.
- Amounts of the Overall Cost Cap not utilised during Stage 2 and Stage 3 will be applied to future work programmes.
- Expenditure above the Overall Cost Cap will be borne by the JV partners in proportion to their PI.
- Origin assumed 25% of the cost of Falcon Australia's remaining call option to reduce the overriding royalties with the TOG Group. The cost to Falcon Australia, should it wish to exercise the call option, will reduce from $7.5 million to $5.625 million, in line with its reduced PI.

On **19 September 2022** Origin announced their divestment of its 77.5% interest in the Exploration Permits to Tamboran B2. On 11 October 2022 it was announced that Falcon Australia had entered into a binding letter of intent ("**LOI**") with Tamboran B2 pursuant to which the parties have agreed to amend the terms of the Joint Operating Agreement ("**JOA**") and the Farm-In Agreement ("**FIA**"), each dated 2 May 2014 (as amended), entered into with Origin in respect of Falcon Australia's interest in the Beetaloo Sub-basin Exploration Permits.

The key terms of the LOI provide for:

- Falcon Australia to earn an additional carry on future well costs of up to A$30m (A$6.75m net to Falcon Australia);
- the introduction of limited proration units on sole risk operations to a maximum of 6,400 acres per well, providing Falcon Australia with participation optionality on the drilling of future wells;
- the sharing of well data on any sole risked wells, providing Falcon Australia with visibility on crucial data and analysis even where it elects not to participate; and
- pre-emptive rights in relation to Origin's divestment of its 77.5% interest in the Beetaloo Sub-basin would not be exercised by Falcon Australia and all pre-emptive and similar rights are to be removed from the JOA, providing Falcon Australia with greater flexibility for realisation of licence interests.

Operating and Financial Review (continued)

Discoveries and Prospectivity
The work programme commenced in 2015 with the drilling of three wells, Kalala S-1 to a total depth ("**TD**") of 2,619 metres, Amungee NW-1 to a TD of 2,611 metres and Amungee NW-1H ("**A1H**") 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 A1H well was hydraulic stimulated.

On **12 October 2016**, Falcon Australia 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 A1H 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 A1H exploration well of the "B Shale" member of the Middle Velkerri formation.

In addition, Origin undertook a resource study based on the A1H 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 Amungee Member B-Shale (previously 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 25 April 2024, on pages 13-15.

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

Current Activity

On **10 November 2022** Falcon Australia announced the spudding of the Amungee NW-2H ("**A2H**") well with the Silver City Rig 40 in EP98, with Falcon Australia Limited's joint venture partner, Tamboran B2.

- Tamboran B2 planned to drill the vertical and build section to a depth of approximately 2,450 metres, followed by the drilling of a 1,000-metre horizontal section within the primary target of the Amungee Member B Shale.
- Following drilling, the A2H well was expected to commence a hydraulic fracture stimulation programme with a US style unconventional shale design. The well was designed with 5-½ inch casing to allow for effective placement of proppant into the formation, optimizing completion efficiency.
- The A2H well was the first of two horizontal wells in the Stage 3 programme to be drilled during this current drilling campaign.

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

- The A2H well intersected the Amungee Member B Shale at 2,413 metres vertical depth.
- Preliminary drilling data confirmed elevated gas shows with high concentration C1, (methane) observed.
- Drilling was completed in 38 days (spud to TD) and a total cost of A$14.1 million (excluding casing and cementing), slightly ahead of pre-drill design days and budget. Falcon Australia remained fully carried for the cost of these operations.
- Up to 24 stimulation stages were planned within the Amungee Member B Shale.

On **16 February 2023** Falcon Australia announced the commencement of the well stimulation programme at the A2H well.
Details of the stimulation programme were as follows:

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

Operating and Financial Review (continued)

On **22 March 2023** Falcon Australia announced the successful completion of a 25-stage stimulation programme at the A2H well.
The stimulation programme details were as follows:

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

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

Update on Flow Testing

- The A2H well achieved gas breakthrough, however modelling and independent third-party analysis from a US laboratory identified a potential skin inhibiting the flow of gas from the stimulated shale. Despite this, the gas flowed at an average rate of 0.97 million cubic feet per day ("mmcf/d") over 50 days with circa 10% of the water used in the simulation programme recovered at the date of the announcement, well below other wells in the basin.
- The JV believe flows from the well did not establish an uninhibited 30-day initial production rate.
- As of June 2023, the well was producing approximately 0.83 mmcf/d and water recovery was approximately 50 bbl/d with cumulative gas production and water recovery of 52.37 mmcf and 17,879 bbl, respectively.
- The hydrocarbon phases recovered were dry gas with 90.4% methane and 2.9% ethane.
- The JV believes the results were not indicative of the underlying production potential of the Amungee Member B Shale as the A1H well achieved flow rates of >5 mmcf/d over a normalised 1,000 metres from the same well pad in 2021. Comparative details are included in the table below:

	A2H	**A1H (full)***	**A1H (flow)***
Stimulated Lat. Length (m)	1020	682	162
Stages	25	11	4
Proppant Volume (kbbls)	169	67	31
Proppant Tonnage (million pounds)	7.1	2.5	1.5

** [1]The A1H well was stimulated over a 682-metre horizontal section in the Amungee Member B Shale. Following testing, the flow was determined to be flowing over four stages (stage 8 – 11). A1H (flow) shows flow across this smaller length. A1H (full) is over 1,000 metre)*

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

On **24 July 2023** Falcon Australia announced that preparations to drill Shenandoah South 1H ("**SS1H**") were underway.

- The Helmerich and Payne ("**H&P**") (NYSE: HP) super spec FlexRig® Flex 3 rig ("**H&P Rig**") was successfully mobilised to the SS1H well pad location, in EP117, ahead of drilling the first of a two well programme in 2023.
- Drilling of the SS1H well was expected to commence in early August 2023, subject to final joint venture approval, with drilling operations expected to take approximately 45 days.
- The SS1H well would target the Amungee Member B-shale at an estimated target depth of 3,200 metres, (approximately 700 metres deeper than the A2H well in EP98).
- The SS1H well would be located approximately 60 kilometres south of the A2H well site. The deeper reservoir is expected to deliver higher pressures, based on data from the two Santos-operated Tanumbirini wells in EP161.

On **1 August 2023** Falcon Australia announced the spudding of SS1H with the H&P Rig.

- The SS1H well, including a horizontal section of approximately 1,000 meters, would target the Amungee Member B-shale at an estimated target depth of 3,200 metres.
- The SS1H well, the first of two horizontal wells to be drilled in 2023 is located approximately 60 kilometres south of the A2H well site.

Operating and Financial Review (continued)

- Falcon Australia participated in the SS1H well at its full PI of 22.5% which, under the terms of the JOA, created a drilling spacing unit ("DSU") (previously referred to as a proration unit) of 20,480 acres.
- Falcon Australia remained fully funded for its share of all costs associated with the drilling and testing of the SS1H well.

On **30 August 2023** Falcon Australia provided an update on operations at the SS1H well. A pilot hole in EP117 reached a TVD of 3,300 metres, intersecting approximately 90 metres of the Amungee Member B-shale with strong dry gas shows.

- The 90 metres of the Amungee Member B-shale intersected represents the thickest section seen in the Beetaloo Sub-basin depocenter to date.
- The H&P Rig reached total vertical depth ("**TVD**") in 21.5 days, drilling at 153 metres per day, a new record for wells drilled below 3,000 metres in the Beetaloo Sub-basin.
- Logging of the Amungee Member B-shale formation indicated potentially higher porosity and gas saturation relative to offset wells.
- Initial evaluation confirmed reservoir continuity of the Amungee Member B-shale over 150 kilometres between A2H and Beetaloo W-1 wells. This includes a target development area of approximately 1 million acres where the shale depth exceeds 2,700 metres.
- Tamboran B2 would commence a 1,000-metre horizontal section within the shale formation ahead of a stimulation program of up to 10 stages over a 500-metre section, which was planned for Q4 2023.

On **18 September 2023** Falcon Australia announced that drilling operations on the SS1H well were successfully completed. The well was drilled to a TD of 4,300 metres, including a horizontal section over 1,074m in length in the Amungee Member B-shale, with casing and cementing also complete.

- The H&P Rig would be mobilised to the A3H well site to be drilled from the same pad as A2H. The A3H well is the second of the two well programme in 2023, targeting the Amungee Member B-Shale at an estimated depth of 2,450 metres TVD, with spudding of the well expected by the end of September 2023. Falcon Australia would participate at its full 22.5% interest.

On **25 September 2023** Falcon Australia announced the spudding of the A3H horizontal well in EP98 with the H&P Rig.

- The A3H well is located approximately 60 kilometres north of the SS1H well.
- Drilling activity was expected to take approximately 25 days, including a 1,000-metre horizontal section.
- Falcon Australia participated in the A3H well at its full PI of 22.5% which, under the terms of the JOA, created a DSU of 20,480 acres.

On **16 October 2023** Falcon Australia announced that drilling operations on the A3H well were successfully completed.

- The A3H well was drilled, cased and cemented to a TD of 3,837 metres, including a horizontal section of 1,100 metres in the Amungee Member B-shale.
- The well intersected the Amungee Member B-shale at a TVD of 2,272 metres and encountered significant gas shows, in line with pre-drill expectations.
- Drilling took 17.9 days, at an average rate of 214 metres per day, and 20 days faster than the A2H well, the H&P Rig delivered the anticipated drilling efficiencies.
- A stimulation program is planned for the second quarter of 2024, following the Northern Territory wet season.
- Total costs for the drilling and cementing of the A3H well was A$12.6 million. Cost reductions of A$1.8 million, compared to A2H, demonstrates the application of learnings from previously drilled wells and the improvement in drilling technology with the H&P Rig.

On **30 October 2023** Falcon Australia provided an operational update on the SS1H well.

- A diagnostic fracture injection test ("**DFIT**") of the Amungee Member B-shale on the SS1H well was conducted to analyse geo-mechanical and reservoir properties, with results verified by third-party subsurface experts, Subsurface Dynamics, Inc.
- Formation pressures at SS1H were monitored for over 20 days and analysed to provide a pore pressure prediction for the area.
- DFIT results demonstrated an over pressured regime, with a pore pressure gradient of at least 0.54 pounds per square inch ("**psi**") per foot, which is consistent with an over pressured regime observed in the core area of the Marcellus shale. In addition, this result provides confidence that the upcoming flow test of the SS-1H well can replicate or exceed commercial flow tests achieved at the Santos-operated Tanumbirini 2H and Tanumbirini 3H wells (0.51 – 0.56 psi per foot) in the EP161 acreage.

Operating and Financial Review (continued)

- Condor Energy Services commenced the mobilisation of stimulation equipment to the SS1H well pad ahead of the planned 10 stage stimulation program in November 2023.
- On successful flow testing of SS1H, the JV would expect to be in a position to sanction a proposed pilot development in the Shenandoah South region.

On **27 November 2023** Falcon Australia announced the commencement of stimulation activities at the SS1H well in EP117.

- The planned program, conducted by Condor Energy Service, included 10 stimulation stages within the Amungee Member B-shale over a 500-metre horizontal section of SS1H. The stimulation operation was expected to be completed in December 2023.
- On completion of the stimulation campaign, production tubing would be installed ahead of expected flowback of stimulation fluid and gas breakthrough.
- The stimulation program incorporated lessons learned from the joint venture's A2H well in EP98 and the Tanumbirini wells in Santos operated EP161. This included an increase in hydraulic horsepower and higher well design pressures to increase effectiveness of stimulation treatments and fluid conditioning methodologies to decrease the risk of skin damage.
- Results from the SS1H well are a key deliverable that will support the sanctioning of the joint venture's proposed 40 mmcf/d pilot project at Shenandoah South.

On **7 December 2023** Falcon Australia announced the completion of the 10-stage stimulation program over a 500 metre horizontal section of the Amungee Member B-Shale within the SS1H well in EP117.

- The stimulation program at SS1H delivered a proppant intensity of 2,212 pounds per foot (lb/ft) and the average proppant injection per stage was 356,000 pounds.
- The stimulation program achieved rates of 100 barrels per minute ("**bpm**") using slickwater, a first in the Amungee Member B-Shale and in-line with current US shale basin stimulation designs.
- Tamboran B2 planned to install production tubing ahead of the SS1H well commencing flow back of stimulation fluid.
- Proof of commercial flow rates as measured over the IP30 day period and which Falcon Australia estimated to be 1.5 mmcf/d over the 500 metre horizontal section (3.0 mmcf/d normalised over 1,000 metres) or greater will allow us to progress the sanctioning of the proposed 40 mmcf/d pilot project at Shenandoah South during the first half of 2024.

On **29 January 2024** Falcon Australia 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 Australia 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.

- The SS1H well in EP117 achieved an average 30-day IP30 flow rate of 3.2 mmcf/d over the 1,644-foot (501 metres), 10 stage stimulated length, 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 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 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").
- Results to date confirm 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 Basin to commence pilot development activities.

Operating and Financial Review (continued)

- Flow testing of the SS1H well will continue for the next 60 days to achieve average IP90 flow rates to better determine the well's EUR. IP90 flow rate results are expected to be announced in April 2024.

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. 9,957ft). The fracture stages had an average interval spacing of 50 metre (164ft) 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 08 February (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 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

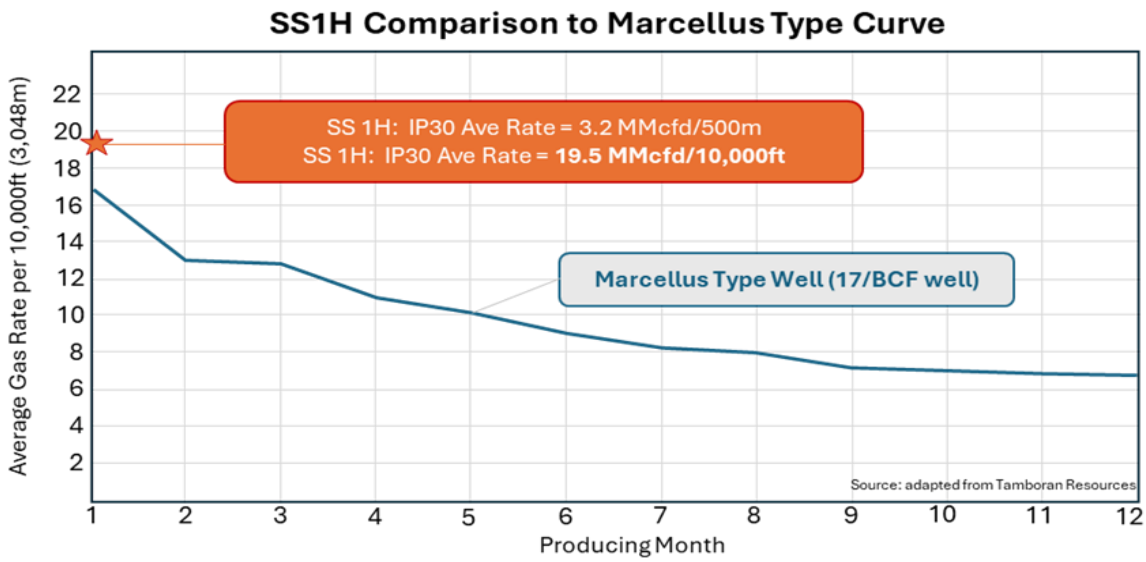
Source: Company Data

The SS1H has demonstrated that the geological rock properties, indicative of favourable well performance, met or exceed the US Marcellus shale (incl. 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 Basin to date, exceeding the previous normalised IP30 record achieved by the Tanumbirini 3H well in the Santos-operated EP 161 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 10,000ft (3,048m) of 19.5 mmcf/d compares very favourably with the average US Marcellus Type Well (figure 1).

Operating and Financial Review (continued)

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 Beetaloo Joint venture (BJV) confidence to progress to the proposed 40 mmcf/d Pilot Project 9 mmcf/d net Falcon Australia) 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 (SPCF) and the 35-kilometre Sturt Plateau Pipeline (SPP) connecting the SPCF 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 Basin in 2024 to support the Shenandoah South Pilot Programme ("**Pilot**") 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 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 2,000HP rig into the Beetaloo, which is expected to support a material reduction in drilling times and costs.

On **25 March 2024** Falcon Australia announced that it had elected to reduce its working interest in the proposed Pilot from 22.5% to 5%. 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 as part of the Pilot but will still retain a 10% working interest in the enlarged area of circa 72,000 acres around the Pilot and a 22.5% working interest in the remaining 4.52 million acres.

On **26 March 2024** Falcon Australia 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).

- 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 to date confirm 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 Basin to commence pilot 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. IP90 flow rate results are expected to be announced in late April 2024.

Operating and Financial Review (continued)

- The BJV Partners of Falcon Australia and Tamboran B2 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 is 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

On **18 April 2024** Falcon Australia announced that they 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. Completion of the grant of the ORRIs is subject to agreement of final legal documentation and to submission to the Northern Territory Government, Australia for registration.

Falcon Australia agreed to grant:

- to Daly Waters, in consideration for a cash payment of $3 million, an overriding royalty interest of 6.0% in respect of the area around the Pilot development, measuring 51,200 acres, in which Falcon has a 5% working interest, and an overriding royalty interest 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 development, measuring 51,200 acres, and an overriding royalty interest of 0.4444% in respect of the remaining 4.52 million acres.

On **23 April 2024** Falcon Australia announced that the BJV has signed a Binding Agreement for a long-term Gas Sales Agreement 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 a Final Investment Decision **("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.

DocuSigned by:

Philip O'Quigley

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Philip O'Quigley
Chairman

26 April 2024

Directors' Report

The Directors have pleasure in submitting their report together with the Financial Report of the Company and the auditor's report thereon for the year ended 31 December 2023.

All amounts referred to in this report and the accompanying Financial Report are in US dollars, unless stated otherwise.

Principal activities

The principal activity of the Company during the period was exploration for oil and gas in the Beetaloo Sub-basin, Northern Territory, Australia.

Financial results

The net loss after income tax attributable to members of the Company for the year ended 31 December 2023 was $212,000 (2022: Income of $149,000).

Dividends

There were no dividends paid or declared by the Company during the year ended 31 December 2023 (2022: nil).

State of affairs

In consideration of the 2023/2024 work programme results, the planned 2024/2025 work programme will include:
Progression of 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 is planned to commence in Q2 2024 and the BJV is targeting first gas in H1 2026.

Subsequent Events

On 26 February 2024 it was 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.

On 25 March 2024 it was announced that Falcon Australia had elected to reduce its working interest in the proposed Pilot from 22.5% to 5%. 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 as part of the Pilot but will still retain a 10% working interest in the enlarged area of circa 72,000 acres around the Pilot and a 22.5% working interest in the remaining 4.52 million acres.

On 26 March 2024 it was 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).

On 18 April 2024 it was announced that Falcon Australia had agreed to grant Daly Waters Energy, LP 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. Completion of the grant of the ORRIs is subject to agreement of final legal documentation and to submission to the Northern Territory Government, Australia for registration.

On 23 April 2024 it was announced that the BJV has signed a Binding Agreement for a long-term Gas Sales Agreement 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.

There were no other significant changes in the state of affairs of the Company that occurred since the year end of the year under review.

Directors' Report (continued)

Directors and company secretary

The names of the persons who were Directors and Company Secretary at any time during the period ended 31 December 2023, the comparative year, and up to the date of the signing of this Financial Report are set out below. Unless indicated otherwise they served as directors for the entire period:

Name	Role	Date of appointment
Philip O'Quigley	Chairman & Executive Director	Appointed 1 May 2012
Anne Flynn	Finance Director	Appointed 30 January 2017
John Carroll	Non - Executive Director	Appointed 31 July 2010
Stephen Peterson	Non - Executive Director and Company Secretary	Appointed 5 August 2008 as Company Secretary. Appointed 17 February 2014 as Non – Executive Director.

Details of Directors' and Company Secretary's Biographies are included in the Directors' and Company Secretary's Biographies section on page 16 of the financial report.

Directors' meetings

The number of directors' meetings held, including meetings held by telephone, and the number of those meetings attended by each of the directors of the Company, while a director during the year ended 31 December 2023 were as follows:

	Board meetings	
	Number of meetings held	**Number of meetings attended**
Philip O'Quigley	13	12
Anne Flynn	13	13
John Carroll	13	12
Stephen Peterson	13	11

Operating and financial review

The operating and financial review of the Company during the year is detailed on pages 3 to 11 of this financial report.

Environmental regulation

The Company's operations are subject to Australian Commonwealth and Northern Territory environmental regulations and legislation. The Board believes the Company has adequate systems in place for the management of its environmental requirements and is not aware of any significant breach of those environmental requirements as they apply to the Company.

Directors' Report (continued)

Likely developments

Full details of drilling results to date are included on pages **3 to 11**.

Indemnification of officers and auditors

During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 18 and forms part of the directors' report for the year ended 31 December 2023. This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Board of Directors:

DocuSigned by:
Philip O'Quigley
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Philip O'Quigley
Chairman

26 April 2024

Directors' and Company Secretary's Biographies

The following are the Directors' and Company Secretary's Biographies for individuals who held office at any time during 2023, and until the date of this report.

Philip O'Quigley – Chairman & Executive Director

Mr. O'Quigley is President, Director and CEO of Falcon Oil & Gas Ltd., the parent company of Falcon Oil & Gas Australia Limited since 2012 and brings over 30 years' experience in senior management positions in the oil and gas industry. His career, which spans a number of London and Dublin listed exploration and production companies, includes experience working in countries such as Argentina, the United States, Algeria, the UK and Ireland. Before joining Falcon Oil & Gas Ltd., he served as Finance Director for Providence Resources, an Irish oil and gas exploration and production company. Mr. O'Quigley is a Fellow of the Institute of Chartered Accountants in Ireland and qualified as a Chartered Accountant with Ernst & Young in Dublin.

Anne Flynn - Finance Director

Ms. Flynn was appointed as Finance Director of Falcon Oil & Gas Australia Limited in January 2017. Ms. Flynn is a Director and Chief Financial Officer of Falcon Oil & Gas Ltd., the parent company of Falcon Oil & Gas Australia Ltd. Ms Flynn joined Falcon Oil & Gas Ltd in September 2014 as Group Financial Controller with responsibility for the Group's Dublin, Hungarian, Australian and South African finance and commercial functions. Before joining Falcon Oil & Gas Ltd she had over three years in a managerial role with Adobe Systems Inc. and worked with PwC Dublin and New York for six years. Ms. Flynn is a Fellow of the Institute of Chartered Accountants in Ireland.

John Carroll – Non - Executive Director

Mr Carroll is a private consultant specialising in government relations and major project facilitation and has more than 40 years' experience in a wide cross – section of public sector positions in Canberra, Queensland and the Northern Territory. Mr Carroll was Chief Executive Officer of the NT Department of Industries and Business from March 2000 until November 2001. Following that he was General Manager, Business and Trade Development, and Deputy Chief Executive and General Manager, Minerals and Energy, NT Department of Business Industries and Resource Development. In May 2005 he was appointed Chief Executive, NT Department of Primary Industry, Fisheries and Mines (now known as the DITT) and held this position until November 2008.

Stephen Peterson - Non - Executive Director and Company Secretary

Mr. Peterson who was appointed a director in February 2014, has held the position of Company Secretary since the Company was established. His qualifications include a Bachelor of Economics with Honours from Sydney University and a Master of Commerce from the University of New South Wales. Mr. Peterson has over 30 years of experience in senior financial roles and as company secretary with listed public companies primarily in the Australian resources industry. Since 2005 he has operated a financial and administrative services business providing services on a long-term contract basis to a number of companies in the resources industry. From 1997 to 2005 Mr. Peterson was the Chief Financial Officer of Austral Coal Limited, an underground coking coal producer located south of Sydney. Mr. Peterson has experience in the oil and gas industry having held a senior planning role with Delhi Petroleum Limited which operated in the Cooper Basin of South Australia.

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Directors' Declaration

In the opinion of the directors of Falcon Oil & Gas Australia Limited:

(a) the Company is not a reporting entity;

(b) the financial report and notes, set out on pages 22 to 37 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the financial position of the Company as at 31 December 2023 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the statement of compliance and basis of preparation described in Note 2; and

  (ii) complying with Australian Accounting Standards to the extent described in Note 2 and the Corporations Regulations 2001; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors:

DocuSigned by:
Philip O'Quigley
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Philip O'Quigley
Chairman

26 April 2024

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF FALCON OIL & GAS AUSTRALIA LIMITED

As lead auditor of Falcon Oil & Gas Australia Limited for the year ended 31 December 2023, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

Jarrad Prue

Director

BDO Audit Pty Ltd

Perth

26 April 2024

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INDEPENDENT AUDITOR'S REPORT

To the members of Falcon Oil & Gas Australia Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Falcon Oil & Gas Australia Limited (the Company), which comprises the statement of financial position as at 31 December 2023, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information and the directors' declaration.

In our opinion the accompanying financial report of Falcon Oil & Gas Australia Limited, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's financial position as at 31 December 2023 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and therefore the entity may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Director's report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

J Prue

Jarrad Prue

Director

Perth, 26 April 2024

Falcon Oil & Gas Australia Limited
Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year Ended 31 December 2023 $'000	Year Ended 31 December 2022 $'000
Revenue			
Oil and natural gas revenue		-	-
		-	-
Expenses			
Exploration and evaluation expenses		(152)	-
General and administrative expenses	6	(96)	(88)
Foreign exchange gain		5	232
		(243)	144
Results from operating activities		(243)	144
Finance income		31	5
Finance expense		-	-
Net finance income		31	5
Income tax expense		-	-
(Loss) / income and comprehensive (loss) / income for the year		(212)	149

The notes are an integral part of these financial statements.

Falcon Oil & Gas Australia Limited
Statement of Financial Position

	Notes	At 31 December 2023 $'000	At 31 December 2022 $'000
Assets			
Non - current assets			
Exploration and evaluation assets	9	**51,287**	42,977
Trade and other receivables	10	**20**	20
		51,307	42,997
Current assets			
Cash and cash equivalents	11	**5,461**	6,935
Trade and other receivables	12	**2**	5
		5,463	6,940
Total assets		**56,770**	49,937
Equity and liabilities			
Equity			
Share capital	13	**45,642**	45,642
Accumulated Losses		**(8,971)**	(8,759)
Total equity		**36,671**	36,883
Liabilities			
Non-current liabilities			
Decommissioning provision	17	**2,515**	2,694
		2,515	2,694
Current liabilities			
Accounts payable and accrued expenses	14	**1,962**	29
Related party loans	15	**15,622**	10,331
		17,584	10,360
Total liabilities		**20,099**	13,054
Total equity and liabilities		**56,770**	49,937

The notes are an integral part of these financial statements.

Falcon Oil & Gas Australia Limited
Statement of Changes in Equity

	Share capital $'000	Accumulated Losses $'000	Total Equity $'000
At 1 January 2022	45,642	(8,908)	36,734
Net income for the year	-	149	149
Net income and total comprehensive income for the year	-	149	149
At 31 December 2022	45,642	(8,759)	36,883
At 1 January 2023	45,642	(8,759)	36,883
Net loss for the year	-	(212)	**(212)**
Net loss and total comprehensive loss for the year	-	(212)	**(212)**
At 31 December 2023	45,642	**(8,971)**	**36,671**

The notes are an integral part of these financial statements.

Falcon Oil & Gas Australia Limited
Statement of Cash Flows

	Year Ended 31 December	
	2023	2022
	$'000	$'000
Cash flows from operating activities		
Net (loss) / income for the period	**(212)**	149
Interest income received	**(31)**	(5)
Exploration and evaluation expense	**152**	0
Foreign exchange loss / (gain)	**1**	(232)
Changes in working capital		
Trade receivables and prepaids	**3**	(4)
Accounts payable and accrued expenses	**(67)**	3
Net cash used in operating activities	**(154)**	(89)
Cash flows used in investing activities		
Interest received	**34**	1
Exploration and evaluation assets	**(6,722)**	(86)
Net cash used in investing activities	**(6,688)**	(85)
Cash flows from financing activities		
Changes in related party loans	**5,291**	(1,421)
Net cash from / (used in) financing activities	**5,291**	(1,421)
Change in cash and cash equivalents	**(1,551)**	(1,595)
Effect of exchange rates on cash and cash equivalents	**77**	231
Cash and cash equivalents at beginning of year	**6,935**	8,299
Cash and cash equivalents at end of year	**5,461**	6,935

The notes are an integral part of these financial statements.

1. General Information

Falcon Australia is domiciled in Australia at 17 Phoenix Street, Nightcliff, Northern Territory, Australia. The Company was incorporated on 21 August 2008. The Company is a for - profit entity and primarily is involved in oil and gas exploration. The parent entity, owning 98.1%, of Falcon Australia is Falcon Oil & Gas Limited ("**Falcon**"), a Canadian entity.

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).

2. Accounting policies

The significant accounting policies adopted by the Company are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of Preparation

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards - Simplified Disclosures issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

New or amended Accounting Standards and Interpretations adopted

A number of new standards, amendments to standards and interpretations, were effective for annual periods beginning on or after 1 January 2023

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The following Accounting Standards and Interpretations are most relevant to the company:

Conceptual Framework for Financial Reporting (Conceptual Framework)
The company has adopted the revised Conceptual Framework from 1 January 2022. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the company's financial statements.

AASB 1060 General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities
The company has adopted AASB 1060 from 1 January 2022. The standard provides a new Tier 2 reporting framework with simplified disclosures that are based on the requirements of IFRS for SMEs. As a result, there is increased disclosure in these financial statements for key management personnel, related parties and tax.

No other standards and interpretations have been determined to materially impact the Company.

The financial report was authorised for issue by the directors on 26 April 2024.

Basis of going concern

For the year ended 31 December 2023, the Company recorded a loss of $212,000 (2022: gain $149,000) and experienced net cash outflows from operating activities of $154,000 (2022: $89,000). At 31 December 2023, the Company had a negative working capital balance of $12.1 million (2022: ($3.4 million)).

The ability of the Company to continue as a going concern is dependent on continued support of its 98.1% parent entity, Falcon. Falcon has noted they have estimated sufficient cash to cover the estimated costs remaining for the first two commitment wells to be drilled in 2024 under the Pilot project and operating expenses for twelve months however further funding will be required for future drilling activities. Falcon management and those charged with governance at Falcon are confident that further funding required can be raised through either an equity raise or debt funding.

2. Accounting policies (continued)

As at the date of the approval of these financial statements no such further funding has been raised and there can be no certainty that sufficient funds can be raised if required.

This indicates a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern and therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Directors believe there are sufficient funds to meet the Company's working capital requirements as at the date of this report.

The financial statements have been prepared on the basis that the Company is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business given the continued support from its parent entity, Falcon Oil & Gas Ltd.

Should the Company not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differs from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets or liabilities that may be necessary if the Company is unable to continue as a going concern.

Historical cost convention

The financial report is prepared on the historical cost basis with the exception of trade and other receivables that are initially recognised at fair value, and subsequently measured at amortised cost less accumulated impairment losses.

Functional and presentation currency

The financial report is presented in United States dollars ("**$**"), which is the Company's functional currency. All amounts are rounded to the nearest $'000 unless otherwise stated. "**A$**" where referenced in the financial report represents Australian dollars.

Overriding Royalty Interests

A financial liability will arise, in relation to the overriding royalty interests on the Company's Exploration licences, when it becomes likely that an obligation will exist which would occur when production commences.

Call options

A financial liability will be recognised in relation to call options to acquire overriding royalty interests on the Company's exploration assets when these become contractual under the agreement.

Financial assets

The Company classifies its financial assets in the following categories: at fair value through the Statement of Profit or Loss and Other Comprehensive Income, loans and receivables and available - for - sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through the Statement of Profit or Loss and Other Comprehensive Income
Financial assets at fair value through the Statement of Profit or Loss and Other Comprehensive Income are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purposes of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non - current.

(ii) Loans and receivables
Loans and receivables are non - derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the receivable. They are initially recognised at fair value and subsequently recorded at amortised cost. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non - current assets. The Company's loans and receivables comprise "cash and cash equivalents" and "trade and other receivables" in the statement of financial position.

2. Accounting policies (continued)

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Derivative financial instruments

Derivatives (including embedded derivatives) are initially recognised at fair value on the date a derivative contract is entered into and subsequently re - measured at their fair value. The method of recognising 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 Company has not designated any derivatives as hedges as at 31 December 2023 or 31 December 2022.

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related. Changes in the fair value of separable embedded derivatives are recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Intangible exploration assets

(i) Recognition and measurement

*- Exploration and evaluation (“**E&E**”) expenditures*

Pre - license costs are recognised in the Statement of Profit or Loss and Other Comprehensive Income as part of exploration and evaluation expenses as incurred.

E&E costs, including the costs of acquiring licenses and directly attributable general and administrative costs, initially are capitalised as either tangible or intangible exploration and evaluation assets according to the nature of the assets acquired. The costs are accumulated in cost centres by well, field or exploration area pending determination of technical feasibility and commercial viability i.e., area of interest.

E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For purposes of impairment testing, E&E assets are allocated to cash - generating units (**“CGU’s”**).

The technical feasibility and commercial viability of extracting a resource is considered to be determinable when proven reserves are determined to exist. A review of each exploration license or field is carried out, at least annually, to ascertain whether proven reserves have been discovered. Upon determination of proven reserves, intangible exploration and evaluation assets attributable to those reserves are first tested for impairment and then reclassified from E&E assets to a separate category within tangible assets referred to as oil and natural gas interests.

Proceeds from disposal or farm - in transactions of intangible exploration assets are used to reduce the carrying amount of the assets. When proceeds exceed the carrying amount, the difference is recognised as a gain. When the Company disposes of its’ full interests, gains or losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

- Development and production costs

Items of property, plant and equipment, which include oil and gas development and production assets, are measured at cost less accumulated depletion and depreciation and accumulated impairment losses. Development and production assets are grouped into CGU’s for impairment testing. When significant parts of an item of property, plant and equipment, including oil and natural gas interests, have different useful lives, they are accounted for as separate items (major components).

Gains and losses on disposal of an item of oil and natural gas interests, are determined by comparing the proceeds from disposal with the carrying amount and are recognised net within “other income” or “other expenses” in the Statement of Profit or Loss and Other Comprehensive Income.

2. Accounting policies (continued)

(ii) Subsequent costs
Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing parts of property, plant and equipment are recognised as oil and natural gas interests only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

Such capitalised oil and natural gas interests generally represent costs incurred in developing proved and / or probable reserves and bringing in or enhancing production from such reserves and are accumulated on a field or geotechnical area basis. The carrying amount of any replaced or sold component is derecognised. The costs of the day - to - day servicing of property, plant and equipment are recognised in the Statement of Profit or Loss and Other Comprehensive Income as incurred.

Leased assets

Operating leases are not recognised on the Company's statement of financial position.

Payments made under operating leases are recognised in the Statement of Profit or Loss and Other Comprehensive Income on a straight - line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Impairment

(i) Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset would be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

(ii) Non - financial assets
The carrying amounts of the Company's non - financial assets, other than E&E assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to property, plant and equipment, as oil and natural gas interests, and also if facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets, the CGU. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre - tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

E&E assets are allocated to related CGU's when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to producing assets (oil and natural gas interests in property, plant and equipment).

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Impairment losses recognised in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

2. Accounting policies (continued)

Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortisation if no impairment loss had been recognised.

Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre - tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Provisions are not recognised for future operating losses.

(i) Decommissioning provisions
The Company's activities give rise to dismantling, decommissioning and site disturbance re - mediation activities. Provision is made for the estimated cost of site restoration and capitalised in the relevant asset category.

Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognised as finance costs whereas increases / decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

Finance income and expenses

Financing costs comprise interest payable on borrowings calculated using the effective interest method, and interest earned.

Interest income is recognised as it accrues in the Statement of Profit or Loss and Other Comprehensive Income, using the effective interest method.

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings on an effective interest basis.

Foreign currency gains and losses, reported under finance income and expenses, are those related to financing items.

Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Profit or Loss and Other Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the statement of financial position method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised on the initial recognition of assets or liabilities in a transaction that is not a business combination. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

2. Accounting policies (continued)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("**GST**"), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Tax office ("**ATO**") is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis unless otherwise indicated.

3. Critical accounting estimates and judgements

Preparation of the financial report requires a significant number of judgemental assumptions and estimates to be made. This impacts the income and expenses recognised in the Statement of Profit or Loss and Other Comprehensive Income together with the valuation of the assets and liabilities in the statement of financial position. Such estimates and judgements are based on historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances and are subject to continual re - evaluation. It should be noted that the impact of valuation in some assumptions and estimates can have a material impact on the reported results.

The following are key sources of estimation uncertainty and critical accounting judgements in applying the Company's accounting policies:

Critical judgments
(i) Exploration and evaluation assets
The carrying value of exploration and evaluation assets was $51 million at 31 December 2023 (2022: $43 million). The Company has determined that there are no indicators of impairment present in accordance with AASB 6 "Exploration for and evaluation of mineral interests" and thus impairment evaluations were not performed on the asset.

Management's conclusion that no facts or circumstances exist that suggested the exploration and evaluation assets may be impaired required judgment based on experience and the expected progress of current exploration and evaluation activities.

The results of the 2017 Discovery Evaluation report strengthened by the IP30 and IP60 flow rate announced on 26 February and 26 March 2024 respectively supports the existence of a material gas resource in the Beetaloo Sub-basin. Coupled with the geological properties, including reservoir pressure, effective porosity and gas-in-place all point towards the significant resource potential of the Basin. All above results provide significant evidence as to the potential of the Beetaloo Sub-basin and provide sufficient evidence to support the carrying value of the asset..

Critical estimates
(ii) Going concern
The financial statements have been prepared on the going concern basis. In considering the financial position of the Company, the Company has considered the forecasted operating and capital expenditures for a period of at least twelve months from the date of approval of these financial statements and cash flows relating to its financing. Forecasting those cash flows requires significant judgment when estimating expected operating expenditure, capital expenditure and the continued support of the parent company, whose loan to the Company was extended to December 2024. This loan is repayable on demand, for further details please refer to Note 2.

(iii) Decommissioning Provision
The decommissioning provision represents the best estimate of the costs involved in the various exploration and production licence areas to return them to their original condition in accordance with the licence terms. These estimates include certain assumptions with regard to future costs, inflation rates, timing of cash flows and discount rates. For further details please refer to Note 17.

4. Standards, Interpretations and amendments to published standards that are not yet effective

New standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024 and have not been applied in preparing these financial statements. The Company does not plan to adopt these standards early and the extent of the impact has not been assessed yet.

5. Income taxes

A reconciliation of the expected tax benefit computed by applying the Australian tax rate of 25% (2022: 25%) to the profit / (loss) before tax to the actual tax result is as follows:

	For the year ended 31 December	
	2023	2022
	$'000	$'000
(Loss) / profit before tax	**(212)**	149
Computed income tax	**(53)**	37
Decrease in income taxes resulting from:		
Non-deductible expenses	**38**	5
Other	**(2,157)**	(81)
Losses carried forward	**2,172**	39
	-	-

Available tax losses:

	At 31 December	
	2023	2022
	$'000	$'000
Tax losses carried forward to later income years	**66,856**	58,236
	66,856	58,236

6. General and administrative expenses

General and administrative expenses costs of:

	Year ended 31 December	
	2023	2022
	$'000	$'000
Accounting and audit fees	**39**	34
Consulting fees	**24**	20
Office and administrative costs	**6**	6
Directors' fees	**27**	28
	96	88

7. Key management personnel disclosures

The aggregate compensation made to directors and other members of key management personnel of the company is set out below:

	Year ended 31 December	
	2023	2022
	$'000	$'000
Aggregate compensation	**27**	28
	27	28

8. Auditors' Remuneration

	Year ended 31 December	
	2023	2022
	$'000	$'000
Audit of financial report – BDO	**10**	13
Tax fees – BDO	**24**	11
	34	24

The Company has considered the non – audit tax services provided during the year by the auditor. The Company is satisfied that the provision of those non – audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporation Act 2001 for the following reasons:

- all non – audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed to ensure they do not impact the integrity and objectivity of the auditor; and
- the non – audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditor's own work, acting in a management or decision-making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

9. Exploration & Evaluation assets

	Year ended 31 December	
	2023	2022
	$'000	$'000
Opening balance at 1 January	**42,977**	40,197
Additions	**8,648**	86
Additions to decommissioning provision (Note 17)	**341**	2,694
Revisions to decommissioning provision (Note 17)	**(679)**	-
Balances as at 31 December	**51,287**	42,977

E&E assets consist of the Company's exploration projects which are pending the determination of proven or probable reserves. Additions represent the Company's costs incurred on E&E assets during the period.

The impairment of intangible exploration assets, and any eventual reversal thereof, is recognised as additional depletion, depreciation and amortisation expense in the Statement of Profit or Loss and Other Comprehensive Income as impairment of non - current assets. As at 31 December 2023 and 31 December 2022, there were no indicators of impairment as defined by AASB 6, and as such no impairment testing was performed.

For an update on 2023/2024 operations please refer to the Operating and Financial Review.

10. Trade and other receivables (non - current assets)

	As at 31 December	
	2023	2022
	$'000	$'000
Bonds for permits	**20**	20
	20	20

11. Cash and cash equivalents

		As at 31 December
	2023	2022
	$'000	$'000
Cash and cash equivalents	**5,461**	6,935
	5,461	6,935

Cash and cash equivalents can include cash on hand, deposits held on call with banks, other short term highly liquid investments with initial maturities of three months or less at inception and bank overdrafts where a legal right of offset exists. Bank overdrafts where no legal right of offset exists are shown within borrowings in current liabilities in the statement of financial position.

12. Trade and other receivables (current assets)

		As at 31 December
	2023	2022
	$'000	$'000
Prepayments	**1**	1
Other receivables	**1**	4
	2	5

13. Share Capital

The following is a reconciliation of the issued and outstanding shares in issue:

	Number of shares	**Share Capital $'000**
At 31 December 2022	206,393,237	45,642
At 31 December 2023	**206,393,237**	**45,642**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. The Company does not have authorised capital or par value in respect of its issued shares.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern to realise its investment in the Beetaloo Exploration Permits. The company manages the components of shareholders' equity and its cash as capital and adjusts components in response to the Company's business objectives and the economic climate. To maintain or adjust its capital structure, the Company may issue new common shares or debt instruments or borrow money or acquire or convey interests in other assets. The Company does not anticipate the payment of dividends in the foreseeable future. The Company is dependent upon its 98.1 % Parent Company for continued funding.

14. Accounts payable and accrued expenses

		As at 31 December
	2023	2022
	$'000	$'000
Trade payables	**19**	8
Accruals	**1,943**	21
	1,962	29

15. Related party transactions

		As at 31 December
	2023	2022
	$'000	$'000
Related party loans - Falcon Oil & Gas Ltd	**15,622**	10,331
	15,622	10,331

The Company's acquisition and exploration expenditure has been primarily funded by way of loan from its parent entity, Falcon Oil & Gas Ltd. The interest free loan facility exists until 31 December 2024 so long as the Company remains a 98.1% subsidiary of Falcon Oil & Gas Ltd. The loan is repayable on demand.

Key management personnel
Disclosures relating to key management personnel are set out in note 7.

Transactions with related parties
The following balances are outstanding in relation to transactions with related parties.

		As at 31 December
	2023	2022
	$'000	$'000
Payment for services from key management personnel	**4**	5
	4	5

The following balances are outstanding in relation to transactions with related parties.

		As at 31 December
	2023	2022
	$'000	$'000
Trade payables to key management personnel	**8**	8
	8	8

16. Commitments and contingencies

The planned drilling programme commenced in 2015 with its farm-in partners.

Originally Falcon Australia 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, with work recommencing in 2019.

In August 2018 Falcon Australia 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 Falcon Australia 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. Costs in excess of the cost cap of A$263.8 million will be funded in proportion to the PI of the joint venture partners.

With Origin's divestment announced on 19 September 2022, the cost caps and obligations transfer to Tamboran B2. Furthermore, as announced on 11 October 2022 Falcon Australia will earn an additional carry on future well costs up to A$30m and the introduction of limited proration units on sole risk operations provides optionality to Falcon Australia on future wells drilled.

16. Commitments and contingencies (continued)

The latest updates on the work programme are included on pages 5-11.

In 2013, Falcon Australia entered into an agreement (the **“TOG Agreement”**) with the TOG Group to acquire up to 7% of their 8% ORRI over Falcon Australia’s Exploration Permits in the Beetaloo Sub-basin for the following consideration:

- Falcon Australia paid the TOG Group $5 million to acquire 5% of their ORRI only on completion of a Beetaloo farm-in transaction.
- TOG Group granted Falcon Australia a five-year call option to acquire a further 2% of their ORRI for a payment of $15 million.
- All ORRIs acquired under the Agreement were immediately cancelled by Falcon Australia; and
- TOG Group to retain a 1% ORRI.

On **23 April 2019** it was announced that Falcon Australia had successfully negotiated a two-year extension of the call option up to and including 31 August 2021 (“the **Extension**”), to acquire it’s 30% portion of the 2% ORRI from the TOG Group. The Extension was submitted to the Northern Territory government, Australia for review and registration, with confirmation of registration received on 1 August 2019. Following confirmation of registration, 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 PI in the Exploration Permits in the Beetaloo Sub-basin. Following the transaction, Falcon Australia now holds a 22.5% PI. As part of that deal Origin assumed 25% of the cost of Falcon Australia’s remaining call option to reduce the overriding royalties with the TOG Group. The cost to Falcon Australia should it wish to exercise the call option, would reduce from $7.5million to $5.625 million, in line with the reduced PI.

On **7 July 2020** Falcon Australia agreed to a further extension of the call option up to and including 30 April 2022 (“**Additional Extension**”), to acquire it’s 22.5% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Additional Extension from the Northern Territory government Falcon Australia 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 a 2% 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 TOG Group with the cash proceeds of $6 million to be used to exercise Falcon Australia’s call option to reduce the existing ORRI with the TOG group from 3% to 1%. Both transactions took place in April 2022. These changes to the ORRI’s were submitted to the Northern Territory Government, Australia for registration and have been approved.

On **25 March 2024** Falcon Australia announced that it had elected to reduce its working interest in the proposed Pilot from 22.5% to 5%. 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 as part of the Pilot.

On **18 April 2024** it was 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. Completion of the grant of the ORRIs is subject to agreement of final legal documentation and to submission to the Northern Territory Government, Australia for registration.

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 development, measuring 51,200 acres, in which Falcon 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 development, measuring 51,200 acres, and an ORRI of 0.4444% in respect of the remaining 4.52 million acres.

No liability has been recognised with respect to the overriding royalties given the associated exploration permits do not have commercially producing wells and have not generated revenue to date.

The Company has no other material commitments or contingencies.

17. Decommissioning Provision

A reconciliation of the decommissioning provision for the years ended 31 December 2023 and 2022 is provided below:

	2023 $'000	2022 $'000
Balance as at beginning of year	**2,694**	-
Additions to Beetaloo working interests	**341**	2,694
Revision to previous Beetaloo decommissioning provision	**(708)**	-
Foreign exchange revaluation	**36**	-
Accretion	**152**	-
Balance as at end of year – non-current	**2,515**	2,694

The Company's decommissioning provision results from the PI it holds in the Exploration Permits and is on the estimated costs to reclaim and abandon these wells drilled and the estimated timing of the costs to be incurred in future years.

The estimated net present value of the decommissioning provision for its well interests is $2.5 million as at 31 December 2023 (2022: $2.7 million) based on an undiscounted total future liability of $5.9 million (2022: $3.4 million). These payments are expected to be made between 4-30 years. The discount factors, being the risk-free rate related to the liability, were 3.95% and 4.85% respectively as at 31 December 2023 (2022: 3.70% and 4.34% respectively). The inflation factor related to the liability, was 2.5% as at 31 December 2023 (2022: 2.5%). A 1% increase / (decrease) in the discount rate will (decrease) / increase the provision by ($305,000) / $392,000.

18. Subsequent Events

On **26 February 2024** it was 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.

On **25 March 2024** it was announced that Falcon Australia had elected to reduce its working interest in the proposed Pilot from 22.5% to 5%. 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 as part of the Pilot but will still retain a 10% working interest in the enlarged area of circa 72,000 acres around the Pilot and a 22.5% working interest in the remaining 4.52 million acres.

On **26 March 2024** it was 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).

On **18 April 2024** it was announced that Falcon Australia had agreed to grant Daly Waters Energy, LP 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. Completion of the grant of the ORRIs is subject to agreement of final legal documentation and to submission to the Northern Territory Government, Australia for registration.

On **23 April 2024** it was announced that the BJV has signed a Binding Agreement for a long-term Gas Sales Agreement 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.

There were no other significant changes in the state of affairs of the Company that occurred since the year end of the year under review.

On **26 April 2024** it was announced that the SS1H well achieved above commercial IP90 flow rate of 2.9 MMcf/d (normalised to 5.8 MMcf/d over 1,000 metres).

19. Comparatives

Comparative figures have been adjusted where necessary, to conform with changes in presentation or where additional analysis has been provided in the current period.

20. Approval of Financial Statements

This Financial Report was approved by the Board of Directors and authorised for issue on 26 April 2024.
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