ABN 53 132 857 008

**Falcon Oil & Gas Australia Limited**

Financial Report
Year Ended 31 December 2020

(Presented in U.S. Dollars)

## Table of Contents

## 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 EP-76 (Beetaloo Basin, Northern Territory, Australia) | 22.5 | Origin (i) | Exploration | 1,891.3 |
| Exploration Permit EP-98 (Beetaloo Basin, Northern Territory, Australia) | 22.5 | Origin (i) | Exploration | 10,316.0 |
| Exploration Permit EP-117 (Beetaloo Basin, Northern Territory, Australia) | 22.5 | Origin (i) | Exploration | 6,412.0 |

**(i)** Falcon Australia completed its farm-out with Origin Energy Resources Limited, a subsidiary of Origin Energy Limited and Sasol Petroleum Australia Limited, a subsidiary of Sasol Limited ("**Sasol**"), collectively referred to herein as (the **"Farminees**") on 21 August 2014. On completion, Origin was appointed as Operator of EP-76, EP-98 and EP-117 (collectively the **Exploration Permits**). On 5 May 2017, it was announced that Origin Energy B2 Pty Ltd. ("**Origin**") had acquired Sasol's 35% interest, bringing its overall interest to 70% in the Beetaloo Exploration Permits. On 7 April 2020 it was announced that Falcon had farmed down 7.5% of its Participating Interest ("**PI**"), with its overall PI reducing from 30% to 22.5%. Northern Territory government approval for the 7.5% farm down remains outstanding however management expects this will be received in due course.

In accordance with local law and regulations, Falcon Australia's acreage interests are subject to combined government and Northern Land Council royalties on production values of up to approximately 12% and 1% (subject to the exercise of Falcon Australia's call option - see "Overriding Royalty Beetaloo Sub-basin exploration permits" for details) to other parties. Falcon Australia is subject to Commonwealth Government corporation tax of 30%, however where the entity has aggregated annual turnover of less than A$50 million for the financial year, and "base rate entity passive income" of 80% or less of assessable income, Falcon Australia would be considered a 'base rate entity' for Australian tax purposes and would be taxed at a lower rate of 26%. Falcon Australia is also subject to the Commonwealth Government's Petroleum Resource Rent Tax ("**PRRT**") levied at the rate of 40% on taxable profits derived from the petroleum projects. The PRRT is calculated on the individual projects, and royalties are deductible for PRRT purposes. The PRRT tax system is separate from the company income tax system and is based on cash flow. Both royalties and PRRT are deductible for corporate income tax purposes.

***Overriding Royalty - Beetaloo Sub-basin exploration permits***

In 2013, Falcon Australia entered an agreement with Malcolm John Gerrard, Territory Oil & Gas LLC and Tom Dugan Family Partnership LLC ("**TOG Group**") to acquire 7% of their 8% private overriding royalty interest ("**ORRI**") over the Exploration Permits. Falcon Australia made a payment of $5 million to acquire 5% of the ORRI in 2014. The Group also agreed to acquire a further 2% based on a five year call option granted to Falcon Australia at a future cost of $15 million to the joint venture in proportion to their interest, with the TOG Group retaining a 1% royalty.

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

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

**Operating and Financial Review (continued)**

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

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

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

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

On **7 April 2020** it was announced that Falcon Australia had executed an agreement which included a restated Farm-Out Agreement and Joint Operating Agreement (collectively "**the Agreements**") with Origin to farm down 7.5% of Falcon Australia's PI in the Exploration Permits. Following the transaction Falcon Australia now holds a 22.5% PI. Full details of the announcement are included on page 9.

***Discoveries and Prospectivity***
Work was previously undertaken by a Rio Tinto Group subsidiary company, Sweetpea Petroleum Pty Ltd. ("**Sweetpea**"), Hess Oil & Gas Holdings Inc.("**Hess**") and Falcon Australia. Sweetpea drilled the Shenandoah-1 vertical well, which was deepened by Falcon Australia. Hess acquired 3,490 kilometres of 2D seismic data. The seismic database, along with existing well data, provided a solid platform to extrapolate a detailed structural and stratigraphic model for the Beetaloo Sub-basin, concluding the basin was an active petroleum system. 2015 saw the commencement of the work programme with the drilling of three wells, Kalala S-1 to a total depth ("**TD**") of 2,619 metres, Amungee NW-1 to a TD of 2,611 metres and the first horizontal well, Amungee NW-1H to a TD of 3,808 metres, including a 1,100 metre horizontal section. In 2016, the Beetaloo W-1 well was drilled to a TD of 3,173 metres and the horizontal Amungee NW-1H well was hydraulic stimulated.

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

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

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

**[This part of the page was left blank intentionally]**

**Operating and Financial Review (continued)**

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

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

[1] The Report and estimates included in the table above were not prepared in accordance with the Canadian Oil and Gas Evaluation Handbook ("**COGEH**")
[2] Falcon Australia's working interest is 22.5% (revised as of 7 April 2020 following the farm down, previously 30%), net attributable numbers do not incorporate royalties over the permits
[3] Area defined by a depth range at a maturity cut-off consistent with the dry gas window within the Beetaloo JV Permits (EP76, EP98, EP117)
[4] Trillion cubic feet
[5] The combined recovery/utilization factor range was applied stochastically to the OGIP range to calculate the range of technically recoverable resource within the Beetaloo JV permits.
[6] Billion cubic feet per square kilometre

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

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

**[This part of the page was left blank intentionally]**

**Operating and Financial Review (continued)**

Origin's Contingent Gas Resource Estimates for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117
Origin also prepared a contingent resource estimate using probabilistic methods and reservoir evaluation data, in addition to regional seismic data.

| **Assessment of 2C Contingent Gas Resource Estimates for the Middle Velkerri B Shale Pool within EP76, EP98 and EP117 as of 15 February, 2017[1]** | | |
|---|---|---|
| **Measured and Estimated Parameters** | **Units** | **Best Estimate** |
| **Area [2]** | $km^2$ | 1,968 |
| **OGIP [3]** | TCF | 61.0 |
| **Gross Contingent Resource[4]** | TCF | 6.6 |
| **Net Contingent Resource[4,5]** | TCF | 1.48 |

[1] Contingent resource estimates were prepared on a statistical aggregation basis and in accordance with the Society of Petroleum Engineers Petroleum Resources Management System ("**SPE-PRMS**"). SPE-PRMS was developed by an international group of reserves evaluation experts and endorsed by the World Petroleum Council, the American Association of Petroleum Geologists, the Society of Petroleum Evaluation Engineers, and the Society of Exploration Geophysicists. Contingent resource estimates are those quantities of gas (produced gas minus carbon dioxide and inert gasses) that are potentially recoverable from known accumulations but which are not yet considered commercially recoverable due to the need for additional delineation drilling, further validation of deliverability and original gas in place, and confirmation of prices and development costs. If the estimates were to be prepared in accordance with COGEH, Falcon Australia is highly confident that there would be no change to the contingent resource estimates above.
[2] P50 area from the Contingent Resource area distribution
[3] OGIP presented is the product of the P50 Area by the P50 OGIP per $km^2$
[4] Estimated gas contingent resource category of 2C. There is no certainty that it will be commercially viable to produce any portion of the resources
[5] Net to Falcon Australia's 22.5% (revised as of 7 April 2020 following the farm down, previously 30%) working interest in EP76, EP98, and EP117, the net contingent resource number does not incorporate royalties over the permits

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

**[This part of the page was left blank intentionally]**

**Operating and Financial Review (continued)**

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

| | |
|---|---|
| **Well Name** | Amungee NW-1H |
| **Permit / location** | EP98 (onshore Beetaloo Sub-basin Northern Territory, Australia) |
| **Working interest in well** | Falcon Australia 22.5% (previously 30% prior to the farm down on 7 April 2020) |
| **Product type** | Shale gas |
| **Geological rock type of formation drilled** | Organic rich shale (mudstone and siltstone) |
| **Depth of zones tested** | ~2170-2190 metres below sea level |
| **Type of test** | Production test following hydraulic fracture stimulation |
| **Hydrocarbon phases recovered** | Gas (Approximate composition: methane ~92%, ethane+ ~3%, carbon dioxide and inerts ~5%) |
| **Flow rates and volumes** | Average rate (57 days): 1.1 MMscf/d, Final production rate: 1.07 MMscf/d, Cumulative production: 63 MMscf |
| **Number of fracture stimulation stages** | 11 stages (average size ~ 100 ton per stage) |
| **Risks and level of uncertainty with recovery of resources** | Risks and uncertainties include the lifting of the Northern Territory moratorium on hydraulic fracture stimulation, completing longer-duration production testing above the 57 days conducted on Amungee NW-1H, reducing well costs with scale of activity, establishing gas sales agreements and building infrastructure to connect the resource to market.<br><br>Contingent on the moratorium being lifted, additional appraisal drilling is planned (as per the work program associated with the permits), along with hydraulic fracture stimulation and testing to assess deliverability and move the project towards commercialisation. |
| **Significant positive and negative factors relevant to the estimate** | Significant positive factors relevant to the estimate of the contingent resources include the successful well test at Amungee NW-1H which produced enough gas to surface to be of commercial interest; core and log data from Amungee NW-1H, Beetaloo W-1, Kalala S-1, Tanumbirini-1, McManus-1, Altree-2 and Walton-2 provide convincing evidence of a significant volume of moveable hydrocarbons; and the Marcellus Shale (Pa., USA) and Barnett Shale (Tx., USA) are analogous, commercially-productive fields that are similar to the Velkerri B Shale reservoir.<br><br>Significant negative factors include the lifting of the Northern Territory moratorium on hydraulic fracture stimulation, the limited number of wells on the Company's acreage, lack of a developed service sector providing uncertainty regarding estimates of capital and operating costs, developing hydrocarbon regulations and environmental legislation and the requirement to obtain social acceptability for oil and gas operations. |
| **Commerciality** | Currently this project is based on a conceptual study. The economic status is undetermined at this time. The contingent resources will continue to be assessed as additional appraisal wells are drilled and tested in order to better evaluate the commercial potential of the play. After a sufficient number of wells have been drilled to demonstrate that the project is technically feasible and a development plan has been generated, economics can be run to determine commerciality of production. |

On **19 January 2021** it was 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 N2-1H ST2 well ("**Kyalla 117**"). Full details are included on page 11.

**[This part of the page was left blank intentionally]**

**Operating and Financial Review (continued)**

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

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

On **17 April 2018** Falcon welcomed the decision by the NT government to lift the moratorium on hydraulic fracturing.

***Current Activity***

On **20 November 2019** it was announced that drilling of the vertical section of the Kyalla 117 N2-1 appraisal well had been completed to a vertical TD of 1,895 metres.

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

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

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

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

On **10 December 2019** it was announced the commencement of the drilling of the horizontal section of the Kyalla 117 N2-1H appraisal well, along with the advancement of the vertical well evaluation. The joint venture ("**JV**") elected to land the horizontal well within the Lower Kyalla shale, at a depth of ~1800m true vertical depth ("**TVD**").

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

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

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

On **13 January 2020** an operational update was provided on the drilling of the Kyalla 117 N2-1H well and noted the below.

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

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

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

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

**Operating and Financial Review (continued)**

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

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

On **26 March 2020,** the following operational update on the Beetaloo project considering COVID-19 was provided.

Following the successful completion of drilling operations, including cementing and casing of the horizontal well section of Kyalla 117 the JV has completed the installation of water monitoring bores and preparatory work has continued towards the next phase of operations, which will include the fracture stimulation of Kyalla 117.

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

Following the implementation of the necessary control procedures, the JV elected to temporarily pause activities at the Kyalla 117 site, reducing those on site to essential personnel only, whilst ensuring the required regulatory and environmental management conditions to monitor and maintain the site could be met..

While the JV is committed to the Beetaloo project which, if successful, has the potential to deliver long-term economic and social benefits for the Northern Territory, Australia the circumstances presented by COVID-19 led the JV to conclude that the immediate focus in March 2020 was to protect the people and communities of the Northern Territory.

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

*Transaction details*

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

*Operational Update*
Drilling operations at Kyalla 117 were successfully completed in February 2020, reaching a total measured depth of 3,809 metres, including a 1,579-metre lateral section (from 90 degrees) in the Lower Kyalla Formation. Water impact monitoring bore drilling was completed in March and final preparatory work continued ahead of the next stage of operations.

**Operating and Financial Review (continued)**

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

On **20 August 2020** an operational update was provided noting that Kyalla 117 results obtained demonstrated good reservoir continuity, conductive natural fractures and continuous gas shows.

Following the pause of operations in response to the COVID-19 pandemic, the Ensign rig was secured and maintained locally, and by mid-May all personnel had left the Kyalla 117 site.

Subject to COVID-19 related conditions, fracture stimulation of Kyalla 117 was expected to commence in Q3/Q4 2020 with extended production testing of the well to follow. Initial results from the production test were expected during Q4 2020 with final results expected by the end of Q1 2021. These results would inform the decision to either further evaluate this liquids-rich gas play or commence activities in the Velkerri liquids-rich gas play.

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

On **21 September 2020** it was noted that that operations had recommenced at Kyalla 117 with the fracture stimulation of the well and extended production testing to follow.

On **2 October 2020** Falcon provided the following technical update regarding the hydraulic stimulation of Kyalla 117:

- Completion of 11 hydraulic stimulation stages along the 1,579-metre horizontal section in the Lower Kyalla Formation
- Stimulation treatments were successfully executed
- Activities had commenced in preparation for the flowback and extended production test
- Early stage gas flow rates were expected in the following weeks

On **4 November 2020** it was noted that operations were continuing following the hydraulic stimulation at Kyalla 117. Following a short initial flow back of hydraulic fracture stimulation fluid to surface the well was subsequently shut in and production tubing was successfully installed and tested. Flow back operations recommenced in late October, with the well flowing back at a rate of approximately 500 barrel per day with minor gas breakthroughs observed at that time.

On **25 November 2020** an update was provided on operations at Kyalla 117. It noted that Kyalla 117 continued to flow back fracture stimulation fluid, with some gas shows; however, a measurable gas breakthrough that would allow the commencement of extended production testing to assess the extent of the resource that may be present had yet to occur.

Data collected and analysed to guide ongoing operations showed greater pressures in the horizontal section of Kyalla 117 than in the surrounding reservoir, due to the saline content and density of the flowback fluid and the hydrostatic column weight of this fluid in the vertical section. This pressure difference can prevent the flow of gas from the reservoir into the fractures and then to surface and it is not unusual in shale plays to observe the salinity and density of the flowback fluid increasing as salt easily migrates from the formation.

Operations were planned to re-enter Kyalla 117 with coiled tubing and apply nitrogen lift techniques to lower pressures in the well and assist with achieving and sustaining gas breakthrough that, if successful, would allow extended production testing to commence. This technique is not uncommon and was applied to the successful Amungee NW1-1H well in 2016.

As is the nature of exploration and appraisal, Falcon and Origin, continually responded to the data gathered through operations to inform ongoing activities.

Other data collected up to 25 November 2020 remains positive. In particular, core analysis indicates mature hydrocarbons and good permeability (natural pathways for gas to flow) and mud logs indicate liquids rich gas. The fracture stimulation of the well was successful and the integrity of the well remains.

On **10 December 2020** noted that the JV had decided to execute operations without delay with all of the necessary equipment and consumables for the nitrogen lift being prepared to mobilise to the well site.

**Operating and Financial Review (continued)**

On **17 December 2020** the announcement by the Australian Government was noted and its plans to provide up to A$50 million to accelerate exploration activity in the Beetaloo sub-basin. The funding is designed to fast-track drilling by providing grants to cover 25% of eligible exploration costs, capped at A$7.5 million per well and three wells per exploration venture. The funding will be put towards exploration that occurs before June 2022.

The Northern Territory's Geological Survey estimates that the sub-basin could hold more than 200,000 petajoules of gas (190 Tcf) and that, even if a very conservative 10% of that gas was recovered, it could still supply Australia's domestic gas demand for more than 10 years.

On **24 December 2020** it was noted that the coiled tubing unit and all necessary consumables had arrived at the wellsite and the rigging up of the equipment was in progress. Nitrogen lift operations were expected to commence in the following few days.

On **19 January 2021** it was announced that Origin had submitted a notification of discovery and an initial report on discovery ("**Notification of Discovery**") to the DITT on Kyalla 117. The Notification of Discovery is a requirement under s64(1) of the Petroleum Act 1984 (Northern Territory) and the NT Guidelines for reporting a petroleum discovery.

*Details of the Notification of Discovery from Origin to the DITT were as follows:*

- The Notification of Discovery is supported by preliminary production test data and petrophysical modelling.
- This follows the introduction of nitrogen to lift the fluids in Kyalla 117, which has enabled Kyalla 117 to flow unassisted for a period of seventeen hours.
- Unassisted gas flow rates ranging between 0.4-0.6 MMscf/d (million standard cubic feet per day) over seventeen hours were recorded.
- Flow back of hydraulic fracture stimulation water to surface over the same period, averaged between 400-600 bbl/d.
- Initial analysis suggests a liquid-rich gas composition with less than 1% $CO_2$.
- Condensate shows were also observed.

*Further Information*

- These early-stage flow rates are preliminary indications of well performance, and EPT will be required to determine the long-term performance of Kyalla 117.
- Longer-term measures will be put in place to flow back sufficient hydraulic fracture stimulation water to allow Kyalla 117 to flow continually without assistance and enable an EPT to continue in the coming months during the dry season.
- A further update will be provided when production testing has concluded, and detailed evaluation has been undertaken, expected to be in Q2 2021.

*Australian Government*
It was also noted that the Australian Government announced the previous week that it would invest A$217m in economic enabling infrastructure and upgrades to remote roads in the Northern Territory. These upgrades will provide quality infrastructure to support gas development and other industries in and around the Beetaloo Sub-basin. This is in addition to the A$50m being provided by the Australian Government to accelerate exploration activity in the Beetaloo announced last December.

On **22 January 2021** details on the first gas composition data obtained during the 17-hour unassisted flow period of Kyalla 117 were provided.

The initial analysis of natural gas by gas chromatography confirms a liquids-rich gas stream low in $CO_2$ as follows:

- $C_1$ = 65.03 mole percent ("**mol%**")
- $C_2$ = 18.72 mol%
- $C_3$ = 8.37 mol%
- $iC_4$ = 1.29 mol%
- $nC_4$ = 2.03 mol%
- $C_5$+ = 2.73 mol%
- $CO_2$ = 0.91 mol%
- $N_2$ = 0.92 mol%

($C_1$ methane, $C_2$ ethane, $C_3$ propane, $C_{3+}$ Propane and heavier constituents of natural gas, $iC_4$ iso-butane, $nC_4$ n-butane, $C0_2$ carbon dioxide, $N_2$ nitrogen)

The elevated $C_3$+ gas component of 14.42 mol%, which meets pre-drill expectations, confirms the Lower Kyalla Shale as a liquids-rich gas play. Gas composition data also support the view that the Kyalla gas stream will have elevated liquefied petroleum gas and condensate yields.

**Operating and Financial Review (continued)**

As previously announced longer term measures will be put in place to flow back sufficient hydraulic fracture stimulation water to allow Kyalla 117 to flow continually without assistance. This work is expected to commence at the start of the dry season in Q2 2021 and if successful will allow an EPT of between 60 and 90 days to commence.

On **19 March 2021** details of the 2021 work programme were provided. The 2021 work programme is expected to include the following:

- Resume clean-up operations of Kyalla 117 and commence an EPT
- Drill Velkerri 76 S2-1 vertical well ("**Velkerri 76**"), targeting the Velkerri play along the south-eastern flank of the Beetaloo Sub-basin, which is predicted to be in a liquids rich gas window.
- Perform a production test at Amungee NW 1H.

*2021 Work Programme Detail*

***Kyalla 117***

- Resumption of reservoir clean-up operations using an artificial lift technique.
- If the Kyalla 117 clean-up is successful, progress to an EPT.

**Velkerri 76**

- Drill a vertical pilot well to acquire core and log and run diagnostic fracture injection test data across the Velkerri.

***Amungee NW 1H***

- A production test to be carried out to determine if all frack stages contributed to the initial EPT conducted in 2016. Results of Amungee NW-1H from 2016/17 are included on pages 4-7.

**Philip O'Quigley**
**Chairman**

27 April 2021

## 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 2020.

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 in the course of the period was exploration for oil and gas in the Beetaloo Sub-basin, Northern Territory, Australia.

### Financial results

The net income after income tax attributable to members of the Company for the year ended 31 December 2020 was $45,000 (2019: income of $6,000).

### Dividends

There were no dividends paid or declared by the Company during the year ended 31 December 2020 (2019: nil).

### State of affairs

Following the submission of a Notification of Discovery in 2016, it was announced on 15 February 2017 that Origin had submitted a Discovery Evaluation Report to the Northern Territory Government and that Origin had prepared a contingent resource estimate.

In March 2018, the scientific inquiry into hydraulic fracturing 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.

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

Operations recommenced in September 2020 at Kyalla 117 with the fracture stimulation of the well. On 25 November 2020 it was noted that Kyalla 117 continued to flow back fracture stimulation fluid, with some gas shows; however, a measurable gas breakthrough that would allow the commencement of extended production testing to assess the extent of the resource that may be present had yet to occur. Operations were then planned to re-enter Kyalla 117 with coiled tubing and apply nitrogen lift techniques to lower pressures in the well and assist with achieving and sustaining gas breakthrough that, if successful, will allow extended production testing to commence.

On 19 January 2021 it was announced that Origin had submitted a Notification of Discovery to the DITT on Kyalla 117, the details of which are included on page 11. The early-stage flow rates are preliminary indications of well performance, and an EPT will be required to determine the long-term performance of Kyalla 117. Longer-term measures will be put in place to flow back sufficient hydraulic fracture stimulation water to allow Kyalla 117 to flow continually without assistance and if successful enable an EPT to continue in the coming months during the dry season. A further update will be provided when production testing has concluded, and detailed evaluation has been undertaken.

### Subsequent Event

On 19 January 2021 it was announced that Origin had submitted a Notification of Discovery to DITT on Kyalla 117. Full details are included on page 11.

On 22 January 2021 details on the first gas composition data obtained during the 17-hour unassisted flow period of Kyalla 117 were provided, full details are included on pages 11-12.

On 19 March 2021 details of the 2021 work programme were provided, full details are included on page 12 above.

There were no other significant changes in the state of affairs of the Company that occurred during 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 2020, 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;<br>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 2020 were as follows:

| | Board meetings | |
|---|---|---|
| | Number of meetings held | Number of meetings attended |
| Philip O'Quigley | 2 | 2 |
| Anne Flynn | 2 | 2 |
| John Carroll | 2 | 2 |
| Stephen Peterson | 2 | 2 |

**Operating and financial review**

The operating and financial review of the Company during the year is detailed on pages 3 to 12 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**

The introduction of a moratorium on hydraulic fracturing has delayed the completion of the drilling and exploration programme. Work re-commenced in 2019, however there have been delays as a result of COVID-19. Full details of drilling results to date and the delays as a result of COVID-19 are included on pages 8 to 12.

**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.

The Company has entered into a Directors and Officers Liability insurance policy. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' Liability policy as such disclosures are prohibited under the terms of the policy.

**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 2020. 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:

**Philip O'Quigley**
**Chairman**

27 April 2021

**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 2020, and until the date of this report.

**Philip O'Quigley – Chairman & Executive Director**

Mr. O'Quigley is President and CEO of Falcon Oil & Gas Ltd., the parent company of Falcon Oil & Gas Australia Limited, 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 also Chief Financial Officer of Falcon Oil & Gas Ltd., the parent company of Falcon Oil & Gas Australia Ltd. Anne joined the Falcon Group in September 2014 as Group Financial Controller with responsibility for the Group's Dublin, Hungarian, Australian and South African finance and commercial functions following over three years in a managerial role with Adobe Systems Inc. Prior to Adobe, she worked with PwC Dublin and PwC 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 on 17 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.

**[This part of the page has been left blank intentionally]**

**Directors' Declaration**

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

- the Company is not a reporting entity;

(b) the financial report and notes, set out on pages 21 to 34 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 2020 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:

**Philip O'Quigley**
**Chairman**

27 April 2021

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

**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 2020, 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 (WA) Pty Ltd**

Perth, 27 April 2021

Tel: +61 8 6382 4600
Fax: +61 8 6382 4601
www.bdo.com.au

38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

**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 2020, 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 a summary of significant accounting policies, 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 2020 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.

### Emphasis of matter - Basis of accounting

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. 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 Directors' 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 (WA) Pty Limited**

BDO

J Prue

**Jarrad Prue**

**Director**

Perth, 27 April 2021

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

| | Notes | Year Ended 31 December 2020 $'000 | Year Ended 31 December 2019 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Oil and natural gas revenue | | **-** | - |
| | | **-** | - |
| **Expenses** | | | |
| General and administrative expenses | 5 | **(82)** | (91) |
| Foreign exchange gain | | **126** | 72 |
| | | **44** | (19) |
| **Results from operating activities** | | **44** | (19) |
| Finance income | | **1** | 25 |
| Finance expense | | **-** | - |
| **Net finance income** | | **1** | 25 |
| Income tax expense | | **-** | - |
| **Income and comprehensive income for the year** | | **45** | 6 |

The notes are an integral part of these financial statements.

**Falcon Oil & Gas Australia Limited**
**Statement of Financial Position**

| | Notes | At 31 December 2020 $'000 | At 31 December 2019 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non - current assets** | | | |
| Exploration and evaluation assets | 7 | **40,444** | 40,246 |
| Trade and other receivables | 8 | **23** | 21 |
| | | **40,467** | 40,267 |
| **Current assets** | | | |
| Cash and cash equivalents | 9 | **8,357** | 8,321 |
| Trade and other receivables | 10 | **3** | 3 |
| | | **8,360** | 8,324 |
| **Total assets** | | **48,827** | 48,591 |
| **Equity and liabilities** | | | |
| **Equity** | | | |
| Share capital | 11 | **45,642** | 45,642 |
| Accumulated Losses | | **(8,773)** | (8,818) |
| **Total equity** | | **36,869** | 36,824 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Accounts payable and accrued expenses | 12 | **391** | 235 |
| Related party loans | 13 | **11,567** | 11,532 |
| **Total liabilities** | | **11,958** | 11,767 |
| **Total equity and liabilities** | | **48,827** | 48,591 |

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 2019 | 45,642 | (8,824) | 36,818 |
| Net income for the year | - | 6 | 6 |
| Net income and total comprehensive income for the year | - | 6 | **6** |
| At 31 December 2019 | **45,642** | **(8,818)** | **36,824** |
| At 1 January 2020 | 45,642 | (8,818) | 36,824 |
| Net income for the year | - | 45 | **45** |
| Net income and total comprehensive income for the year | - | 45 | **45** |
| **At 31 December 2020** | **45,642** | **(8,773)** | **36,869** |

The notes are an integral part of these financial statements.

**Falcon Oil & Gas Australia Limited**
**Statement of Cash Flows**

| | Year Ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| **Cash flows from operating activities** | | |
| Net income for the period | **45** | 6 |
| Interest received | **(1)** | (25) |
| Foreign exchange gain | **(126)** | (72) |
| Changes in working capital | | |
| Accounts payable and accrued expenses | **(20)** | 45 |
| **Net cash used in operating activities** | **(102)** | (46) |
| **Cash flows from investing activities** | | |
| Interest received | **1** | 25 |
| Exploration and evaluation assets | **(48)** | (541) |
| **Net cash used in investing activities** | **(47)** | (516) |
| **Cash flows from financing activities** | | |
| Proceeds from related party loans | **35** | 8,839 |
| **Net cash from financing activities** | **35** | 8,839 |
| Change in cash and cash equivalents | **(114)** | 8,277 |
| Effect of exchange rates on cash and cash equivalents | **150** | 39 |
| Cash and cash equivalents at beginning of year | **8,321** | 5 |
| **Cash and cash equivalents at end of year** | **8,357** | 8,321 |

The notes are an integral part of these financial statements.

## 1. General Information

Falcon Oil & Gas Australia Limited (the "'**Company**" or "**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 and going concern

The Company's financial statements have been prepared on the going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of these financial statements.

The board has undertaken a detailed review of the Company's anticipated future working capital requirements. The Company's financial commitments are aligned with its farm - out agreement as described in the Operating and Financial Review.

The Company's ability to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements is dependent upon the continued support of its 98.1% parent Falcon Oil & Gas Ltd. The 98.1% parent Falcon Oil & Gas Ltd., has committed to providing financial support to enable the Company to continue as a going concern for a period of at least twelve months from the date of approval of these financial statements.

The Company's expenditure has been primarily funded by way of loan from its parent entity, Falcon Oil & Gas Ltd. This loan amounting to $11.6 million is part of a $14 million facility. The loan is interest free. The facility exists until 31 December 2021 so long as the Company remains a 98.1% subsidiary of Falcon Oil & Gas Ltd. The loan is repayable on demand.

The Directors are satisfied that the continued support of the parent company will enable the Company to successfully meet its cash capital requirements for a period of at least twelve months from the date of approval of these financial statements and as such have prepared the financial statements on a going concern basis.

In the longer term, the recoverability of the carrying value of the Company's long - lived assets is dependent upon the Company's ability to preserve its interest in the underlying petroleum and natural gas properties, the discovery of economically recoverable reserves, the achievement of profitable operations, and the ability of the Company to obtain financing to support its exploration, development and production activities.

### Statement of compliance

The special purpose financial report has been prepared in accordance with the requirements of the Corporations Act 2001 and the recognition and measurement aspects of all applicable Australian Accounting Standards ("**AASBs**") adopted by the Australian Accounting Standards Board ("**AASB**"). The directors have determined that the Company is not a reporting entity.

The financial report does not include the disclosure requirements of all AASBs except for the following minimum requirements.

- AASB 101 'Presentation of Financial Statements';
- AASB 107 'Cash Flow Statements';
- AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors';
- AASB 110 'Events after the End of the Reporting Period';
- AASB 1048 'Interpretation and Application of Standards'; and
- AASB 1054 'Australian Additional Disclosures'.

## 2. Accounting policies (continued)

A number of new standards, amendments to standards and interpretations, were effective for annual periods beginning on or after 1 January 2021 and have not been applied in preparing this financial report. The Company has reviewed these standards and interpretations and determined none of these standards and interpretations materially impact the Company.

The financial report was authorised for issue by the directors on 27 April 2021.

### 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 Interest

A financial liability will arise in relation to the overriding royalty interests on the Company's Exploration licence 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.

### 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 2020 or 31 December 2019.

## 2. Accounting policies (continued)

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 centers 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.

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 - out 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 cash - generated units (**"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.

***(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.

## 2. Accounting policies (continued)

### 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 cash - generating unit (**"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.

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

## 2. Accounting policies (continued)

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.

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.

## 2. Accounting policies (continued)

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 $40.4 million at 31 December 2020 (2019: $40.2 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.

Results from the 2016 drilling programme were very encouraging which resulted in a Notification of Discovery to the DPIR in October 2016 and the submission of the Discovery Evaluation Report in February 2017. It also resulted in the announcement of a contingent resource estimate by Origin.

The introduction of a moratorium on hydraulic fracturing delayed the completion of the well programme. Work re-commenced in 2019, details of current activity are included on pages 8 to 12.

Falcon Australia does not believe that the delay brought about by the moratorium on hydraulic fracturing has impacted the carrying value of the asset. The inquiry concluded its work with the publication of a Final Report in March 2018 and was followed by the Northern Territory government's decision to lift the moratorium in April 2018.

Work re-commenced in 2019, the work programme and announcements during 2020 and 2021 along with the 2017 Discovery Evaluation Report from the Amungee NW-1H well provide sufficient evidence to support the carrying value of the asset.

Furthermore, the Group does not believe that the delay to Stage 2 given the unprecedented circumstances brought about by COVID-19 impacted the carrying value.

***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 2021. This loan is repayable on demand, for further details please refer to Note 2.

## 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 2021 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. General and administrative expenses

General and administrative expenses costs of:

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Accounting and audit fees | **21** | 20 |
| Consulting fees | **26** | 28 |
| Office and Administrative costs | **7** | 7 |
| Directors' fees | **28** | 28 |
| Travel and promotion | **-** | 8 |
| | **82** | 91 |

## 6. Auditors' Remuneration

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Audit of financial report – BDO | **11** | 11 |
| Tax fees – BDO | **4** | 3 |
| | **15** | 14 |

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.

## 7. Exploration & Evaluation assets

| | Year ended 31 December | |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Opening balance at 1 January | **40,246** | 39,705 |
| Additions | **198** | 541 |
| Balances as at 31 December | **40,444** | 40,246 |

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 2020 and 31 December 2019, there were no indicators of impairment as defined by AASB 6, and as such no impairment testing was performed.

For an update on 2020/2021 operations please refer to the Operating and Financial Review.

## 8. Trade and other receivables (non - current assets)

| | | As at 31 December |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Bonds for permits | **23** | 21 |
| | **23** | 21 |

## 9. Cash and cash equivalents

| | | As at 31 December |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Cash and cash equivalents | **8,357** | 8,321 |
| | **8,357** | 8,321 |

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

## 10. Trade and other receivables (current assets)

| | | As at 31 December |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Prepayments | **2** | 1 |
| Other receivables | **1** | 2 |
| | **3** | 3 |

## 11. Share Capital

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

| | **Number of shares** | **Share Capital $'000** |
|---|---|---|
| At 31 December 2019 | 206,393,237 | 45,642 |
| **At 31 December 2020** | **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.

### 12. Accounts payable and accrued expenses

| | | As at 31 December |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Trade payables | **8** | 8 |
| Accruals | **383** | 227 |
| | **391** | 235 |

### 13. Related party loans

| | | As at 31 December |
|---|---|---|
| | **2020** | 2019 |
| | **$'000** | $'000 |
| Related party loans - Falcon Oil & Gas Ltd | **11,567** | 11,532 |
| | **11,567** | 11,532 |

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 2021 so long as the Company remains a 98.1% subsidiary of Falcon Oil & Gas Ltd. The loan is repayable on demand.

### 14. Commitments and contingencies

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

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

Originally the Group indicated that it expected the work to be undertaken between 2016 and 2018, however the introduction of a moratorium on hydraulic fracturing delayed the completion of the drilling and exploration programme. In March 2018, the inquiry concluded its work with the publication of a Final Report and on 17 April 2018, the Northern Territory government announced they would be lifting the moratorium on hydraulic fracturing. Work recommenced in 2019, details of current operations to date are included on pages 8 to 12.

On 7 April 2020 it was announced that Falcon Australia had agreed to farm down 7.5% of its PI in the Exploration Permits, such that following the transactions, Falcon Australia holds a 22.5% PI. In consideration for the farm down Origin agreed to increase the gross cost cap of the work program by A$150.5 million. The previous farm-in arrangement included a Stage 2 gross cost cap of A$65.3 million and a Stage 3 gross cost cap of A$48 million, or A$113.3 million in total. Under the Agreements, the Stage 2 and Stage 3 gross cost caps will be combined and increased by A$150.5 million to A$263.8 million. Northern Territory government approval remains outstanding; however, management expects this will be received in due course. Costs in excess of cost cap of A$263.8 million will be funded in proportion to the participating interest of the joint venture parties.

On 19 January 2021 Falcon announced that Origin had submitted a Notification of Discovery to the DITT on Kyalla 117, details of which are included on page 11. The early-stage flow rates are preliminary indications of well performance, and an EPT will be required to determine the long-term performance of Kyalla 117. Longer-term measures will be put in place to flow back sufficient hydraulic fracture stimulation water to allow Kyalla 117 to flow continually without assistance and if successful enable an EPT to continue in the coming months during the dry season. A further update will be provided when production testing has concluded, and detailed evaluation has been undertaken.

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

### 14. Commitments and contingencies (continued)

On 19 March 2021 the Joint Venture announced the planned 2021 work programme which is expected to include:

- Resumption of clean-up operations of Kyalla 117 N2-1H ST2 and if successful commence an extended production test;
- Drilling of the Velkerri 76 S2-1 vertical well; and
- A production test at Amungee NW 1H.

The Company has no other material commitments or contingencies.

### 15. Subsequent events

On 19 January 2021 it was announced that Origin had submitted a Notification of Discovery to DITT on Kyalla 117. Full details are included on page 11.

On 22 January 2021 details on the first gas composition data obtained during the 17-hour unassisted flow period of Kyalla 117 were provided, full details are included on page 11-12.

On 19 March 2021 details of the 2021 work programme were provided, full details are included on page 12 above.

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

### 16. 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.

### 17. Approval of Financial Statements

This Financial Report was approved by the Board of Directors and authorised for issue on 27 April 2021.

**[End of document]**