



**Falcon Oil & Gas Ltd.**

Form 51-102F1  
Management's Discussion & Analysis  
For the Year Ended 31 December 2022

(Presented in U.S. Dollars)

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

**Table of Contents**

	<b>Page Number</b>
Introduction	3
Overview of business and overall performance	6
Selected annual information	15
Results of operations	16
Summary of quarterly results	23
Liquidity and capital resources	25
Disclosure of outstanding share data	28
Legal matters	28
Transactions with non-arm's length parties and related party transactions	28
Off balance sheet arrangements and proposed transactions	28
Financial instruments and other instruments	29
New accounting pronouncements	29
Critical accounting estimates	29
Management's responsibility for MD&A	30

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

## **INTRODUCTION**

The following management's discussion and analysis (the "**MD&A**") was prepared as at 27 April 2023 and is management's assessment of Falcon Oil & Gas Ltd.'s ("**Falcon**") financial and operating results and provides a summary of the financial information of the Company (as hereinafter defined) for the three months and year ended 31 December 2022. This MD&A should be read in conjunction with the audited consolidated financial statements for the years ended 31 December 2022 and 2021.

The information provided herein in respect of Falcon includes information in respect of its wholly-owned subsidiaries: TXM Oil and Gas Exploration Kft., a Hungarian limited liability company ("**TXM**"); Falcon Oil & Gas Ireland Ltd., an Irish limited liability company ("**Falcon Ireland**"); Falcon Oil & Gas Holdings Ireland Ltd., an Irish limited liability company ("**Falcon Holdings Ireland**"); Falcon Exploration and Production South Africa (Pty) Ltd., a South African limited liability company ("**Falcon South Africa**") and its 98.1% majority owned subsidiary, Falcon Oil & Gas Australia Limited, an Australian limited liability company ("**Falcon Australia**") (collectively, the "**Company**" or the "**Group**"). Mako Energy Corporation, a Delaware company and Falcon Oil & Gas USA Inc., a Colorado company former wholly owned subsidiaries of Falcon, were dissolved in 2021.

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

### **Forward-looking statements**

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

Any statements not of historical fact may be deemed to be forward-looking information. Forward-looking information typically contains statements with words such as "may", "will", "should", "expect", "intend", "plan", "anticipate", "believe", "estimate", "preliminary" "projects", "dependent", "potential", "scheduled", "forecast", "outlook", "budget", "hope", "support" "ongoing", "objective", "measure", "depends", "could" or the negative of those terms or similar words suggesting future outcomes. In particular forward-looking statements in this MD&A include, but are not limited to, statements with respect to: strategy of the Board of Directors of Falcon (the "**Board**") and countries it believes support the exploitation of unconventional oil and gas; the shale oil and shale gas potential of the Beetaloo Sub-basin; the Beetaloo Sub-basin Stage 3 work programme, information relating to the commencement and completion of the stimulation programme and progress to date at Amungee NW-2H ("**A2H**") well, the execution of the fracture stimulation of the A2H well, utilisation of proven US-style shale stimulation designs and techniques, including the use of 5-½-inch casing to allow for effective placement of proppant into the formation, the commencement of flowback, the installation of production tubing and expectations on the 30 day initial production rates in quarter 2 2023, optimizing completion efficiency, and objectives of the wells to be drilled in the Beetaloo Sub-basin Australia, expectations on bringing the project to commerciality and a multi-well pilot programme in 2023/24; treatment under governmental regulatory regimes and tax laws; the quantity of petroleum and natural gas resources or reserves; statements relating to the Group's activities in the Beetaloo Sub-basin; the results at Kyalla 117 N2-1H ST2 ("**Kyalla 117**"), the contingent resource estimate for the Amungee NW-1H ("**Amungee**") Velkerri B shale gas pool and statements relating to whether all frack stages contributed to the initial extended production test in 2016, details relating to normalised gas flow rates at Amungee, results of drilling Velkerri 76 S2-1 ("**Velkerri 76**") including comments on the preliminary petrophysics and mud gas composition at Velkerri-76, drilling in the Amungee Member/Middle Velkerri play, the prospectivity of the Amungee Member/Middle Velkerri play, anticipated production rates, information relating to the letter of intent ("**LOI**") executed with Tamboran (B1) Pty Limited ("**Tamboran B1**") following Origin Energy B2 Pty Ltd.'s ("**Origin**") divestment of its interest in the Beetaloo Exploration Permits, proposed amendments to the Joint Operating Agreement and the Farm-In Agreement following the executed LOI, limited proration units on sole risk operations providing future participation optionality and future sole risk operations; COVID-19 and its impact on work programmes; fiscal terms regarding the Karoo basin, South Africa, the Mineral and Petroleum Resources Development Amendment Bill ("**MPRDA Bill**"), the awarding of exploration rights; liquidity and financial capital including the going concern capabilities of the Company; expectations regarding the ability of Falcon to access additional sources of funding including those not currently available; and Falcon's ability to leverage its experience in the unconventional oil and gas industry to acquire interests in licenses.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

Some of the risks and other factors, which could cause results to differ materially from those expressed in the forward-looking statements include, but are not limited to: general economic conditions in the Republic of Hungary, the Commonwealth of Australia, the Republic of South Africa and globally; supply and demand for petroleum and natural gas; industry conditions, including fluctuations in the price of petroleum and natural gas; governmental regulation of the petroleum and natural gas industry, including income tax, environmental and regulatory matters adversely impacting the exploitation of unconventional oil and gas resources; introduction of a moratorium; fluctuation in foreign exchange or interest rates; risks and liabilities inherent in petroleum and natural gas operations, including exploration, development, exploitation, marketing and transportation risk and for relatively under-explored basins such as the Beetaloo Sub-basin there may not be the shale oil and gas commercial potential; renewal of exploration permits; need to obtain regulatory approvals before development commences; environmental risks and hazards and cost of compliance with environmental regulations; aboriginal claims; risks and uncertainties associated with wellbore or reservoir conditions, geological, technical, drilling and processing problems; unanticipated operating events which can delay exploration and appraisal or reduce production or cause production to be shut-in or delayed; willingness of joint venture partners to continue with a work programme and bringing towards commerciality; the ability of our joint venture partners to pay their proportionate share of joint interest billings; failure to obtain industry partner and other third party consents and approvals, when required; stock market volatility and market valuations; competition for, among other things, capital, acquisition of reserves, processing and transportation capacity, undeveloped land and skilled personnel; uncertainties inherent in estimating quantities of reserves and resources and bringing to commerciality; the need to obtain required approvals from regulatory authorities with delays impacting work programmes and associated costs or not receiving the requisite license to explore; risks associated with drilling wells which is speculative and often involves significant costs that may be more than estimated and may not result in any discoveries; cash availability to meet unforeseen expenses as they fall due; pandemics such as COVID-19 may be prolonged, delaying work programmes and increasing cost; macroeconomic risks such as inflationary pressures and the current Ukraine Russia conflict also delay work programmes due to delivery of goods and increasing costs and the other factors considered under "**Risk Factors**" in Falcon's AIF dated 27 April 2023.

With respect to forward-looking statements contained in this MD&A, Falcon has made assumptions regarding: the countries where the Group operates supporting the exploitation of unconventional oil and gas; the shale oil and shale gas commercial potential of the Beetaloo Sub-basin while it remains relatively under-explored; the continuation of the Beetaloo Sub-basin work programme and the project being brought towards commerciality; the original gas in place and contingent gas resource calculated with respect to the Beetaloo Sub-basin are the best estimates based on the drilling results to date and other data (including seismic) available; work with Falcon's new joint venture partner, Tamboran B1, will continue, adopting recommendations of the scientific inquiry and obtaining necessary approvals to complete the remaining work programme; estimated date for the awarding of the exploration right over the acreage in the Karoo Basin; the Group's ability to continue as a going concern; the Beetaloo Sub-basin project being brought towards commerciality.

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

The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Falcon disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise, except as required under applicable securities regulation. In addition, other factors not currently viewed as material could cause actual results to differ materially from those described in the forward-looking statements.

**Advisory regarding oil and gas information**

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

Contingent resource estimates are those quantities of gas (produced gas minus carbon dioxide and inert gasses) that are potentially recoverable from known accumulations, but which are not yet considered commercially recoverable due

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

to the need for additional delineation drilling, further validation of deliverability and original gas in place, and confirmation of prices and development costs. There is uncertainty that it will be commercially viable to produce any portion of the resources. For additional information relating to contingent resource estimates in respect of the Amungee NW-1H Velkerri B Shale Gas Pool which were prepared by an Origin employee and a Qualified Reserves and Resources Evaluator effective as of February 15, 2017, please refer to Falcon's AIF dated April 27, 2023, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

**Dollar amounts**

All dollar amounts in this document are in United States dollars "\$", except as otherwise indicated. "CDN\$" where referenced represents Canadian dollars; "£" where referenced represents British pounds sterling, "HUF" where referenced represents Hungarian forints and "A\$" where referenced represents Australian dollars.

The financial information provided herein has been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

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

## OVERVIEW OF BUSINESS AND OVERALL PERFORMANCE

### About the Group

Falcon is an international oil and gas company engaged in the exploration and development of unconventional oil and gas assets. The Company's interests are located in internationally diversified countries that are characterised by a high regional demand for energy and are close to existing infrastructure allowing for rapid delivery of oil and gas to market in Australia and Hungary.

Falcon's strategy is to leverage the Group's expertise in the unconventional oil and gas industry to acquire interests in licences covering large acreages of land and to build on its internationally diversified portfolio of unconventional assets and interests, which are located in countries that the Board believes support the exploitation of unconventional oil and gas. Falcon seeks to add value to its assets by entering into farm-out arrangements with major oil and gas companies that will fully or partially carry Falcon through seismic and drilling work programmes. The Group's principal interest is located in the underexplored Beetaloo Sub-basin in Australia; with further interests in Hungary and an underexplored basin in South Africa, covering approximately 12.3 million gross acres in total. The carrying value at 31 December 2022 of the Company's interest in Australia is \$43 million, while the Hungarian asset is nil due to a determination in 2014 that the estimated recoverable amount was insufficient to cover the carrying value of the asset. For the South African interest, costs associated with the technical cooperation permit are expensed as incurred.

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

### Summary of Operations

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

<b>Assets (Country)</b>	<b>Interest (%)</b>	<b>Operator</b>	<b>Status</b>	<b>Gross Area (km<sup>2</sup>)</b>
Exploration Permit EP-76 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5 <sup>(i)</sup>	Tamboran <sup>(iii)</sup>	Exploration	1,891.3
Exploration Permit EP-98 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5 <sup>(i)</sup>	Tamboran <sup>(iii)</sup>	Exploration	10,316.0
Exploration Permit EP-117 (Beetaloo Sub-basin, Northern Territory, Australia)	22.5 <sup>(i)</sup>	Tamboran <sup>(iii)</sup>	Exploration	6,412.0
Technical Cooperation Permit, (Karoo Basin, South Africa) <sup>(ii)</sup>	100	Falcon	TCP	30,327.9
Makó Production Licence (Makó Trough, Hungary)	100	TXM	Production	994.6

#### Notes:

(i) Falcon owns 98.1% of Falcon Australia, which holds a 22.5% interest in EP-76, EP-98 and EP-117 (collectively the "**Exploration Permits**"). The remaining 1.9% interest of Falcon Australia is held by others. Renewal applications for EP-76 and EP-117 were submitted in September 2022 ahead of the end of the five year term which expired in December 2022, a further renewal application for exploration permit 98 was submitted in March 2023 ahead of the current five year term expiring in June 2023. These are currently under review with the Northern Territory government.

(ii) In compliance with the terms of the Technical Cooperation Permit ("**TCP**"), the Company submitted its application for an exploration licence in August 2010. Local counsel has confirmed that despite the TCP having an expiry date of October 2010, the Company's interests remain valid and enforceable.

(iii) In September 2022 Origin announced the divestment of their interest in the Exploration Permits to Tamboran (B1) Pty Limited, details are included on page 8, with Tamboran Resources Limited appointed as operator.

### **Beetaloo Sub-basin, Northern Territory, Australia**

#### **Overview**

Falcon Australia is one of the two registered holders of approximately 4.6 million gross acres (~ 18,619 km<sup>2</sup>), 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.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

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<sup>2</sup>) and is a relatively underexplored onshore exploration basin. The area is also remote and sparsely populated. Considering all these factors, the Board believes the Beetaloo Sub-basin has shale oil and shale gas potential.

**Exploration Permits**

A summary of Falcon Australia's Beetaloo Exploration Permits is contained in the table on the previous page.

In accordance with local law and regulations, Falcon Australia's acreage interests are subject to combined government and Northern Land Council royalties on production values of up to approximately 12% and 3% (subject to the exercise of Falcon Australia's call option - see "Overriding Royalty Beetaloo Sub-basin Exploration Permits" for details) to other parties. Falcon Australia is subject to Commonwealth Government corporation tax of 30%, however where the entity has aggregated annual turnover of less than A\$50 million for the financial year and 'base rate entity passive income' of 80% or less of assessable income, Falcon Australia would be considered a 'base rate entity' for Australian tax purposes and would be taxed at a lower rate of 25%. Falcon Australia is also subject to the Commonwealth Government's Petroleum Resource Rent Tax ("PRRT") levied at the rate of 40% on taxable profits derived from the petroleum projects. The PRRT is calculated on the individual projects, and royalties are deductible for PRRT purposes. The PRRT tax system is separate from the company income tax system and is based on cash flow. Both royalties and PRRT are deductible for corporate income tax purposes.

**Overriding Royalty - Beetaloo Sub-basin Exploration Permits**

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 its 30% portion of the 2% ORRI from the TOG Group. Following confirmation of registration of the Extension from the Northern Territory government in August 2019, Falcon Australia paid \$500,000 to the TOG Group for granting the Extension, with the cost of exercising the call option increasing from \$4.5 million to \$7.5 million.

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

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

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

**Transformational Farm Out of Beetaloo unconventional acreage**

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

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

On **7 April 2020** it was announced that Falcon Australia had executed an agreement which included a restated Farm-Out Agreement and Joint Operating Agreement (collectively "**the 2020 Agreements**") with Origin farming down 7.5% of Falcon Australia's PI in the Exploration Permits. Following the transaction Falcon Australia now holds a 22.5% PI. Full details of the announcement are included in the Company's AIF for the year ended 31 December 2022 dated 27 April 2023 on page 12.

On **19 September 2022** Origin announced its divestment of their 77.5% interest in the Exploration Permits to Tamboran B1, a 50:50 joint venture between Daly Waters Energy, LP and Tamboran Resources Limited ("**Tamboran**"). On **11 October 2022** Falcon announced that Falcon Australia had entered into a binding LOI with Tamboran B1 pursuant to which the parties have agreed to amend the terms of the Joint Operating Agreement ("**JOA**") and the Farm-In Agreement ("**FIA**"), each dated 2 May 2014 (as amended), entered into with Origin in respect of Falcon Australia's interest in the Beetaloo Sub-Basin Exploration Permits. The key terms of the LOI provide for:

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

***Discoveries and Prospectivity***

The work programme commenced in 2015 with the drilling of three wells, Kalala S-1 to a total depth ("**TD**") of 2,619 metres, Amungee NW-1 to a TD of 2,611 metres and Amungee NW-1H to a TD of 3,808 metres, including a 1,100-metre horizontal section. In 2016, the Beetaloo W-1 well was drilled to a TD of 3,173 metres and the horizontal Amungee NW-1H well was hydraulic stimulated.

On **12 October 2016**, Falcon announced that Origin had submitted a notification of discovery and an initial report on discovery ("**Notification of Discovery**") to the Department of Primary Industry and Resources of the Northern Territory on the Amungee NW-1H well. On **15 February 2017** it was announced that Origin had submitted the Results of Evaluation of the Discovery and Preliminary Estimate of Petroleum in Place for the Amungee NW-1H Velkerri B Shale Gas Pool ("**Discovery Evaluation Report**") to the Northern Territory Government. The submission followed the completion of extended production testing at the Amungee NW-1H exploration well of the "B Shale" member of the Middle Velkerri formation.

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

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

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

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



### ***Current Activity***

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

#### *Amungee Background*

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

#### *Details of Amungee Testing*

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

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

On **14 September 2021**, coil tubing operations recommenced at Kyalla 117. No apparent restriction or blockage was identified in the production casing. Following a nitrogen lift, the well was able to flow unassisted at rates of between 0 (i.e. rates too small to measure) and 1.5 MMscf/d for five days before loading up with water. Gas compositions data were not yet available, but gas specific gravity data is similar to that measured during the previous phase of testing. Trace condensate was also observed.

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

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

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

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

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

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

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

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

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

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

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

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

(C<sub>1</sub> methane, C<sub>2</sub> ethane, C<sub>3+</sub> Propane and heavier constituents of natural gas, %BV percentage of bulk rock volume, %wt weight percent)

The results of preliminary petrophysical interpretation confirmed:

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

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

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

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

Stage 3 Planned Work Programme to include:

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

Stage 3 Drilling and 3D Programme Objectives

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

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

Stage 3 Planned Work Programme includes:

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

Stage 3 Drilling and 3D Programme Objectives:

- The primary objective of the two wells is to:
  - Obtain a production rate over the first 30 days of between 2-3 MMscf/d to support a multi-well pilot programme in 2023/24.
- Secondary objectives for the Stage 3 programme are to:
  - Achieve a drill duration of less than 45 days;
  - Characterise natural fracture network and complexity; and
  - Integrate well data with seismic data and assess merits of future 3D seismic surveys in the Beetaloo.

On **19 September 2022** Origin announced its divestment of their 77.5% interest in the Exploration Permits to Tamboran B1. On **11 October 2022** Falcon announced that Falcon Australia had entered into a binding LOI with Tamboran B1 pursuant to which the parties have agreed to amend the terms of the JOA and FIA, each dated 2 May 2014 (as amended), entered into with Origin in respect of Falcon Australia's interest in the Beetaloo Sub-Basin Exploration Permits. The key terms of the LOI provide for:

- Falcon Australia to earn an additional carry on future well costs of up to A\$30m (A\$6.75m net to Falcon Australia);
- the introduction of limited proration units on sole risk operations to a maximum of 6,400 acres per well, providing Falcon Australia with participation optionality on the drilling of future wells;

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

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

On **10 November 2022** Falcon announced the spudding of the A2H well with the Silver City Rig 40 on exploration permit 98 in the Beetaloo Sub-Basin, with Falcon Australia Limited's joint venture partner, Tamboran B1. Tamboran was appointed operator across the Exploration Permits.

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

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

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

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

Key points to note:

- The A2H well intersected the Amungee Member B Shale at 2,413 metres vertical depth.
- Preliminary drilling data confirms elevated gas shows with high concentration C<sub>1</sub>, (methane) observed.
- Drilling was completed in 38 days (spud to TD) and a total cost of A\$14.1 million (excluding casing and cementing), slightly ahead of pre-drill design days and budget. Falcon remains fully carried for the cost of these operations.
- Up to 24 stimulation stages are planned within the Amungee Member B Shale when operations are expected to resume in the first quarter of 2023, subject to weather conditions.
- Stimulation and flow testing of the A2H well over the 1,275-metre horizontal section will enhance the joint venture's understanding of the potential commerciality of the Amungee Member B Shale.
- Tamboran B1 and Falcon Australia undertaking a comprehensive review of all available data before finalising the location of the final well under the Stage 3 work programme, targeted to be drilled in 2023.

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

Details of the stimulation programme are as follows:

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

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

**Karoo Basin, South Africa**

The Company holds a TCP covering an area of approximately 7.5 million acres (~ 30,327 km<sup>2</sup>), in the southwest Karoo Basin, South Africa. The TCP granted Falcon exclusive rights to apply for an exploration right over the underlying acreage, which they duly did in August 2010, submitting an application to the Petroleum Agency of South Africa ("PASA"). The Company also submitted an environmental management plan in January 2011 which was updated at the request of the PASA and submitted on 27 February 2015. The Board awaits the new legislation for the petroleum industry following the withdrawal of the MPRDA Bill in 2018 and the Board does not foresee the awarding of an exploration right over the acreage within the next 12 months. For further details on South Africa, please refer to the AIF dated 27 April 2023 on page 20.

**Makó Trough, Hungary**

Falcon has been active in the Makó Trough since 2005 when it acquired the Makó and the Tisza exploration licences. In 2007, Falcon's subsidiary, TXM, was awarded the 35-year Makó Production Licence which covers some of the acreage originally covered by the Makó and the Tisza exploration licences. Falcon continues to maintain and safeguard its Hungarian wells and review its operations in Hungary, evaluating all options available to the Group to deliver shareholder value. The Group maintains its 100% interest in the Makó Trough. For further details on the Makó Trough, please refer to the AIF dated 27 April 2023 on page 21.

**Alberta, Canada**

For the period ended 31 December 2022, Falcon had no revenue (2021: \$2,000). On 22 February 2021 it was announced that Falcon had disposed of all its working interests in Canada, having agreed to assign its working interest in three gross producing wells and one gross shut-in well and associated infrastructure in Alberta, to a large Canadian-based company. Under the terms of the assignment, Falcon paid CDN\$37,000 to cover its net working interest share of the abandonment and reclamation obligations of the wells and associated infrastructure.

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

**SELECTED ANNUAL INFORMATION**

	2022	2021	2020
(In thousands of \$ unless otherwise indicated)			
<b>For the year ended 31 December:</b>			
Revenues	-	2	5
Loss and comprehensive loss for the year	(3,991)	(4,696)	(1,829)
Basic & diluted - Loss per share - \$	(0.004)	(0.005)	(0.002)
Cash dividend per share	Nil	Nil	Nil
<b>At 31 December:</b>			
Total assets	61,958	51,439	54,053
Non-current liabilities	15,602	11,775	10,563

The Group is an exploration company with immaterial revenue. The Group's net loss and net loss per share relate to the Group's operations during a particular period and are not seasonal in nature.

For the twelve months of 2020 the Group incurred losses of \$1.8 million. General and administrative expenses were the main contributor to the loss for the year and these were offset by an unrealised fair value gain on the outstanding warrant for \$110,000, which was not exercised and expired in January 2020.

For the twelve months of 2021 the Group incurred losses of \$4.7 million. General and administrative expenses, share based compensation and an increase to the decommissioning provision were the main contributors to the loss for the year.

For the twelve months of 2022 the Group incurred losses of \$3.9 million. General and administrative expenses, share based compensation and an increase to the decommissioning provision were the main contributors to the loss for the year, these were offset by favourable foreign exchange gains for the year. Management continues to review costs and reduce where possible.

Generally, the Group's total assets, exploration and evaluation costs, working capital and total shareholders' equity fluctuate in proportion to one another until such time as the Group completes additional financing.

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

**RESULTS OF OPERATIONS**

This review of the results of operations should be read in conjunction with the audited consolidated financial statements for the year ended 31 December 2022 and 2021.

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

The Company reported a loss of \$1.1 million for the three months ended 31 December 2022 compared to a net loss of \$1.9 million for the three months ended 31 December 2021. Changes between 2022 and 2021 were as follows:

	Three months ended 31 December		Changes	
	2022 \$'000	2021 \$'000	\$'000	%
<b>Revenue</b>				
Oil and natural gas revenue	-	-	-	N/A
	-	-	-	N/A
<b>Expenses</b>				
Exploration and evaluation expenses	(45)	(68)	23	-34%
General and administrative expenses	(639)	(704)	65	-9%
Decommissioning provision	(825)	(991)	166	-17%
Foreign exchange gain / (loss)	152	(60)	212	-353%
	(1,357)	(1,823)	466	-26%
<b>Results from operating activities</b>	<b>(1,357)</b>	<b>(1,823)</b>	<b>466</b>	<b>-26%</b>
<b>Finance income / (expense)</b>				
Interest income on bank deposits	28	4	24	600%
Accretion of decommission provisions	(134)	(48)	(86)	179%
Net foreign exchange gain / (loss)	367	(4)	371	-9,275%
	261	(48)	309	-644%
<b>Loss income before taxation</b>	<b>(1,096)</b>	<b>(1,871)</b>	<b>775</b>	<b>-41%</b>
Taxation	-	-	-	-
<b>Loss income and comprehensive loss</b>	<b>(1,096)</b>	<b>(1,871)</b>	<b>775</b>	<b>-41%</b>
Equity holders of the company	(1,100)	(1,870)	770	-41%
Non-controlling interest	4	(1)	5	-500%
<b>Loss and comprehensive loss</b>	<b>(1,096)</b>	<b>(1,871)</b>	<b>775</b>	<b>-41%</b>



**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

*Exploration and evaluation expenses*

	Three months ended 31 December		Change	
	2022 \$'000	2021 \$'000	\$'000	%
Consulting, legal and other associated costs	(8)	(8)	-	0%
Well related costs	(37)	(60)	23	-38%
	<b>(45)</b>	<b>(68)</b>	<b>23</b>	<b>-34%</b>

Exploration and evaluation expenses represent recurring maintenance and landowners' costs in maintaining and safeguarding the Group's Hungarian wells along with exploration costs associated with the Group's TCP in South Africa. Hungarian costs have decreased quarter on quarter due to certain maintenance costs in 2021 not required in quarter 4 2022, coupled with favourable foreign exchange movements.

*General and administrative expenses*

	Three months ended 31 December		Change	
	2022 \$'000	2021 \$'000	\$'000	%
Accounting and audit fees	(48)	(38)	(10)	26%
Consulting fees	(11)	(16)	5	-31%
Legal fees	(3)	(16)	13	-81%
Investor relations	(34)	(96)	62	-65%
Office and administrative costs	(43)	(40)	(3)	7%
Payroll and related costs	(238)	(232)	(6)	3%
Directors' fees	(55)	(60)	5	-8%
Travel and promotion	(28)	(8)	(20)	250%
Share based compensation	(179)	(198)	19	-10%
	<b>(639)</b>	<b>(704)</b>	<b>65</b>	<b>-9%</b>

General and administrative expenses decreased by \$65,000 to \$639,000 in 2022 from \$704,000 in 2021.

The main changes were as follows:

- Accounting and audit fees increase relates to increased audit fees for the 2022 audit.
- Consulting and legal fees have decreased in 2022 due to varying business needs relative to 2021. There was a one off consulting fee transaction in 2021 that was not incurred in 2022. There were increased legal fees in 2021 due mainly to the liquidation of two US subsidiaries.
- Investor relations: One of the main focuses of the Group's management is to actively engage with its shareholders and investors. The decrease period on period is attributable to no communication advisory costs in quarter 4 2022 due to the termination of the contract earlier in the year, along with the timing of the AGM, which was held in Q4 2021 but was held earlier in Q3 2022 with the associated costs booked in the relevant periods and resulted in a cost movement in a quarterly comparison for Q4 2021 relative to Q4 2022.
- Office and administrative costs have increased minimally period on period.
- Travel and promotion costs have increased due to resumption of business travel following the easing of COVID-19 travel restrictions.
- Share based compensation expense movement is attributable to the charge associated with the timing of the granting of options in 2021 and 2022 along with the vesting schedule attributed to the respective grants. Further details on the grants are included below.

*Share based compensation*

On 18 February 2021 21.5 million options were granted at an exercise price of £0.08 and the remaining 16.5 million options at an exercise price of £0.12, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 18 February 2023. The options have an expiry date of 17 February 2026.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

On 10 September 2021 an additional 3 million stock options were granted at an exercise price of £0.10, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 10 September 2023. The options have an expiry date of 9 September 2026.

On 6 June 2022 there were 16,250,000 stock options granted at an exercise price of £0.15, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 6 June 2024. The Options have an expiry date of 5 June 2027.

On 29 November 2022 there were 2,500,000 stock options granted at an exercise price of £0.15, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 29 November 2024. The Options have an expiry date of 28 November 2027.

*Decommissioning provision*

The charge for the period reflects a revision to the decommissioning cost estimates in light of rising costs for services and materials that would be required.

*Foreign exchange gain / (loss)*

The foreign exchange gain recorded in operating expenses for the three months ended 31 December 2022 is attributed to favorable movements to the US dollar since 30 September 2022. The same three-month period in 2021 had unfavorable movements to the US dollar.

*Finance income / (expense)*

The Q4 2022 movement is due mainly to favourable foreign exchange gains for the three months to December 2022 compared to a loss for the same period in 2021. There was also an increased accretion expense in the period to December 2022 offset by an increase in interest earned.

*Gain / (loss) attributable to non-controlling interest*

The amount reflected in 2022 and 2021 represent Falcon Australia's gain / (loss) attributable to shareholders other than Falcon.

**Cash flow**

	Three months ended 31 December	
	2022	2021
	\$'000	\$'000
Net cash used in operating activities	(475)	(477)
Net cash generated by investing activities	-	1
<b>Change in cash and cash equivalents</b>	<b>(475)</b>	<b>(476)</b>
Effect of exchange rates on cash & cash equivalents	355	1
Cash and cash equivalents at beginning of period	16,905	9,369
<b>Cash and cash equivalents at end of period</b>	<b>16,785</b>	<b>8,894</b>

Cash and cash equivalents have increased by \$7.9 million to \$16.8 million since Q4 2021. The main changes quarter on quarter were as follows:

- Net cash used in operating activities: The marginal decrease is driven by the timing of payments and operational costs for certain activities in 2022.
- Net cash generated by investing activities: There was minimal movement quarter on quarter.
- Effect of exchange rates on cash & cash equivalents: There were favourable movements against the US Dollar in Q4 2022.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

**RESULTS OF OPERATIONS**

**Management's Discussion and Analysis of financial condition and results of operations for the year ended 31 December 2022 as compared to year ended 31 December 2021**

The Company reported a loss of \$3.9 million for the year ended 31 December 2022 compared to a loss of \$4.7 million for the year ended 31 December 2021. Changes between 2022 and 2021 were as follows:

	Year ended 31 December		Changes	
	2022	2021		
	\$'000	\$'000	\$'000	%
<b>Revenue</b>				
Oil and natural gas revenue	-	2	(2)	-100%
	-	2	(2)	-100%
<b>Expenses</b>				
Exploration and evaluation expenses	(151)	(196)	45	-23%
General and administrative expenses	(2,865)	(3,031)	166	-5%
Decommissioning provision	(825)	(991)	166	-17%
Foreign exchange loss	(138)	(238)	100	-42%
	(3,979)	(4,456)	477	-11%
<b>Results from operating activities</b>	<b>(3,979)</b>	<b>(4,454)</b>	<b>475</b>	<b>-11%</b>
<b>Finance expense</b>				
Interest income on bank deposits	43	7	36	514%
Accretion of decommission provisions	(310)	(225)	(85)	38%
Net foreign exchange gain / (loss)	255	(24)	279	-1163%
	(12)	(242)	230	-95%
<b>Loss before taxation</b>	<b>(3,991)</b>	<b>(4,696)</b>	<b>705</b>	<b>-15%</b>
Taxation	-	-	-	-
<b>Loss and comprehensive loss</b>	<b>(3,991)</b>	<b>(4,696)</b>	<b>705</b>	<b>-15%</b>
<b>Loss and comprehensive loss attributable to:</b>				
Equity holders of the company	(3,994)	(4,693)	699	-15%
Non-controlling interest	3	(3)	6	-200%
<b>Loss and comprehensive loss</b>	<b>(3,991)</b>	<b>(4,696)</b>	<b>705</b>	<b>-15%</b>

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

*Oil and natural gas revenue*

There was no oil and natural gas revenue for 2022 (2021: \$2,000). On 22 February 2021 it was announced that Falcon had agreed to assign its working interest in three gross producing wells and one gross shut-in well and associated infrastructure in Alberta, Canada to a large Canadian-based company. The Company has not yet realised revenue from its planned operations elsewhere.

*Exploration and evaluation expenses*

	Twelve months ended 31 December		Change	
	2022 \$'000	2021 \$'000	\$'000	%
Consulting, legal and other associated costs	(29)	(33)	4	-12%
Well related costs	(122)	(163)	41	-25%
	(151)	(196)	45	-23%

Exploration and evaluation expenses represent recurring maintenance and landowners' costs in maintaining and safeguarding the Group's Hungarian wells along with exploration costs associated with the Group's TCP in South Africa. Movement year on year is primarily attributable to favorable foreign exchange movements and a reduction in ad hoc maintenance costs not required in 2022, which were incurred in 2021.

*General and administrative expenses*

	Year ended 31 December		Change	
	2022 \$'000	2021 \$'000	\$'000	%
Accounting and audit fees	(158)	(158)	-	0%
Consulting fees	(44)	(49)	5	-10%
Legal fees	(29)	(44)	15	-34%
Investor relations	(215)	(214)	(1)	0%
Office and administrative costs	(167)	(223)	56	-25%
Payroll and related costs	(1,169)	(937)	(232)	25%
Directors' fees	(212)	(215)	3	-1%
Travel and promotion	(62)	(12)	(50)	417%
Share based compensation	(809)	(1,179)	370	-31%
	(2,865)	(3,031)	166	-5%

General and administrative expenses decreased by \$166,000 in the twelve months from December 2021 to December 2022. The main changes were as follows:

- Accounting and audit fees have remained constant year on year. An increase to the 2022 audit was offset by non recurring tax consulting work required in 2021 due to liquidation of US entities along with favourable foreign exchange movements.
- Consulting and legal fees have decreased in 2022 due to varying business needs relative to 2021. There was a one off consulting fee transaction in 2021 that was not incurred in 2022. There were increased legal fees in 2021 due mainly to the liquidation of two US subsidiaries.
- Investor relations: One of the main focuses of the Group's management is to actively engage with its shareholders and investors. There was minimal movement year on year with minimal increases on different costs offset by reductions in similar expenses.
- Office and administrative expenses have decreased primarily due to non-renewal of an insurance policy for the 2021-2022 period due to very challenging market conditions, other minor movements included reduced Hungarian contractor related taxes.
- Travel and promotion costs have increased due to resumption of business travel following the easing of COVID-19 travel restrictions.
- Share based compensation expense movement is attributable to the charge associated with the timing of the granting of options in 2021 and 2022 along with the vesting schedule attributed to the respective grants. Further details on the grants are included below.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

*Share based compensation*

On 18 February 2021 21.5 million options were granted at an exercise price of £0.08 and the remaining 16.5 million options at an exercise price of £0.12, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 18 February 2023. The options have an expiry date of 17 February 2026.

On 10 September 2021 an additional 3 million stock options were granted at an exercise price of £0.10, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 10 September 2023. The options have an expiry date of 9 September 2026.

On 6 June 2022 16,250,000 stock options were granted at an exercise price of £0.15, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 6 June 2024. The Options have an expiry date of 5 June 2027.

On 29 November 2022 2,500,000 stock options were granted at an exercise price of £0.15, with one third vesting immediately, with an additional one third vesting on each subsequent anniversary with the options fully vested on 29 November 2024. The Options have an expiry date of 28 November 2027.

*Decommissioning provision*

The charge for the year reflects a revision to the decommissioning cost estimates as a result of rising costs for services and materials that would be required.

*Foreign exchange loss*

The foreign exchange loss recorded in operating expenses for the year ended 31 December 2022 is attributed to unfavorable movements to the US dollar since 31 December 2021, there were similar unfavorable movements in the twelve months to 31 December 2021.

*Finance expense*

The expense and movement for twelve months ended 31 December 2022 is attributable to foreign exchange gains due to favourable movement to the US dollar offset by an increased accretion expense and interest income for the year. 2021 expenses comprised of unfavourable foreign exchange movements with smaller accretion expense for the year which was offset by immaterial interest income earned in the period.

*Gain / (loss) attributable to non-controlling interest*

The amount reflected in 2022 and 2021 represent Falcon Australia's gain / (loss) attributable to shareholders other than Falcon.

**Cash flow**

	Year ended 31 December	
	2022	2021
	\$'000	\$'000
Net cash used in operating activities	(2,261)	(1,959)
Net cash used in investing activities	(55)	(169)
Net cash generated from financing activities	9,950	-
<b>Change in cash and cash equivalents</b>	<b>7,634</b>	<b>(2,128)</b>
Effect of exchange rates on cash & cash equivalents	257	(14)
Cash and cash equivalents at beginning of year	8,894	11,036
<b>Cash and cash equivalents at end of year</b>	<b>16,785</b>	<b>8,894</b>

Cash and cash equivalents have increased by \$7.9 million to \$16.8 million in 2022 from \$8.9 million in 2021. The main changes were as follows:

- Net cash used in operating activities: The increase in 2022 relative to 2021 is due to timing of payments and increased payroll related costs.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

- Net cash used in investing activities: 2022 cash used relates to payments for exploration and evaluation assets of \$88,000 offset by interest income of \$33,000, with 2021 relating to a payment of \$150,000 for the extension of the ORRI call option to the TOG Group, along with the purchase of computer software offset by interest income earned in the period.
- Net cash generated from financing activities: Net cash generated in 2022 relates to equity raised through a private placement in the period, there was no similar activity in 2021.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

**SUMMARY OF QUARTERLY RESULTS**

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

(In thousands of \$ unless otherwise stated)

**As of:**

<b>For the three months ended:</b>	<b>31 March 2022</b>	<b>30 June 2022</b>	<b>30 September 2022</b>	<b>31 December 2022</b>
Revenue	-	-	-	-
Loss	(750)	(1,323)	(822)	(1,096)
Loss attributable to common shareholders	(750)	(1,322)	(822)	(1,100)
Loss per share-basic and diluted (cent)	(0.001)	(0.001)	(0.001)	(0.001)

<b>For the three months ended:</b>	<b>31 March 2021</b>	<b>30 June 2021</b>	<b>30 September 2021</b>	<b>31 December 2021</b>
Revenue	2	-	-	-
Loss	(1,290)	(693)	(842)	(1,871)
Loss attributable to common shareholders	(1,289)	(693)	(841)	(1,870)
Loss per share-basic and diluted (cent)	(0.001)	(0.001)	(0.001)	(0.002)

The Group is an exploration company with limited revenue which is not material. The Group's loss and loss per share relate to the Group's operations during a particular period and are not seasonal in nature. Factors that have impacted the Group's results during these quarterly periods presented above include:

**Quarter 1 2021**

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

**Quarter 2 2021**

G&A expenses were the main cost for Q2 2021, which have reduced on the same period in 2020 due to reduced payroll costs. The main cost increase in the period relative to the same three months in 2020 was the share-based compensation expense resulting from the grant of 38 million share options in February 2021.

**Quarter 3 2021**

Similar to Q2 2021 G&A expenses were the main cost for Q3 2021, with no significant movement period on period. The main cost increase in the period relative to the same three months in 2020 was the share-based compensation expense resulting from the grant of 38 million share options in February 2021 and 3 million shares in September 2021.

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

**Quarter 4 2021**

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

**Quarter 1 2022**

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

**Quarter 2 2022**

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

**Quarter 3 2022**

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

**Quarter 4 2022**

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

For further details of 2022/2023 updates please refer to the Beetaloo Sub-basin, Northern Territory, section of this document.

Generally, the Group's total assets, exploration and evaluation costs, working capital and total shareholders' equity fluctuate in proportion to one another unless the Group completes financing. On 17 May 2019 the Company completed a Placing and raised gross proceeds of c. £7 million (c.\$9 million). On 31 March 2022 Falcon announced it had received a subscription from Sheffield for a US\$10 million private placement. Details of both placements are included on page 26.

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



## **LIQUIDITY AND CAPITAL RESOURCES**

### ***Going Concern***

For the year ended 31 December 2022, the Group incurred losses of \$3.9 million and had operating cash outflows of \$2.3 million and a deficit of \$403.9 million. For the year ended 31 December 2021, the Group incurred losses of \$4.7 million, had operating cash outflows of \$2 million and a deficit of \$399.9 million.

As at 31 December 2022 the Group had US\$16.8m of cash and cash equivalents, which is sufficient to cover ongoing operating costs for the next 12 months from the date of the approval of this document. Falcon Australia holds a 22.5% PI in the Exploration Permits which has a gross cost cap of A\$263.8 million, with costs above this cost cap to be borne by the joint venture partners in proportion to their respective PI. With Origin's divestment announced on 19 September 2022, the cost caps and obligations transferred to Tamboran B1. As part of the transaction agreed and the binding LOI executed and announced on 11 October 2022, Tamboran B1 granted Falcon Australia an additional carry beyond Stage 3 of A\$30 million and terms were agreed on limited proration units for sole risk operations to a maximum of 6,400 acres per well, providing Falcon Australia with participation optionality on the drilling of future wells. Falcon also completed an equity raise of US\$10million in 2022.

The remaining cost cap coupled with the cash on hand are sufficient to cover estimated committed costs under Stage 3 of the work programme and other general operating costs for twelve months from the date of the approval of this document. While Falcon has participation optionality in future drilling activities based on the executed LOI, participation in drilling activities beyond Stage 3 requires further funding.

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

### ***Working Capital***

Cash and cash on deposit as at 31 December 2022 was \$16.8 million, an increase of \$7.9 million from \$8.9 million as at 31 December 2021. Working capital as at 31 December 2022 increased to \$16.5 million from \$8.6 million in 2021.

The increase to cash and cash equivalents was the result of net cash generated from financing activities of \$9.9 million, offset by net cash used in operating activities of \$2.3 million.

### ***Accounts Receivable***

Current accounts receivable as at 31 December 2022 were \$0.1 million, which is predominantly prepayments.

### ***Accounts Payables and Accrued Expenses***

Accounts payable and accrued expenses as at 31 December 2022 were \$0.3 million which includes \$0.1 million for accounts payable and \$0.2 million accrued expenditures.

### ***Capital Expenditures***

For the period ended 31 December 2022 the following expenditure commitments exist.

*Australia - Beetaloo Sub-Basin, Northern Territory, Australia*

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

Originally the Group indicated that it expected the work to be undertaken between 2016 and 2018, however the introduction of a moratorium on hydraulic fracturing delayed the completion of the drilling and exploration programme. In March 2018, the inquiry concluded its work with the publication of a Final Report and on 17 April 2018, the Northern Territory government announced they would be lifting the moratorium on hydraulic fracturing. Work recommenced in 2019, details of current operations to date are included in this document on pages 9 to 13.

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

On 7 April 2020 it was announced that Falcon Australia agreed to farm down 7.5% of its PI in the Exploration Permits, following the transactions, Falcon Australia holds a 22.5% PI. In consideration for the farm down Origin agreed to increase the gross cost cap of the work program by A\$150.5 million. The previous farm-in arrangement included a Stage 2 gross cost cap of A\$65.3 million and a Stage 3 gross cost cap of A\$48 million, or A\$113.3 million in total. Under the Agreements, the Stage 2 and Stage 3 gross cost caps will be combined and increased by A\$150.5 million to A\$263.8 million. Costs in excess of the cost cap of A\$263.8 million will be funded in proportion to the participating interest of the joint venture partners. With Origin's divestment announced on 19 September 2022, the cost caps and obligations transfer to Tamboran B1. Furthermore, as announced on 11 October 2022, as noted on pages 11-12, Falcon Australia will earn an additional carry on future well costs up to A\$30m and the introduction of limited proration units on sole risk operations provides optionality to Falcon Australia on future wells drilled.

The latest updates on the Stage 3 work programme are included on pages 11 to 13.

*South Africa - Karoo Basin, South Africa*

On granting of an approved exploration right in South Africa, the Group will be required to make a payment to the South African government of approximately \$0.7 million.

*Hungary - Makó Trough, Hungary*

As at 31 December 2022, the Group's cumulative expenditures for the Production License and Exploration Licenses, including the acquisition, seismic testing, drilling of exploratory wells, and initial testing and completion of wells, was approximately \$245 million.

The Group is not planning any independent technical operations in Hungary, and as such no material capital expenditures are expected.

**Debt and Equity Capital**

The availability of debt and equity capital, and the price at which additional capital could be issued will be dependent upon the success of the Group's exploration activities, and upon the state of the capital markets generally.

On 17 May 2019 the Company completed a Placing and raised gross proceeds of c. £7 million (c.\$9 million), with Placees agreeing to subscribe for a total of 50,543,242 new Common Shares in Falcon at a Placing Price of £0.14 per Placing Share. The net proceeds of the Placing will primarily be used to fund Falcon's share of estimated capital expenditure in respect of the drilling and hydraulic fracture stimulation of four horizontal wells in the Beetaloo Sub-basin, Australia.

On 31 March 2022 Falcon announced it had received a subscription from Sheffield for a US\$10 million private placement through the issue of 62,500,000 Common Shares at a price of CDN\$0.20 per share. The Placing Shares were restricted from trading on the TSX Venture Exchange Market until the date that was four months and a day after the day of issuance. The Company's total issued share capital following Admission was 1,044,347,425 Common Shares. The Placing added US\$10 million to the Company's cash balance.

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

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

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

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

**DISCLOSURE OF OUTSTANDING SHARE DATA**

The following is a summary of the Company's outstanding share data as at 31 December 2022 and 27 April 2023:

<b>Class of securities</b>	<b>31 December 2022</b>	<b>27 April 2023</b>
Common shares <sup>(1)</sup>	1,044,347,425	1,044,347,425
Stock options <sup>(2 &amp; 3)</sup>	59,750,000	59,750,000
Fully diluted common shares	1,104,097,425	1,104,097,425

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

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

(3) On 6 June 2022 16,250,000 stock options were granted at an exercise price of £0.15. On 29 November 2022 2,500,000 stock options were granted at an exercise price £0.15.

**LEGAL MATTERS**

The Company may, from time to time, be involved in various claims, lawsuits, disputes with third parties, or breach of contract incidental to the operations of its business. The Company is not currently involved in any claims, disputes, litigation or other actions with third parties which it believes could have a material adverse effect on its financial condition or results of operations.

**TRANSACTION WITH NON - ARMS LENGTH PARTIES AND RELATED PARTY TRANSACTIONS**

There were no related party transactions during the period.

**OFF-BALANCE SHEET ARRANGEMENTS AND PROPOSED TRANSACTIONS**

The Company does not have any off-balance sheet arrangements, other than an office lease, which is deemed immaterial and payments with regards to overriding royalties as disclosed within section "Overriding Royalty Beetaloo Sub-basin exploration permits" on page 7. The Company has no proposed transactions.

## **FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS**

### **Derivative financial instruments**

Derivatives (including embedded derivatives) are initially recognized at fair value of the date a derivative contract is entered into and subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any derivatives as hedges as at 31 December 2022 or 31 December 2021. The Group has not entered into any contract for "other instruments" during 2022. The Group has no "other instruments" as at 31 December 2022 or 31 December 2021.

### **NEW ACCOUNTING PRONOUNCEMENTS**

The following were adopted on 1 January 2022 but have no material impact to the Group.

<b>New Standards, Interpretations and Amendments effective for periods beginning 1 January 2022</b>	<b>Effective date</b>
IFRS 3 amendments updating a reference to the Conceptual Framework	1 January 2022
Annual Improvements to IFRS: 2018-2020 Cycle	1 January 2022
IAS 37 amendments regarding onerous contract	1 January 2022
IAS 16 amendments regarding proceeds before intended use	1 January 2022

Several new standards and amendments to existing standards and interpretations, which have been issued by the IASB, and which are expected to apply to the Group are not yet effective and have not been applied in preparing these financial statements. The Group does not expect the adoption of these new standards and interpretations, to have a material impact on the financial statements as they are neither relevant nor require accounting which is inconsistent with the Group's current accounting policies.

<b>New Standards, Interpretations and Amendments applicable to future periods</b>	<b>Effective date</b>
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1 Disclosure of Accounting policies	1 January 2023
Amendments to IAS 8 Definition of Accounting Estimates	1 January 2023
Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IAS 1 Classification of Liabilities as Current	1 January 2023
Amendments to IFRS 16 Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1 Non-current Liabilities with Covenants	1 January 2024

### **CRITICAL ACCOUNTING ESTIMATES**

Preparation of financial statements pursuant to IFRS requires a significant number of judgemental assumptions and estimates to be made. This impacts the income and expenses recognised in the statement of operations and comprehensive loss 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 Group's accounting policies:

#### ***Critical judgments***

##### ***(i) Exploration and evaluation assets***

The carrying value of exploration and evaluation assets was \$43 million at 31 December 2022 (2021: \$40.2 million). The Group has determined that there are no indicators of impairment present in accordance with IFRS 6 "Exploration for and evaluation of mineral interests" regarding its Australian exploration and evaluation assets.

**Falcon Oil & Gas Ltd.**  
**Management's Discussion & Analysis**  
**For the Year Ended 31 December 2022**

---

Renewal applications for exploration permits 76 and 117 were submitted in September 2022 ahead of the end of the five year term which expired in December 2022, a further renewal application for exploration permit 98 was submitted in March 2023 ahead of the current five year term expiring in June 2023. These are currently under review with the Northern Territory government, with management expecting the approval of the applications in due course.

Management's conclusion on the facts and circumstances regarding its Australian exploration and evaluation assets required judgment based on experience and the expected progress of current exploration and evaluation activities. The critical facts supporting the judgements are included in detail on pages 9–13 of this document.

The Group does not believe the delay brought about by the moratorium on hydraulic fracturing 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.

The announcements during 2022 and 2023 along with the 2017 Discovery Evaluation Report from the Amungee NW-1H well as outlined in this document provide sufficient evidence to support the carrying value of the asset.

***(ii) Going Concern***

As at the date of the approval of this document, funding beyond Stage 3 will be required, however no such further funding has been raised and there can be no certainty that sufficient funds can be raised if required. Having given due consideration to the cash requirements of the Group, management and those charged with governance have a reasonable expectation that the Group will have adequate resources to continue in operational existence for a period of at least twelve months from the date of this document and are confident that further funding required can be raised through either an equity raise or debt funding. For this reason, the Board continues to adopt the going concern basis in preparing its consolidated financial statements which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future.

***Critical estimates***

***(ii) Decommissioning Provision***

The decommissioning provision represents the Group's best estimate of the costs involved in the various exploration and production licence areas to return them to their original condition in accordance with the licence terms. These estimates include certain management assumptions with regard to future costs, inflation rates, timing of cash flows and discount rates.

**MANAGEMENT'S RESPONSIBILITY FOR MD&A**

The information provided in this MD&A is the responsibility of management. In the preparation of this MD&A, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in this MD&A.

The audit committee has reviewed the MD&A with management and has reported to the Board. The Board has approved the MD&A as presented.

**[End of document]**