



Hydraulic Fracturing Inquiry
GPO Box 4396
Darwin NT 0801

20 April 2017

Dear Justice Pepper

Falcon Oil & Gas Australia Pty Ltd

Submission to the Scientific Inquiry into Hydraulic Fracture Stimulation in the Northern Territory

Background

Falcon Oil & Gas Australia Pty Ltd. ("Falcon"/ "Company") is an Australian company incorporated in 2008 to acquire working interests in certain permits in the Beetaloo Basin, Northern Territory, Australia.

Today, Falcon holds a 30% interest in exploration permits EP76, EP98 and EP117 ("the Permits") along with our Joint Venture ("JV") partners, Origin Energy Resources Limited ("Origin") and Sasol Petroleum Australia Limited ("Sasol").

The Company's majority shareholder is Falcon Oil & Gas Ltd. ("Falcon Plc" / "Group"), owning 98%, with the 2% balance held by 85 other shareholders. Falcon Plc is a Canadian listed company (TSVX) with a listing also in London (AIM). The Group is involved in the exploration and development of unconventional oil and gas plays in Australia, South Africa and Hungary, with the Permits in Australia being the most advanced asset at this time. Headquarters are in Dublin, Ireland with regional offices in Darwin, Sydney, Budapest and Cape Town.

Purpose of Submission

The purpose of our submission is to provide insights of the Company's journey in Australia since its inception in 2008 to present day, including operations, milestones and major achievements.

This submission will not refer to matters covered by the JV's operator, Origin. Their submission will provide extensive information including technical details relating to drilling operations, hydraulic fracturing, environmental considerations and community consultation and engagement.

History of exploration activity in the Beetaloo

In 2008, the Company acquired the interests of Sweetpea Petroleum Pty Ltd ("Sweetpea") in exploration permits 76, 98, 99 and 117.

During Sweetpea's tenure of the Permits, it undertook an extensive environmental impact assessment, followed by the drilling of the Shenandoah #1 well on EP98, the first exploration well in the Beetaloo Basin focussed on tight gas. A testing programme following hydraulic fracture stimulation of the well proved the basin contained moveable hydrocarbons and that the reservoir was likely overpressured. Exploration costs amounted to A\$30 million.

In 2011, Falcon partnered with Hess Australia (Beetaloo) Pty Ltd. ("Hess") to continue with the exploration work. Hess acquired 3,490km of 2D seismic over the Permits, the largest onshore acquisition of 2D seismic ever conducted in Australia. This was at a cost of A\$80m. Hess withdrew from the project in 2013 due to corporate decisions unrelated to the asset.

The departure of Hess, provided the opportunity for Falcon to bring in Origin as operating partner.

In April 2014, the JV submitted a five year work program to the Government committing to drilling four vertical and five horizontal wells, with hydraulic fracture stimulation to be carried out on six wells. The program, at an estimated cost of A\$165 million, was designed to prove the potential size of the resource and the commerciality of the project. Up to the introduction of the moratorium, three vertical wells and one horizontal well had been drilled and a hydraulic fracture stimulation conducted on the horizontal well.

It is also important to indicate that all exploration activity to date has been performed without any material incident.

Cooperation, Coexistence and Community Engagement

The first legally binding agreements for petroleum exploration in the Northern Territory were negotiated and signed by Sweetpea, Traditional Owners and their statutory representative body - the Northern Land Council ("NLC"). Falcon and Origin continue to honour existing commitments and continue to build on this partnership with the Traditional Owners and the NLC. Royalties directly correlate to exploration expenditure in any given year. Should the project move to production, the existing exploration agreements include a framework for negotiating a Production Agreement and provide for royalty payments for ongoing activities.

Falcon recognises the importance of a local presence to support activities, the NLC, landowners and the business and local communities and to engage with government. To fulfil these duties, Falcon appointed Mr. John Carroll, former Chief Executive of the NT Government's then Department of Primary Industry, Fisheries and Mines, as its local representative between 2009 and 2015.

While operating, Falcon held membership with the Chamber of Commerce and the Australian Petroleum Producers and Exploration Association (APPEA), providing details on activities and community engagement. Falcon always endeavoured to work closely with landholders, to utilise local services and engage local contractors where possible, along with directly supporting communities.

Falcon truly believes the Beetaloo project can co-exist with other industries and communities in the areas it operates. It further believes avoidance of legal recourse regarding land access is paramount to good working relationships with landowners and the extended local and business communities. Active communication and demonstration of activities and precautions undertaken provides comfort to all affected parties. This view point is further supported from the Group's experience in South Africa and Hungary. In South Africa, we recently finalised agreements with renewable energy companies ensuring both industries can co-exist. In Hungary, we have long term agreements with landowners where wells are located, and both our operations and their businesses can work independently.

The Potential for the Future Development of the Beetaloo Basin

Falcon, its predecessors, past and current partners have invested heavily in the Permits for over 20 years. This commitment to developing an oil and gas industry in the Northern Territory reached a significant milestone with the submission of a Discovery Report in February 2017, and reaffirms the belief that the Beetaloo has potential to underpin a commercially viable oil and gas industry in the Territory.

Economic benefits cannot be quantified due to the infancy of the discovery and the need for further appraisal. However, should the project advance it would contribute to economic prosperity for

decades to come through direct jobs on a range of skill levels and indirect jobs through the “multiplier effect” when a new industry is created. It would also see significant investment in education to contribute to the industry. Production from oil and gas would provide substantial revenue to the NLC and would also generate 10% royalty payments to the NT government, something unique to onshore production given the NT government do not reap similar benefits from offshore production.

One needs to be cognisant that job creation, royalties to government and economic growth will not be instantaneous, the potential prospects will materialise as the project develops. It will require billions of dollars in investments and due to the scale will most likely require overseas investors to contribute to the expansion.

Investors

Falcon engages with international investors and since the discovery have experienced growing interest in the Beetaloo Basin. Investors are abreast of current affairs within the Territory and the moratorium on hydraulic stimulation. Interactions with potential investors have led to reoccurring themes on inquiries and include the following:

- The commitment of the government to the development of an oil and gas industry.
- The prospect of long term regulatory certainty once a final decision has been made on current moratorium.
- The standard of the regulatory framework and whether it reflects best practice at an affordable cost.

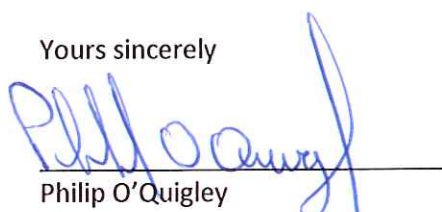
Ultimately, in a world where international investment for exploration dollars is competitive, regulatory certainty is paramount in return for the inherent risks of investing in oil and gas exploration and development.

Conclusion

We and our partners remain committed to continuing our work to the highest standards from a regulatory and environmental perspective. Falcon is confident work can be performed in a way that protects the environment at all times and respects the communities within which we and our partners operate. The JV remains dedicated to community engagement, investment and education and cooperation with all stakeholders. We remain committed to engaging local contractors and businesses where possible. Falcon is genuinely excited about the far-reaching potential of this project, including the economic and social benefits it can bring to the Territory.

Falcon would be more than happy to share any additional information on work undertaken by us or other matters of interest to the Inquiry. We look forward to the Panel’s Final Report and to providing any further feedback requested.

Yours sincerely



Philip O'Quigley
Chairman
Falcon Oil & Gas Australia Pty Ltd