tamboran
RESOURCES

Annual Report 2019

Corporate Directory

Directors

Patrick Elliott	*Chairman*
Joel Riddle	*Managing Director – appointed to the Board – 19 December 2018*
Fredrick Barrett	*Non-Executive Director*
Dan Chandra	*Non-Executive Director – appointed 21 March 2019*
David King	*Non-Executive Director*
Stuart Lake	*Non-Executive Director*
Dick Stoneburner	*Non-Executive Director*
Richard Lane	*Non-Executive Director – resigned 21 March 2019*
Andrew Bursill	*Non-Executive Director – resigned 19 December 2018*

Chief Financial Officer

Eric Dyer

Company Secretary

Joanna Morbey

Registered Office

Suite 502, 22 Central Avenue

Manly NSW 2095

Telephone: +61 (2) 9977 6522

Website: www.tamboran.com

Auditors

Ernst & Young

200 George Street

Sydney NSW 2000

ABN 28 135 299 062

DIRECTORS REPORT

The directors of Tamboran Resources Limited present their report, together with the financial statements, on the consolidated entity (referred to as the ‘consolidated entity’, ‘group’, ‘company’ and ‘parent entity’ simultaneously throughout the report), consisting of Tamboran Resources Limited and the entities it controlled at the end of, and during, the financial year ended 30 June 2019.

The following persons were directors of Tamboran Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated. Their qualifications and experience are:

Mr. Patrick James Dymock Elliott, *Chairman*

B.Comm. MBA Mineral Economics

Mr Elliott has over 40 years of diverse experience working in engineering and management roles in the upstream oil and gas mineral resources industries. Prior to joining Tamboran, Mr Elliott worked as a director of Sapex Limited which is involved in oil and gas exploration in the Arckaringa Basin, South Australia, and a director of Eastern Star Gas Limited, which was involved in coal seam gas exploration and evaluation. Mr Elliott is chairman of other listed mineral exploration companies as well a major privately owned FMCG company and Cap-XX Limited, a manufacturer and technology licensor of supercapacitators.

Mr Elliott sits on the Nominations Committee.

Mr. Joel Riddle, *Managing Director*

B. Science (Hons) Mech. Eng. University of Florida, MBA University of Chicago

Mr Riddle has more than 20 years’ experience in the upstream oil and gas industry. He most recently served as general manager, commercial and planning at Cobalt International Energy, where he worked closely with executive management in the initial evaluation and implementation of the exploration growth strategy in the Gulf of Mexico and West Africa. In this position, he played an instrumental role in Cobalt’s $1 billion initial public offering in 2009 and subsequent capital raising efforts in 2010 and 2011. Prior to his position with Cobalt International Energy, Mr Riddle served various management positions in business development, commercial and strategic planning functions with Unocal Corporation from 2002-2005 and Murphy Oil Corporation from 2005-2008. In these roles, he was involved in the development and implementation of each company’s new business and LNG growth strategies in Southeast Asia and Australia. Prior to Unocal Corporation, from 2001-2002, Mr Riddle was a senior associate with Andersen Consulting, serving upstream exploration and production clients on strategy and performance improvement engagements. Mr Riddle began his career in 1997 as a senior reservoir engineer with ExxonMobil, serving various assignments focused on upstream oil and gas operations in the Gulf of Mexico.

Mr. Fredrick Barrett, *Non-Executive Director*

B. Science (Geology) Ft. Lewis College, Durango, Colorado, M.Science (Geology) Kansas State University, Manhattan Kansas, Graduate of the Harvard Business School Advanced Management Program.

Mr. Barrett has over 35 years of experience in the energy oil and gas resources industry. Mr. Barrett has served as an independent director for Tamboran resources since September 2014.Mr. Barrett also served as an independent non-executive director on the Board of Asian American Gas (AAG) Energy Holdings from June of 2015 to September 2018, prior to AAG being sold to a Chinese mid-stream company. Mr. Barrett also served as Chairman of the New Business Committee for AAG. AAG energy holdings is a leading CBM natural gas company focused in China. Through 2014 and 2015, Mr. Barrett served on an advisory panel and steering committee at Santos Ltd (ASX:STO) an independent exploration and production oil and gas company headquartered in Adelaide, Australia . Mr Barrett no longer serves on any advisory function of Santos.

Mr. Barrett served various positions at Bill Barrett Corporation from 2002 to 2013, which was co-founded by him in January 2002, and he retired in March 2013. Bill Barrett Corp was a public (NYSE:BBG) exploration and production company focused on oil and gas activities in the Rocky Mountain region of the U.S.A., and recently merged with Fifth Creek Resources to form Highpoint Resources in 2018. While at Bill Barrett Corp, he served as President and executive director from January 2002 to July 2006, Chief Executive Officer and Chairman of the Board from March 2006 to January 2013 and also served as Chief Operating Officer from June 2005 to February 2006 and as president from July 2010 to January 2013, respectively. Prior to that, Mr. Barrett was a senior exploration geologist for Barrett Resources in the U.S. Rocky Mountain Region from 1997 to 2001, and a lead geologist for various Rockies areas from 1989 to 1996. Barrett Resources was an exploration and production company focused principally in the U.S. Rocky Mountain Region, prior to being sold to Williams Companies in 2001. Mr. Barrett was a co-founder and partner in the Terred Oil Company from 1987 to 1989, a private oil and gas partnership that provided geologic oil and gas services for the U.S. Rocky Mountain Region. Mr Barrett worked as a project and wellsite geologist for various periods from 1983 to 1986 for Barrett Resources, and held similar roles for various periods for the Barrett Energy and Aeon Energy companies from 1981 to 1983.

Mr Barrett is the chair of the Remuneration and a member of the Audit & Risk Committees.

Mr. Daniel Chandra, *Non–Executive Director*

AB in Economics from Stanford University, MBA from The Wharton School, University of Pennsylvania.

Mr Chandra joined the board in December 2018. Dan is currently a senior investment professional at Lion Point Capital, a value-focused investment fund based in New York City. Mr Chandra has over seventeen years of investing experience across a range of industries and in equity, credit, and distressed debt. Dan previously worked as a senior analyst and portfolio manager at DW Partners and at DW predecessor Brevan Howard.

Dr. David King, *Non–Executive Director*

BSc Physics/Mathematics, MSc. Geophysics, PhD Seismology

Dr King is a geophysicist with over 40 years of experience in the oil and gas industry. He is currently a non-executive director of ASX-listed Tap Oil Ltd, Galilee Energy Ltd, Renergen Ltd and Chairman of ASX-Listed Cell-mid Ltd and Oslo-listed African Petroleum Corporation Limited. Dr King is also a non-executive director of AIM-listed Litigation Capital Management Ltd. Dr King is also founder and a former executive director of Gas2Grid Ltd and Eastern Star Gas Limited, and founder and non-executive director of oil and gas explorer, Sapex Limited.

Dr King is the Chair of the Audit and Risk Committee and a member of the Remuneration Committee.

Dr. Stuart Lake, *Non–Executive Director*

BSc Hons (Geology) University of Wales, PhD (Geology) University of Durham

Dr. Stuart Lake has over 32 years exploration and production experience in African Petroleum, Hess Corporation, Apache Corporation and Shell International. Dr Lake is currently CEO of AGM Petroleum Ghana, and is President and CEO of Castle Petroleum LLC. Dr Lake was the former CEO at African Petroleum Corporation and former CEO of Minexco Petroleum and has also held senior positions at the Hess Corporation (2009-2013) including Vice President Exploration, President Hess Oil France and Vice President of Global Capture, at Apache Corporation as Director Global New Ventures and oversight of Exploration/Exploitation in Argentina and at Shell as Vice President Exploration Russia and held other managerial and technical positions in Shell (1986-2005) and its affiliates including Shell International (Rijskwijk), the NAM (Nederlandse Aarolie Maatscappij B.V), Petroleum Development Oman (Oman), Shell Egypt, Shell UK, Pecten (USA) and Shell International (The Hague).

He was an Advisory Board Member with the Earth Geoscience Institute (EGI) at the University of Utah (2012-2016) and a former board member of CeREES Centre of GeoEnergy at Durham University (2010-2012).

Dr Lake has also published extensively, was a former winner of the AAPG Matson award. He has attended the Shell Management Program at INSEAD and the Advanced Management Program at Thunderbird in Arizona.

Dr Lake is a member of the Audit and Risk and the Remuneration Committees.

Mr Richard Stoneburner, *Non–Executive Director*

B. Science (Geological Sciences) from the University of Texas at Austin, a M. Science (Geology) from Wichita State University.

Mr. Stoneburner is currently a Managing Director for Pine Brook Partners, a private equity firm focusing on investments in the energy sector. Mr. Stoneburner has over 35 years' experience in upstream oil and gas exploration and production. Mr. Stoneburner is a former co-founder, President and Chief Operating Officer of Petrohawk Energy Corporation (2003-2011) and President – North America Shale Production Division for BHP Billiton Petroleum from 2011-2012. Prior to co-founding Petrohawk in 2003, Mr. Stoneburner was Executive Vice President Exploration for 3TEC Energy Corporation and worked for several E&P companies, including Hugoton Energy Corporation, Stoneburner Exploration Inc., Weber Energy and Texas Oil & Gas. Mr. Stoneburner is currently director and chairman of Yuma Energy Inc. Mr. Stoneburner also serves on the Advisory Council of The Jackson School of Geosciences, the Visiting Committee of the Bureau of Economic Geology at the University of Texas and on the board of Switch Energy Alliance, a not-for-profit organisation focusing on energy poverty and Memorial Assistance Ministries, a not-for-profit organization in West Houston.

Mr Stoneburner was a member of the American Association of Petroleum Geologist's Distinguished Lecturer Series in 2012-2013 and was awarded the Norman Foster Outstanding Explorer of the Year award by the AAPG in 2016.

Mrs. Joanna Morbey, *Company Secretary*

B.Com CA

Joanna is a member of Chartered Accountants, Australia and New Zealand and has over 35 years experience in accounting and company secretarial duties in the investment banking, property development and the mineral exploration industries.

Retiring Non-Executive Directors

Mr Andrew Bursill resigned as a non-executive director of the Company on 19 December 2018.
Mr Richard Lane resigned as a non-executive director of the Company on 21 March 2019.

Principal Activities

The principal activities of Tamboran Resources Limited are focussed on shale gas exploration in onshore basins as well as hydrocarbons exploration in the Northern Territory of Australia.

Results

The loss for the consolidated entity for the year ended 30 June 2019 after providing for income tax amounted to $15,361,768 (restated loss for 2018: $4,208,574).

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of Operations

During this year, the Company worked exclusively on its Joint Venture with Santos.

All other exploration activities have been written off. Management noted the limited ability for the Company to support costs associated with maintaining other Australian permits.

Financial Position

As at 30 June 2019 the company's cash position of $26,501,672 is expected to fully fund its share of the first stage of the drill program with Santos.

Corporate Structure

Tamboran Resources Limited is a limited company that is incorporated and domiciled in Australia.

Employees

The Company had one full time employee as at 30 June 2019.

Significant Changes in the State of Affairs

The Directors are not aware of any other significant changes in the state of affairs of the Group occurring during the financial year, other than as disclosed in this report.

Matters Subsequent to the End of the Financial Period

Other than where stated at Note 24 to the Financial Statements, there were at the date of this report no matters or circumstances which have arisen since 30 June 2019 that have significantly affected or may significantly affect:

i) the operations of the Company,
ii) the results of those operations, or
iii) the state of affairs of the Company.

Likely Developments and Expected Results

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Share Capital, Options and Warrants

The Company's capital is as follows:

Securities	Number
Ordinary, fully paid shares	93,481,040
Treasury shares	9,001,250
Redeemable preference shares	168,258,307
Options	1,000,000
Warrants	4,788,759

Meetings of Directors

Director's attendance at Directors meetings are shown in the following table:

Director	Board Meetings Meetings Eligible to Attend	Board Meetings Meetings Attended	Audit and Risk Committee Meetings Eligible to Attend	Audit and Risk Committee Meetings Attended	Remuneration Committee Meetings Eligible to Attend	Remuneration Committee Meetings Attended
PJD Elliott	4	4	-	-	4	4
J Riddle *	4	4	-	-	-	-
F Barrett	4	4	3	3	4	4
D Chandra **	2	2	-	-	-	-
D King	4	4	3	3	4	4
S Lake	4	4	3	3	-	-
R Stoneburner	4	4	-	-	-	-
R Lane ***	2	-	-	-	-	-
A Bursill ****	2	2	2	2	-	-

* J Riddle commenced as a director on 19 December 2018
** D Chandra commenced as a director on 21 March 2019
*** R Lane resigned as a director on 21 March 2019
**** A Bursill resigned as a director on 19 December 2018

Environmental regulation

The consolidated entity is subject to environmental regulations under the Australian Commonwealth or State Law and under local laws in jurisdictions it operates.

Indemnification and Insurance of Directors and Officers

Indemnification

The Company has not, during or since the end of the financial period, in respect of any person who is or has been an officer of the Company or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

Insurance Premiums

During the financial period the Company has paid premiums to insure each of the directors and officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

Environmental Performance

The Group holds exploration licences issued by the relevant government authorities which specify guidelines for environmental impacts in relation to exploration activities. The licence conditions provide for the full rehabilitation of the areas of exploration in accordance with regulatory guidelines and standards. There have been no known breaches of the licence conditions.

Indemnification of Auditor

To the extent permitted by the *Corporations Act 2001*, the Company has agreed to indemnify the auditors, Ernst and Young, Australia, as part of the terms of the audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst and Young during or since the financial year.

Audit and Non-Audit Services

The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. There have been taxation services provided post year-end but prior to the signing of this report.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* forms part of this report and is set out on page

Signed at Sydney this 31 January 2020 in accordance with a resolution of the Directors.

JOEL RIDDLE
Managing Director

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's Independence Declaration to the Directors of Tamboran Resources Limited

As lead auditor for the audit of the financial report of Tamboran Resources Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Tamboran Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Ryan Fisk
Partner
31 January 2020

TAMBORAN RESOURCES LIMITED
STATEMENT OF COMPREHENSIVE INCOME
YEAR ENDED 30 JUNE 2019

	Note	**Consolidated 2019 $**	Consolidated 2018 (* restated) $
Interest income	3.1	**29,187**	75,863
Other income	3.2	**-**	40,000
Administration expenses		**54,070**	11,850
Consultancy, audit and professional costs	3.3	**1,322,935**	2,695,666
Depreciation and amortisation expense	3.3	**12,303**	2,126
Director and executive fees		**1,542,142**	1,324,748
Finance costs	3.3	**11,795,662**	33,259
Foreign exchange losses / (gains)		**22,780**	(26,165)
Other expenses		**337,525**	281,643
Share based payments expense	3.3	**303,538**	1,310
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		**15,361,768**	4,208,574
Income tax expenses relating to ordinary activities	4	**-**	-
LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO MEMBERS OF THE PARENT AFTER INCOME TAX EXPENSE		**15,361,768**	4,208,574
Other comprehensive income		**-**	-
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO MEMBERS OF TAMBORAN RESOURCES LIMITED		**15,361,768**	4,208,574
Basic and diluted loss per share (cents per share)		**($0.164)**	($0.045)

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

* refer to Note 29 for details of restatement.

STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2019

	Note	**Consolidated 2019 $**	Consolidated 2018 (* restated) $
CURRENT ASSETS			
Cash assets	6	**26,501,672**	1,738,846
Receivables	7	**81,573**	26,032
TOTAL CURRENT ASSETS		**26,583,245**	1,764,878
NON-CURRENT ASSETS			
Plant and equipment	8	**-**	12,303
Deferred exploration and evaluation expenditure	9	**4,477,727**	1,406,250
TOTAL NON-CURRENT ASSETS		**4,477,727**	1,418,553
TOTAL ASSETS		**31,060,972**	3,183,431
CURRENT LIABILITIES			
Payables	10	**578,343**	453,556
Employee costs and accruals	10	**358,900**	597,810
TOTAL CURRENT LIABILITIES		**937,243**	1,051,366
NON-CURRENT LIABILITIES			
Employee costs and accruals	11	**46,734**	43,873
Other financial liabilities	12	**55,718,844**	13,403,746
TOTAL NON-CURRENT LIABILITIES		**55,765,578**	13,447,619
TOTAL LIABILITIES		**56,702,821**	14,498,985
NET ASSETS		**(25,641,849)**	(11,315,554)
EQUITY			
Contributed Equity	13	**20,457,956**	20,457,956
Reserves	16	**3,686,503**	2,651,030
Accumulated losses		**(49,786,308)**	(34,424,540)
TOTAL EQUITY		**(25,641,849)**	(11,315,554)

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

* refer to Note 29 for details of restatement.

	Note	Consolidated 2019 $	Consolidated 2018 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payment to suppliers and employees		**(3,452,788)**	(4,576,831)
Interest received		**35,719**	69,331
Reimbursement of deposits on relinquished tenements		**-**	40,000
NET CASH FLOWS USED IN OPERATING ACTIVITIES	25	**(3,417,069)**	(4,467,500)
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on mining exploration – JV expenses	9	**(3,071,477)**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(3,071,477)**	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of shares	13	**-**	646,965
Proceeds from the issue of redeemable preference shares	12	**32,090,884**	-
Costs of issue of redeemable preference shares		**(839,512)**	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**31,251,372**	646,965
Net increase (decrease) in cash held		**24,762,826**	(3,820,535)
Cash at the beginning of the financial year	6	**1,738,846**	5,559,381
CASH AT THE END OF THE FINANCIAL YEAR	6	**26,501,672**	1,738,846

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Attributable to the shareholders of Tamboran Resources Limited

	Issued capital	Reserves	Accumulated Losses	Total Equity
	$	$	$	$
Balance 1 July 2017* (restated)	19,810,991	2,649,720	(30,215,966)	(7,755,255)
Issuance of shares for cash	646,965	-	-	646,965
Share based payment expense* (restated)	-	1,310	-	1,310
Net Loss for the period * (restated)	-	-	(4,208,574)	(4,208,574)
Balance as at 30 June 2018	20,457,956	2,651,030	(34,424,540)	(11,315,554)
Balance 1 July 2018	**20,457,956**	**2,651,030**	**(34,424,540)**	**(11,315,554)**
Reserves: Share based payment	**-**	**303,538**	**-**	**303,538**
Reserves: Warrants	**-**	**731,935**	**-**	**731,935**
Net Loss for the period	**-**	**-**	**(15,361,768)**	**(15,361,768)**
Balance as at 30 June 2019	**20,457,956**	**3,686,503**	**(49,786,308)**	**(25,641,849)**

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

* refer to Note 29 for details of restatement.

1. Significant Accounting Policies

(a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial report has been prepared on a historical cost basis.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas that involve a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

The financial report of the Group for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the Directors on 30 January 2020.

Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to meet its obligations and continue its operations for the next twelve months.

As shown in the accompanying financial statements, the Company has incurred operating losses since inception.

Work has recommenced on the Group's joint venture with Santos in the Beetaloo Basin in the Northern Territory of Australia. The Group entered Phase 1 of the Santos JV Work Plan and Budget program in December 2018, under which the Group has a commitment of approximately A$25 million. Phase 1 of the work programme has only recently commenced in November 2019.

The Company must continue to contribute its proportionate share of JV expenditure in order to maintain its interest in the underlying permit. Such expenditures are expected to significantly exceed the cash currently available in order to bring the exploration stage asset into development and ultimately production. The Directors and Management are confident that as further funding is required it can be raised through either an equity raise or debt funding.

As at the date of this report no such further funding has been raised and it is uncertain that sufficient funds can be raised if required. This indicates the existence of a material uncertainty, which casts substantial 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, the Board of Directors has a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing these consolidated financial statements which assumes the Group will be able to meet its liabilities as they fall due for the foreseeable future.

New standards, interpretations and amendments adopted by the Group

The following standards and interpretations which became effective and were applied for the first time during the year ended 30 June 2019 were assessed to have no material impact on the Group's consolidated financial statements and disclosures:

AASB9 Financial Instruments – The revision in AASB9 includes changes to classification and measurement of financial assets, including a new expected credit loss model for calculating impairment and a new general hedge accounting policy.

AASB15 Revenue from Contracts with Customers – The new standard requires revenue recognition to align with the transfer of goods or services in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods and services. Revenue is recognised by application of a five-step analysis of transactions to determine whether, how much and when revenue is recognised. Tamboran is still in the exploration stage and therefore this standard is not relevant.

AASB2016-5 Amendments to AAS – Classification and Measurement of Share-based Payment Transactions – The amendments clarify several aspects, namely

(a) Cash settled share-based payments should be measured using the same approach as for equity settled share-based payments
(b) Classification of share-based payments settled net of tax withholdings
(c) Accounting for modification of a share-based payment from cash-settled to equity settled.

Several other standard amendments and interpretations were applicable for the first time from 1 July 2018 but were not considered relevant to the Group and does not impact the Group's consolidated financial statements.

In addition, there are a number of other recently released standards and interpretations which are not yet effective and have not been applied which are listed below:

AASB16 – Leases – This standard is not mandatory for the 30 June 2019 reporting period and has not been early adopted. This standard will be adopted from 1 July 2019. This standard was issued in February 2016 and will result in the majority of leases being recognised on the balance sheet due to the removal of the classification for the lessee of leases as either operating leases or finance leases. All leases will effectively be treated as finance leases.

AASB2018-7 Amendments to accounting standards – Definition of material – clarifies the definition of material and its application across AASB standards and other pronouncements. The principle amendments are to AASB101 Presentation of Financial Statements.

AASB2019-1 Conceptual Framework – The conceptual Framework for Financial Reporting is the foundation on which the IASB develops new accounting standards. The revised framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The change may affect the application of accounting standards in situations where no standard applies to a particular transaction or event.

(b) Statement of compliance

The financial report has been prepared and complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (“AIFRS”). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (“IFRS”). The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Tamboran Resources Limited (‘Company’) and its subsidiaries (‘Group’) as at 30 June each year. Tamboran Resources Limited and its subsidiaries together are referred to in these financial statements as the ‘consolidated entity’.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

There has been no change in the control of any subsidiaries during the financial period. All subsidiaries are 100% owned by the Company. (2018: 100%)

(d) Plant and equipment

Tangible plant and equipment assets are stated at cost less accumulated depreciation and any impairment in value. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows: plant and equipment – 4 years.

Impairment

The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. An item of plant and equipment is derecognised upon disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statement of comprehensive income in the period the item is derecognised.

(e) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use.

(f) Exploration, evaluation, development and restoration costs

Exploration and evaluation

Exploration and evaluation expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure but does not include general overheads or administrative expenditure not having a specific connection with a particular area of interest.

Exploration and evaluation costs in relation to separate areas of interest for which rights of tenure are current are brought to account in the year in which they are incurred and carried forward provided that:

- such costs are expected to be recouped through successful development and exploitation of the area, or alternatively through its sale; or
- exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves.

Once a development decision has been taken, all past and future exploration and evaluation assets in respect of the area of interest are tested for impairment and transferred to the cost of development. To date, no development decision has been made.

Exploration and evaluation – impairment

The Directors assess at each reporting date whether there is an indication that an asset has been impaired and for exploration and evaluation cost whether the above carry forward criteria are met.

Accumulated costs in respect of areas of interest are written off or a provision made in the Statement of Comprehensive Income when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount.

(g) Receivables - current

Initial recognition and measurement. All financial assets are recognised initially at fair value plus transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement. After initial measurement, financial assets are subsequently measured at amortised cost, less impairment.

(h) Cash assets

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above. There are no bank overdrafts.

(i) Payables and provisions - current

Initial recognition and measurement. All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

Subsequent measurement. After initial measurement, financial liabilities are subsequently measured at amortised cost. Due to their short-term nature they are measured at amortised cost and are not discounted.

Payables and provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(j) Employee Entitlements

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy vesting requirements. Those cash flows are discounted using market yields on high quality corporate bonds with terms to maturity that match the expected timing of cash flows.

(k) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is determined with reference to the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, which is the parent entity's functional currency.

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

Exchange differences arising on the translation of monetary items are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised in other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

(l) Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of share, or options over share, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Black-Scholes pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

(m) Redeemable preference shares

The redeemable preference shares are financial instruments consisting of a debt instrument with a derivative liability conversion option. At initial recognition, the Company estimates the fair value of the derivative feature. The fair value of the derivative is reassessed at each balance sheet date. The equity conversion feature is accounted for as a derivative liability in the Company's consolidated financial statements.

Transaction costs related to the issue of the preference shares are capitalised and amortised over the period of the financial instrument.

(n) Treasury shares

Treasury stock relates to stock issued in connection with awards made to employees under the Company's Incentive Plan. Treasury stock is held by the Company on the award recipient's behalf until such time as the recipient repays the limited recourse loan attached to each award. Once repayment is made, treasury stock is formerly issued to the employee and presented as ordinary stock capital. Refer to Note 13 for further detail.

(o) Warrants

The warrants are measured at fair value at the grant date. The fair value is measured using a Black-Scholes valuation model. Where warrants are issued in connection with a capital raise, the fair value is considered a cost of capital and accounted for as a reduction in equity.

(p) Joint operations

The group ("farmor") has recognised its joint venture arrangements with Santos (or "farmees") as a farm-out arrangement whereby the farmor uses the carrying amount of the interest before the farm-out as the carrying amount for the portion of the interest retained; credits any cash consideration received against the carrying amount, with any excess included as a gain in profit or loss; and the farmor does not record exploration expenditures on the exploration tenements and licences made by the farmee.

The joint venture is structured as an unincorporated vehicle. Accordingly, and consistent with industry practice, management has applied proportionate consolidation to its interest in the joint venture. Refer to note 28 for further detail.

(q) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(r) Other income

Interest income is recorded at the effective interest rate applicable to the financial instrument. Interest is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

(s) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences:

- except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised:

- except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

(t) Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(u) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds it recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are group together to form a cash-generating unit.

(v) Currency

Both the functional and presentation currency is Australian dollars (A$).

Note 2. Critical Accounting Estimates and Judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes valuation model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Warrants
The warrants are measured at fair value at the grant date. The fair value is measured using a Black-Scholes valuation model.

Exploration and evaluation costs
Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the resource. Key judgements are applied in considering costs

to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant asset. Factors that could impact the future commercial production of gas include the level of reserves and resources, future technology changes, which could impact the cost of production, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Redeemable preference shares
At initial recognition, the Company estimates the fair value of the derivative feature. The fair value of the derivative is reassessed at each balance sheet date.

3. OTHER INCOME / EXPENSES

3.1 Interest

	Consolidated 2019 $	Consolidated 2018 (*restated) $
Interest income – other corporations	**29,187**	75,863
	29,187	75,863

3.2 Other

	Consolidated 2019 $	Consolidated 2018 (*restated) $
Reimbursement of deposits on relinquished tenements	**-**	40,000
	-	40,000

3.3 Expenses

	Consolidated 2019 $	Consolidated 2018 (*restated) $
Loss before income tax includes the following specific expenses:		
Depreciation		
- Plant and equipment	**12,303**	2,126
Consultancy, audit and professional costs		
- Accounting and company secretary costs	**26,399**	41,968
- Audit services	**39,688**	32,890
- Legal and consultancy	**1,256,848**	1,920,808
- Settlement of arbitration	**-**	700,000
	1,322,935	2,695,666
Share based payments - Director/employee	**303,538**	1,310
Superannuation expense	**22,103**	20,048

3.3 Expenses (continued)

	Consolidated 2019	Consolidated 2018 (*restated)
Finance costs		
Redeemable preference shares		
- Accretion of discount on liability	1,455,113	778,640
- Market to market derivative loss / (gain)	9,225,739	(1,142,204)
- Unrealised foreign exchange loss	801,254	203,130
- Amortisation of borrowing costs	313,556	193,693
	11,795,662	33,259

4. INCOME TAX

Numerical reconciliation of income tax expense to prima facie tax payable		
Net Loss attributable to common stockholders	**15,361,768**	4,208,574
Tax at the Australian tax rate of 30% (2018: 30%)	**4,608,531**	1,262,572
Non-deductible expenditures	**(4,084,398)**	(864,137)
Tax effect of equity raising costs debited to equity	**641,498**	556,880
Origination and reversal of temporary differences	**990,980**	(3,804)
Current year tax benefit not recognised	**(2,156,609)**	(951,511)
Net tax benefit	**-**	-
Deferred Tax Assets		
Net operating loss carried forward	**7,050,797**	4,990,187
Costs of raising equity	**1,398,169**	1,509,425
Provisions	**107,670**	179,343
Total deferred tax assets	**8,556,635**	6,678,956
Deferred Tax Liabilities		
Exploration assets	**1,343,318**	421,875
Total deferred tax liabilities	**1,343,318**	421,875
Net deferred tax assets and liabilities	**7,213,317**	6,257,081
Less: unrecognised net deferred tax asset	**(7,213,317)**	(6,257,081)
Net deferred tax assets and liabilities	**-**	-

No provision for income tax was considered necessary in respect of the Company for the year ended 30 June 2019 and 2018. The Company did not recognise the net deferred tax asset because future realization of these assets is not assured.

No franking credits are available for subsequent years.

5. AUDITORS' REMUNERATION

	Consolidated 2019 $	Consolidated 2018 $
The fees incurred in relation to auditors are:		
Audit of the Company's accounts	**39,688**	32,890

6. CASH ASSETS

Cash at bank	**26,501,672**	49,505
Term deposits	**-**	1,689,341
	26,501,672	1,738,846

7. RECEIVABLES - CURRENT

Rental deposit	**81,573**	4,527
GST receivable	**-**	14,973
Interest receivable	**-**	6,532
	81,573	26,032

8. PLANT AND EQUIPMENT

Office Furniture – at cost	**13,651**	13,651
Accumulated depreciation	**(13,651)**	(1,365)
Equipment – at cost	**28,807**	28,807
Accumulated depreciation	**(28,807)**	(28,790)
	-	12,303

Reconciliation of the carrying amount of plant and equipment at the beginning and end of the current and previous financial year

Carrying amount at beginning	**12,303**	14,429
Additions	**-**	-
Disposals	**-**	-
Depreciation expense	**(12,303)**	(2,126)
	-	12,303

In 2019 all plant and equipment written off in preparation for moving into new lease agreement at a new premises.

9. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

	Consolidated 2019	Consolidated 2018 (* restated)
Costs brought forward	**1,406,250**	1,406,250
Additions – contributions to the Santos JV account	**3,071,477**	-
Costs carried forward	**4,477,727**	1,406,250

Refer to Note 28 relating to the Joint Venture with Santos Limited. There are no current plans to pursue any projects except the McArthur / Beetaloo Santos JV project in the Northern Territory, Australia. As at 30 June 2019, all other exploration licences and applications have been written off.

Exploration and evaluation assets consist of Tamboran's Australian exploration project which is pending the determination of proven or probable reserves.

10. PAYABLES - CURRENT

	Consolidated 2019 $	Consolidated 2018 (*restated) $
Trade and other payables	**578,343**	453,556
Accrued directors' fees and other accruals	**173,400**	474,327
Employee costs [annual leave provision]	**185,500**	123,483
	358,900	597,810
	937,243	1,051,366

11. EMPLOYEE COSTS – NON-CURRENT

Employee costs [Long service leave provision]	**46,734**	43,873
	46,734	43,873

12. OTHER FINANCIAL LIABILITIES* (Restated)

	Financial Liability	Embedded Derivative	Total
Balance 1 July 2017	3,661,750	9,708,738	13,370,488
Accretion of discount on liability	778,640	-	778,640
Unrealized foreign exchange loss	203,129	-	203,129
Fair value adjustment loss / (gain)	-	(1,142,204)	(1,142,204)
	4,643,519	8,566,533	13,210,053
Amortisation of borrowing costs	193,693	-	193,693
Balance 30 June 2018	4,837,213	8,566,533	13,403,746
Balance 1 July 2018	**4,837,213**	**8,566,533**	**13,403,746**
Issue of RPS	**12,385,882**	**20,560,811**	**32,946,693**
Issuance Costs	**(2,427,257)**	**-**	**(2,427,257)**
Accretion of discount on liability	**1,455,113**	**-**	**1,455,113**
Unrealized foreign exchange loss	**801,254**	**-**	**801,254**
Fair value adjustment loss / (gain)	**-**	**9,225,739**	**9,225,739**
	17,052,205	**38,353,083**	**55,405,288**
Amortisation of borrowing costs	**313,556**	**-**	**313,556**
Balance 30 June 2019	**17,365,761**	**38,353,083**	**55,718,844**

Summary of Redeemable Preference Shares

Year ended 30 June 2017 movements

On 24 April 2017, the group executed a Subscription Agreement with BP-PE3, L.L.C. (a nominee of Baupost Capital LLC) (**Baupost**) for a placement of fully paid redeemable preference stocks (convertible into common stock) at a subscription amount of US$10,000,000 equivalent to $13,245,008.

Additionally, the Company has also agreed to issue Baupost with additional purchase rights to acquire preference stocks for a subscription amount of the lesser of approximately $19,623,237 (US$15,000,000) or such amount, which would increase Baupost's stockholding to no more than 45% of the issued ordinary stock capital of the Company (Additional Purchase Rights). The additional purchase rights are subject to stockholder approval.

The terms of the preference stocks provide that each preference stock may convert into an ordinary stock at the original subscription price. The preference stocks do not provide for any coupon or interest amount payable. The preference stocks will be entitled to receive the same dividend per stock when, as and if declared with respect to any common stock.

The preference stocks are redeemable under the following circumstances:

- at any time on or after the seventh anniversary of the completion date if the holder gives written notice requesting redemption of some or all of the preference stocks;
- upon events which include;

  (i) an administrator being appointed,
  (ii) an application for winding up or
  (iii) merger, consolidation or scheme of arrangement involving the sale, acquisition or transfer of a controlling interest in Tamboran.

If redeemed, the preference stocks are redeemable at a price equal to the greater of;
- the subscription amount per stock plus accrued, unpaid dividends and
- the fair market value of common stock plus any accrued, unpaid dividends.

If the company anticipates an exit event or insolvency event, the preference stocks are redeemable at an amount equal to the greater of the subscription amount plus any accrued, unpaid dividends and the price per stock payable (in an exit event) or the amount payable in respect of each stock (in an insolvency event), plus accrued, unpaid dividends. The variability in the redemption price has been identified as an embedded derivative. The embedded derivative has been measured at inception at its fair value. The fair value at inception and at subsequent measurement dates has been estimated using a Black-Scholes option model. The residual between the proceeds received and fair value of the embedded derivative was recognised as a financial liability at inception. The financial liability is accounted for using amortised cost. As a result, it is unwound to its full-face value using the effective interest method.

Each stock is convertible upon election of Baupost to convert the preference stocks into common stock of the parent of the Group on the basis of one common stock for every one preference stocks held. The preference stocks rank ahead of the common stock in the event of a liquidation.

The preference stocks are non-voting stocks and carry no right to vote except on:

i) any matter considered at a meeting if, at date of meeting, the dividend on the preference stocks is in arrears;
ii) a proposal to reduce the stock capital of the company;
iii) a resolution to approve the terms of a buy-back agreement;
iv) a proposal that affects rights attached to the preference stocks;
v) a proposal to wind-up the company;
vi) a proposal for the disposal of the whole of the property, business and undertaking of the company; and
vii) any matter considered at a meeting held during the winding-up of the company.

<u>Year ended 30 June 2019 movements</u>

On 6 December 2018, the Company entered into subscription agreements with each of Lion Point Master, LP (a nominee of Lion Point Capital) (**Lion Point**) (**Lion Point Agreement**) and BP-PE3, LLC (a nominee of Baupost Capital LLC) (**Baupost**) (**Baupost Agreement**) for a placement of fully paid redeemable preference stocks (convertible into common stock) in the capital of the Company.
Under the terms of the Lion Point Agreement, Lion Point has subscribed for 51,257,518 fully paid preference stocks equivalent to 18.6% of the stocks of the Company on a fully-diluted basis, upon conversion into common stock.

Under the terms of the Baupost Agreement, Baupost has subscribed for 24,745,908 fully paid preference stocks equivalent to 8.2% of the stocks of the Company on a fully-diluted basis, upon conversion into common stock. In addition, Baupost has exercised its additional purchase rights under the 24 April 2017 subscription agreement to subscribe for 35,144,659 preference stocks. Taking into account Baupost's existing preference stocks, the aggregate percentage stockholding of Baupost is equivalent to approximately 42.46% of the fully diluted capital of the Company on a fully diluted basis upon conversion into common stock.

The total funds raised under the Lion Point Agreement, Baupost Agreement and exercise of the additional purchase rights was US$24 million equivalent to approximately A$33 million (less US$75,000 for aggregate payment of legal expenses of Lion Point and Baupost).

The terms of the Lion Point Agreement and the Baupost Agreement provide, among other things, that:

(1) Lion Point and Baupost each have a pro rata right of first refusal for future capital raisings or debt financings.

(2) Until such time when the Company becomes listed on a recognised stock exchange or where Lion Point or Baupost cease to hold at least 5% of the stocks of the company (on a fully diluted basis), the Company must not, without stockholder approval, permit an "Exit Event" (which includes a transaction involving a sale, acquisition or transfer of all of, or a controlling interest, in the stock capital of the Company or a sale of the whole of the assets of the Company).

(3) Lion Point and Baupost may assign their rights under their respective agreements to a third party, who is not a competitor of the Company.

The terms of the preference stocks provide that each preference stock may convert into an ordinary stock at A$0.32. The preference stocks do not provide for any coupon or interest amount payable. The preference stocks will be entitled to receive the same dividend per stock when, as and if declared with respect to any common stock.

In addition to the circumstances set out above, the preference stocks are redeemable under the following circumstances:

(1) at any time on or after the seventh anniversary of the completion date if the holder gives written notice requesting redemption of some or all of the preference stocks;

(2) upon events which include;

  a) an administrator being appointed,

  b) an application for winding up; or

  c) merger, consolidation or scheme of arrangement involving the sale, acquisition or transfer of a controlling interest in the Company.

If redeemed, the preference stocks are redeemable at a price equal to the greater of:

(3) the subscription amount per stock plus accrued, unpaid dividends; and

(4) the fair market value plus any accrued, unpaid dividends.

If the company anticipates an exit event or insolvency event, the preference stocks are redeemable at an amount equal to the greater of the subscription amount plus any accrued, unpaid dividends and the price per stock payable (in an exit event) or the amount payable in respect of each stock (in an insolvency event), plus accrued, unpaid dividends.

Each stock is convertible upon election of Baupost or Lion Point to convert the preference stocks into common stock of the Company on the basis of one ordinary stock for every one preference stocks held. The preference stocks rank ahead of the common stock in the event of a liquidation.

The preference stocks are non-voting stocks and carry no right to vote except on:

(1) any matter considered at a meeting if, at date of meeting, the dividend on the preference stocks is in arrears;

(2) a proposal to reduce the stock capital of the company;

(3) a resolution to approve the terms of a buy-back agreement;

(4) a proposal that affects rights attached to the preference stocks;

(5) a proposal to wind-up the company;

(6) a proposal for the disposal of the whole of the property, business and undertaking of the company; and

(7) any matter considered at a meeting held during the winding-up of the company.

On, or around, 15 April 2019, US$10 million from each of Lion Point and Baupost (an aggregate of US$20 million) which was held in escrow pursuant to the terms of the Lion Point Agreement and Baupost Agreement, was released after written receipt by the Company from Santos QNT Pty Ltd for an authorisation for expenditure (or cash call) or equivalent in connection with the commencement of drilling activity for joint operations of EP 161 pursuant to the terms of the Joint Operating Agreement. Accordingly, US$20 million of the US$24 million redeemable preference stocks subscribed for in December 2018 were only considered to have been issued on 15 April 2019. As the terms are similar, the accounting for the redeemable preference shares issued during the year ended 30 June 2019 is consistent with that applied for those issued in the year ended 30 June 2017, as described above.

13. CONTRIBUTED EQUITY

	2019 shares	2018 shares Restated	**Consolidated 2019 $**	Consolidated 2018 (*restated) $
Share Capital				
93,481,040 Ordinary shares	**93,481,040**	93,481,040	**20,457,956**	20,457,956

Movements in ordinary share capital	**Date**	**Number of shares**	**Issue price**	**$**
Balance 1 July 2017* (restated)		89,883,096		19,810,991

Issue of ordinary shares*	14 July 17	2,855,511	$0.2285	646,965
Debt to equity conversion – advisor*	14 July 17	742,433	$0.2285	169,646
Cost of capital raising	14 July 17			(169,646)
Balance 30 June 2018		93,481,040		20,457,956
Balance 30 June 2019		93,481,040		20,457,956

* the issue price was calculated using the issue price to Baupost of USD0.1751 using an exchange rate of 1AUD = USD0.7666.

Movements in Treasury stock	Grant date	Number of stocks
Balance – 1 July 2017		7,501,250
Forfeiture of stocks – J Riddle	1 July 2017	(1,000,000)
Issue of treasury stock – J Riddle	27 September 2017	1,000,000
Issue of treasury stock – J Riddle	17 April 2018	500,000
Balance – 30 June 2018		8,001,250
Balance – 1 July 2018		8,001,250
Issue of treasury stock – J Riddle	22 January 2019	1,000,000
Balance – 30 June 2019		9,001,250

Treasury stock relates to stock issued in connection with awards made to employees under the Company's Incentive Plan. Treasury stock is held by the Company on the award recipient's behalf until such time as the recipient repays the limited recourse loan attached to each award. Once repayment is made, treasury stock is formerly issued to the employee and presented as ordinary stock capital.

Terms and conditions of contributed equity

Ordinary Shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

Management of Capital

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

14. SHARE BASED COMPENSATION

On 31 October 2014, the stockholders of the Company voted to accept the Tamboran Resources Incentive Plan (the "Plan"). To enable the Company to secure and retain employees and directors who can assist the Company in achieving its objectives, the Board considers it necessary to provide remuneration and incentives to such personnel. The Plan was designed to achieve this objective, by aligning the interests of eligible employees and directors with those of the Company.

Under the Plan, the Company has the ability to offer and issue securities and other incentives to Employees on terms and conditions determined by the Board.
<u>Key Features of the Plan</u>

At the discretion of the Board, the Company may issue Awards under the Plan to Employees.
Awards may comprise Options, Performance Rights, Service Rights, Deferred Stock Awards, Exempt Stock Awards, Cash Rights, Stock Appreciation Rights and Limited Recourse Loan Awards.

An Employee who is issued an Award becomes a Participant under the Plan.

The Board has discretion to determine the terms and conditions on which Awards are Issued, including with respect to vesting, exercise and expiry, voting rights attached to Awards and any restriction periods applicable to the Awards (being the periods during which restrictions on transfer and disposals apply). The Board may not Issue Awards if to do so would exceed the dilution limit set out in the Plan.

The Company may establish a trust as the mechanism for acquiring and holding Awards Issued either on behalf of the Participants or for the purposes of Plan. The trustee of the trust will be bound by the rules of the Plan and a trust deed appointing and giving powers to the trustee.

The Company has discretion to issue new Stocks and/or cause existing Stocks to be acquired for transfer to a Participant to meet its obligations under the Rules, including a transfer from the trustee.

The Company may provide financial assistance to Participants by way of a limited recourse loan to assist them to acquire Stocks. Unless an offer of Award specifies otherwise, financial assistance will be provided on an interest free basis. These stocks are accounted for as treasury stock until such time as the respective limited recourse loan is repaid.

As security for financial assistance, the Company will take a pledge over Stocks and a charge over all dividends or other amounts paid or payable on those Stocks.

Where financial assistance is due for repayment, the Stocks will be bought back and cancelled by the Company to the extent of the outstanding financial assistance (unless the Participant makes a cash repayment). No further amount will be recoverable by the Company at any time from the Participant in relation to the financial assistance provided.

The Plan will be administered by the Board and may be suspended, terminated or amended at any time, subject to the passing of any resolutions of the Company required by law.

The following is a summary of the Company stocks issued to date:

	Stocks Issued	Options Issued	Grant date	Fair Value	Amount Expensed 2019	Amount Expensed 2018	Amount Expensed 2017
Opening balance 1 July 2016	6,401,250						
- stocks issued to J Riddle (A)	1,100,000		28-Aug-16	0.1362	-	-	149,820
Closing balance 30 June 2017	7,501,250						
Opening balance 1 July 2017	7,501,250						
Employee stocks issued							
- stocks issued to J Riddle (B)	1,000,000		27-Sep-17	0.1362	33,210	102,990	-
- stocks forfeiture	(1,000,000)				-	(230,000)	-
- stocks issued to J Riddle (C)	500,000		17-Apr-18	0.1339	-	66,950	-
- options to J Riddle (C)		916,666	25-Sep-17	0.1339	40,914	30,685	-
- options to J Riddle (C)		916,666	25-Sep-17	0.1339	40,914	30,685	
Closing balance 30 June 2018	8,001,250						
Opening balance 1 July 2018	8,001,250						
Employee stocks issued							
- stocks issued to J Riddle (D)	1,000,000		22-Jan-19	0.1885	188,500	-	-
Totals 30 June 2019	**9,001,250**	**1,833,332**			**303,538**	**1,310**	**149,820**

Fair value of the stocks and options was calculated under the Black-Scholes method using the following:

Reference	(A)	(B)	(C)	(D)
Fair value	0.1362	0.1362	0.1339	0.1885
Stock price [AUD] at grant date	0.2292	0.2228	0.2253	0.32
Exercise price [AUD]	0.2292	0.2228	0.2253	0.32
Term (in years)	4	4	4	4
Risk-free rate	2.10%	2.10%	2.10%	1.50%
Volatility	80.00%	80.00%	80.00%	80.00%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%

All of the stocks granted under the Plan are supported by way of financial assistance through a limited recourse loan. As security for financial assistance, the Company took a pledge over stocks and a charge over all dividends or other amounts paid or payable on those stocks. These stocks do not hold any voting rights until the loans made to support the loans are repaid. None of the loans had been repaid as at 30 June 2019.

Grant (A): On 28 August 2016 the Board of Directors authorised the payment of the FY16 bonus to the chief executive officer of the Company as a result of achieving the milestones set by the Compensation committee which formed part of the executive's salary package. The bonus was paid in the form of the opportunity to purchase 1,100,000 common stock at the price of the most recent capital raise. As the grant relates to past performance the fair value of the award was fully expensed immediately. The entire reward remains exercisable as at 30 June 2019 and accordingly all of the stocks are considered treasury stock.

Grant (B): On 27 September 2017 the Board of Directors authorised the grant of options to the chief executive officer to acquire 1,000,000 in common stock at the price of the most recent capital raise. The options vest provided that the arbitration process with the joint venture partner was resolved. The fair value of the option to acquire common stock was measured at the grant date and expensed over the expected vesting period, being 12-months. The options are fully vested an remain exercisable as at 30 June 2019.

Grant (C): On 25 September 2017 the Board of Directors authorised two grants of options to the chief executive officer to acquire 916,666 in common stock at the price of the most recent capital raise. Each grant has identical terms and vests provided that the chief executive officer remains employed by the Company for 3 years from the date of issue. None of these options are vested and exercisable as at 30 June 2019.

On 17 April 2018 the Board of Directors authorised the payment of the FY17 bonus to the chief executive officer of the Company as a result of achieving the milestones set by the Compensation committee which formed part of the executive’s salary package. The bonus was paid in the form of the opportunity to purchase 500,000 common stock at the price of the most recent capital raise and a cash payment of A$500,000. As the equity award relates to past performance the fair value of the award was fully expensed immediately. The entire reward remains exercisable as at 30 June 2019.

Grant (D): On 29 January 2019 the Board of Directors authorised the payment of the FY18 bonus to the managing director and chief executive officer of the Company as a result of achieving the milestones set by the Compensation committee which formed part of the executive’s salary package. The bonus was paid in the form of the opportunity to purchase 1,000,000 common stock at the price of the Baupost / Lion Point subscription price, completed in December 2018. As the grant relates to past performance the fair value of the award was fully expensed immediately. The entire reward remains exercisable as at 30 June 2019.

The following is a summary of other options issued by the Company to date:

The following options were granted in 11 April 2016 for services previously rendered in providing geological and engineering consulting work.

Name	**Grant Date**	**Expiry Date**	**Valuation**	**Exercise Price**	**Number of options**
C Anderson	11 April 2016	11 April 2021	$0.1094	$0.5000	500,000
E Vik	11 April 2016	11 April 2021	$0.1094	$0.5000	500,000

15. WARRANTS

On or about 12 January 2017 the Company entered into an engagement letter with Odeon Capital Group LLC (**Odeon**) (the **Engagement**), whereby as part of the Engagement, Odeon and consultants to Odeon assisted the Company to undertake a capital raise in May 2017 and a subsequent capital raise in November 2018 (together, the **Capital Raisings**). The Engagement provides for the issue of warrants upon a successful capital raising from an introduction by Odeon.

On 5 April 2019, the Company entered into a warrant deed poll (**Deed Poll**) for the granting of warrants on the terms set out in the Deed Poll (convertible into common share) in the capital of the Company.

Under the terms of the Engagement and Deed Poll:

(1) Odeon were granted 478,875 fully paid warrants equivalent to 0.17% of the shares in the Company on a fully diluted basis, upon conversion into common share. Of the warrants granted to Odeon, 171,330 have an exercise price of US$0.1751 and have an expiry date of 31 May 2020, whereas 307,545 have an exercise price of US$0.234112 and have an expiry date of 30 November 2021;

(2) Eric Dyer, the Group Chief Financial Officer (employed 1 November 2019) was granted 646,482 fully paid warrants equivalent to 0.23% of the shares in the Company on a fully diluted basis, upon conversion into common share. Of the warrants granted to Eric Dyer, 231,296 have an exercise price of US$0.1751 and have an expiry date of 31 May 2020, whereas 415,186 have an exercise price of US$0.234112 and have an expiry date of 30 November 2021;

(3) Edward Sugar was granted 3,016,920 fully paid warrants equivalent to 1.09% of the shares in the Company on a fully diluted basis, upon conversion into common share. Of the warrants granted to Edward Sugar, 1,079,385 have an exercise price of US$0.1751 and have an expiry date of 31 May 2020, whereas 1,937,535 have an exercise price of US$0.234112 and have an expiry date of 30 November 2021;

(4) Matthew Bonner was granted 646,482 fully paid warrants equivalent to 0.23% of the shares in the Company on a fully diluted basis, upon conversion into common share. Of the warrants granted to Matthew Bonner, 231,296 have an exercise price of US$0.1751 and have an expiry date of 31 May 2020, whereas 415,186 have an exercise price of US$0.234112 and have an expiry date of 30 November 2021;

The terms of the warrants set out in the Deed Poll provide that:

(a) each warrant entitles the warrant holder to acquire by way of issue one ordinary share in the capital of the Company, subject to the payment of the exercise price;

(b) each warrant may be exercised at any time until their expiry date;

(c) each warrant ranks equally with all other warrants; and

(d) all warrants that have not been exercised by their expiry date will lapse and be of no further force and effect.

Warrants issued during the year ended 30 June 2019:

Warrant holder:	Exercise Price:	Expiry Date:	Number of warrants	Valuation A$
Odeon Capital Group LLC	US$0.1751	31 May 2020	171,330	AUD 0.14
Mr Edward Sugar	US$0.1751	31 May 2020	1,079,385	AUD 0.14
Mr Eric Dyer	US$0.1751	31 May 2020	231,296	AUD 0.14
Mr Matthew Bonner	US$0.1751	31 May 2020	231,296	AUD 0.14
			1,713,307	AUD 239,863
Odeon Capital Group LLC	US$0.234112	30 Nov 2021	307,545	AUD 0.16
Mr Edward Sugar	US$0.234112	30 Nov 2021	1,937,535	AUD 0.16
Mr Eric Dyer	US$0.234112	30 Nov 2021	415,186	AUD 0.16
Mr Matthew Bonner	US$0.234112	30 Nov 2021	415,186	AUD 0.16
			3,075,452	AUD 492,072

At 30 June 2019 the Company had 1,713,307 warrants outstanding that had an exercise price of USD$0.1751 and an expiration date of 31 May 2020 and 3,075,452 warrants outstanding that had an exercise price of USD$0.234112 and an expiration date of 30 November 2021. The valuation of the warrants was calculated using the Black-Scholes valuation model.

As the warrants were issued to non-employees for services provided in connection with capital raising activity that have already been performed the fair value was measured at the grant date and recorded as a cost to the capital raised. Remeasurement is not required.

No warrants were exercised during the year ended 30 June 2019.

16. RESERVES

	Consolidated 2019 $	Consolidated 2018 $
Balance at the beginning of period	**2,651,030**	2,649,720
Share-based payments expense		
Balance as at 1 July	**2,651,030**	2,649,720
Share based payments – director / employee	**303,538**	1,310
	2,954,568	2,651,030
Warrants		
Balance as at 1 July	-	-
Issue of warrants – capital raise fee	731,935	-
	731,935	-
Balance as at 30 June 2019	**3,686,503**	2,651,030

17. DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial period. There are no franking credits in 2018 and 2019.

18. FINANCIAL INSTRUMENTS

Interest rate risk exposure

At balance date, the Company was exposed to a floating weighted average interest rate as follows:

	Consolidated	Consolidated
	2019	2018
	$	$
Weighted average rate of cash balances	**0.45%**	2.48%
Cash balances	**26,501,672**	1,738,846

Bank negotiable certificates of deposit are invested between 30 days to 180 days and other cash at bank balances are at call.

Fair value of financial assets and liabilities, on balance sheet and credit risk

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Company approximates their carrying value. Credit risk is minimal at balance date.

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the Company's operations. It is, and has been throughout the entire period under review, the Company's policy that no trading in financial instruments shall be undertaken.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Management is responsible for developing and monitoring the risk management policies and reports to the Board.

The main risks arising from the Company's financial instruments are cash flow interest rate risk and currency risk. Other minor risks are summarised below.

Interest rate risk

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of reasonable possible changes in the market interest rates arises in relation to the Company's bank balances.

The risk is managed through the use of variable rate term deposits. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

Interest Rate Sensitivity

With all other variables held constant, the Company's profit after tax and equity are affected through the impact of floating and / or fluctuating interest rates on cash and receivables as follows:

	Consolidated	Consolidated
	2019	2018
The balance at 30 June comprised:	**$**	$
Cash and cash equivalents	**26,501,672**	1,738,846
Effect on profit and equity as a result of a 1% + / - sensitivity change in interest	**2,355**	857

A sensitivity of 1% has been selected as this is considered reasonable given the current level of both short-term and long-term Australian dollar interest rates. A 1% sensitivity would move short term interest rates at 30 June 2019 from around 0.4422% to 0.4511% representing a 0.9-point shift. With the still uncertain financial markets, the current low interest rates are expected to continue, any change would likely to be only a small increase, and this level of sensitivity would seem to be reasonable.

Based on the sensitivity analysis only interest revenue from the variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

Commodity Price Risk

The Company is exposed to commodity price risk. This risk arises from its activities directed at exploration and development of mineral commodities. If commodity prices fall, the market for companies exploring for these commodities is affected. The Company does not hedge its exposures.

Capital Management

Capital includes equity attributable to the equity holders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios to support the development of the Company's assets.

The Company manages its capital structure and makes adjustments to it in light of economic conditions.

During the year the company undertook three capital raises through the issue of redeemable preference shares. The Board believe that these capital raises secures the Company's financial position in meeting the joint venture commitments for the full year with Santos Limited

20. REMUNERATION BENEFITS

(a) Directors and executive fees

The following table outlines the nature and amount of the elements of the remuneration of specified Directors and key management personnel of the Company for the years ended 30 June 2018 and 2019

Year ended	Salary	Directors Fees	Consulting fees	Superannuation Contributions	Share based payments	Total
	$	$	$	$	$	$
2019	**762,554**	**745,167**	**12,318**	**22,103**	**303,538**	**1,845,680**
2018	664,871	628,329	11,500	20,048	1,310	1,326,058

There were no loans made by the Group to key management personnel or their related parties.

No other benefits have been received or are receivable by Directors, other than those already disclosed in the notes to the accounts.

21. RELATED PARTY DISCLOSURES

The Directors in office during the year and up until the date of this report were:

Name	Age	Position	Appointed	Resigned
Director				
Patrick JD Elliott	67	Chairman	9 February 2009	
Fredrick Barrett	58	Non-Executive Director	5 April 2016	
David W King	73	Non-Executive Director	9 May 2012	
Stuart D Lake	58	Non-Executive Director	5 April 2016	
Richard K Stoneburner	66	Non-Executive Director	5 April 2016	
Daniel Chandra	45	Non-Executive Director	21 March 2019	
Joel Riddle	45	Managing Director	12 December 2018	
Richard Lane	62	Deputy Chairman	9 May 2012	21 March 2019
Andrew Bursill	48	Non-Executive Director	9 February 2009	12 December 2018
Company Secretary				
Andrew Bursill	48	Company Secretary	9 February 2009	23 March 2016
Joanna Morbey	59	Company Secretary	23 March 2016	

Other key management personnel

The following persons also had the authority and responsibility for planning, directing, and controlling major activities of the consolidated entity, directly or indirectly, during the financial year:

J Riddle CEO – appointed 18 November 2013, appointed to Managing Director – 19 December 2018
J Morbey – company secretary – consultant - appointed 23 March 2016

22. SEGMENTED INFORMATION

The Company operates as an unconventional gas exploration company and operates only in Australia. This is considered the only reportable segment.

23. COMMITMENTS AND CONTINGENCIES

Joint venture obligations to Santos Limited

	Consolidated 2019 $	Consolidated 2018 $
Payable not later than one year	**13,528,523**	-
Payable later than one year but not later than two years	**12,671,477**	-
	26,200,000	-

Joint Venture obligations - The Company is not legally obligated to make cash calls but must contribute its proportionate share to the joint venture to maintain its 25% interest.

Environmental Matters – The Company together with its joint venture partner, as a lessee of gas tenements, is subject to various federal, state and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on the lessee under a gas lease for the cost of pollution clean-up resulting from operations and subject the lessee to liability for pollution damages. In some instances, the Company may be directed to suspend or cease operations in the affected area. The Company is not aware of any environmental claims existing as of 30 June 2019, which have not been provided for, covered by insurance or otherwise have a material impact on its financial position or results of operations. There can be no assurance, however, that current regulatory requirements will not change, or past noncompliance with environmental laws will not be discovered on the Company's properties.

Office Lease – As of 30 June 2019, the Company has one annually renewable office lease in Sydney with minimum contractual lease payments $3,757 per month. Subsequent to year end, this lease terminated and a new office premise lease was entered into being a five-year lease with the first-year monthly rental of $32,500 per month. There is an annual 4% escalation rate (annual upon review date).

24. EVENTS AFTER REPORTING DATE

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

25. STATEMENT OF CASH FLOWS

	2019 $	2018 (*restated) $
Reconciliation of net cash outflow from operation activities to operating loss after income tax		
(a) Operating (loss) after income tax	**(15,361,768)**	(4,208,575)
Depreciation	**12,303**	2,126
Finance costs – redeemable preference shares	**11,795,662**	32,701
Share based payments	**303,538**	1,310
Change in assets and liabilities:		
(Increase)/decrease in receivables	**(55,543)**	(710)
(Decrease)/increase in trade creditors	**(111,261)**	(294,352)
Net cash outflow from operating activities	**(3,417,069)**	(4,467,500)

(b) For the purpose of the Statement of Cash Flows, cash includes cash on hand, at bank, deposits and bank bills used as part of the cash management function. The Company does not have any unused credit facilities.

	Consolidated 2019 $	Consolidated 2018 $
The balance at 30 June comprised:		
Bank operating account	**26,501,672**	1,738,846
Cash on hand	**26,501,672**	1,738,846

26. INFORMATION RELATING TO THE PARENT ENTITY

	2019 $	2018 (*restated) $
Current assets	**26,583,245**	1,764,878
Non-current assets	**4,477,727**	1,418,553
Total assets	**31,060,972**	3,183,431
Current liabilities	**937,243**	1,051,366
Non-current liabilities	**55,765,578**	13,447,619
Total Liabilities	**56,702,821**	14,498,985
Net assets	**(25,641,849)**	(11,315,554)
Contributed equity	**20,457,956**	20,457,956
Reserves	**3,686,506**	2,651,030
Accumulated losses	**(49,786,308)**	(34,424,540)
Total shareholders' equity	**(25,641,849)**	(11,315,554)
Loss for the parent entity	**(15,361,768)**	(4,208,575)
Total comprehensive income of the parent entity	**(15,361,768)**	(4,208,575)

No guarantees have been entered into by the Company in relation to the debts of its subsidiaries.

Commitments of the Company as at reporting date are disclosed in Note 23 to the financial statements.

27. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name	**Incorporated in**	**Ownership Interest**	
		2019 - %	2018 - %
Tamboran (Ngalia) Pty Ltd	Australia	100%	100%
Tamboran (Beetaloo) Pty Ltd	Australia	100%	100%
Tamboran (Pedrika) Pty Ltd	Australia	100%	100%
Tamboran (McArthur) Pty Ltd	Australia	100%	100%

28. INTEREST IN JOINT VENTURE OPERATIONS

Beetaloo / McArthur Basin. In December 2012 Tamboran entered into farm-in and joint venture agreements with Santos QNT Pty Limited (herein after referred to as Santos) whereby Santos made a direct investment of $10,000,000 in Tamboran (representing an interest of approximately 14% of the company) and Santos undertook to invest a further $71,000,000 to drill and assess Tamboran's exploration permits in the Beetaloo/McArthur Basin.

On 11 September 2017, Santos lodged the executed forms with the Department of Primary Industry and Resources to register its 75% interest the Permits.

During this financial year the company commenced working with Santos on the 2019/2020 EP161 Work Plan.

29. RESTATEMENT OF PRIOR PERIOD

A number of prior period errors were identified in the current period. Each of these have been corrected in the period in which the error occurred. The principal changes relate to accounting for the redeemable preference shares as financial liabilities with an embedded derivative as opposed to compound financial instruments (item #6 below) and correcting the initial measurement of the fair value of share-based payment grants and the periods over which these fair values are amortised (item #7 below).

Refer to the table and corresponding notes below for details of the restatements made:

1. Adjustments include a reclassification from 'Other' to 'Trade and other receivables', as further detailed in item 2 below, and the correction of the GST receivable amount included in this line item in order to correct an understatement of receivables and the related accrual originating in the year ended 30 June 2017.
2. Rental deposit and interest receivable were previously captured within the 'Other' line item in the statement of financial position. These balances have been reclassified into the 'Trade and other receivables' financial statement line item as at 30 June 2018.

3. Adjustment to remove an unnecessary accrual previously included within Exploration and evaluation assets that originated in the year ended 30 June 2017.
4. Adjustment is comprised of the following items:
    i. Reduction in accruals for director fees payable to align with contractually due amounts for the year ended 30 June 2018;
    ii. Removal of accruals for which amounts had already been included in trade payables as at 30 June 2017; and
    iii. Correction of interest payable accrual originating in the year ended 30 June 2017 to align to the amount contractually due.
5. The provision for long service leave as at 30 June 2018 was previously understated due to use of historical salary rates rather than current salary rates. This adjustment is required to reflect the provision as calculated using current salary rates and to recognise the additional expense associated through the statement of profit or loss.
6. The redeemable preference shares issued in the year ending 30 June 2017 were initially accounted for as compound financial instruments. This resulted in the recognition of a portion of the face value of these instruments within equity and the remainder as a financial liability at amortised cost as at 30 June 2017 and 30 June 2018. During the current financial year it was identified that the redeemable preference shares contain an embedded derivative in respect of the variability of the price at which they may be redeemed and accordingly, these instruments should have been bifurcated into an embedded derivative accounted for at fair value through the income statement and a financial liability at amortised cost. This adjustment is required to remove the compound financial instrument accounting and correctly reflect the required accounting. Refer to Note 12 for additional detail on the redeemable preference shares and an amended continuity table from the issuance date through to 30 June 2019.
7. The Company granted share based payments in the years ending 30 June 2017 and 30 June 2018. The recognition and measurement principles of AASB 2 *Share based payments* were not previously adhered to. This resulted in the incorrect valuation of the grants and the incorrect recognition of the associated expense through the statement of profit or loss. This adjustment is required in order to correct the aforementioned errors and recognise the amortisation of the fair value of these instruments within the share based payments reserve as opposed to issued capital.
8. Adjustment recorded in order to remove legal and accounting fees recorded in the year ended 30 June 2018 that related to services provided in the year ended 30 June 2017.
9. Adjustment recorded in order to remove foreign exchange gains/losses in relation to operating costs incurred in the year ended 30 June 2017 that were incorrectly recorded in the year ending 30 June 2018.
10. This item is the aggregated impact of errors related to the year ended 30 June 2017 on accumulated losses as at 30 June 2017. It is comprised of adjustments made to correct for accruals recognised in the incorrect period ($254,280), the correction of share-based payments measurement and timing ($149,820), and the correction of the initial accounting for the redeemable preference shares ($771,445).

The restated statement of financial position as at 30 June 2018 as a result of the aforementioned restatements is as follows:

Statement of Financial Position	Reference	2018 (as previously stated) $	Increase / (Decrease) $	2018 (as restated) $
CURRENT ASSETS				
Cash and cash equivalents		1,738,846		**1,738,846**
Trade and other receivables	1	-	26,032	**26,032**
Other	2	11,059	(11,059)	**-**
TOTAL CURRENT ASSETS		1,749,905		**1,764,878**
NON-CURRENT ASSETS				
Property, plant and equipment		12,303	-	**12,303**
Exploration and evaluation assets	3	1,413,266	(7,016)	**1,406,250**
TOTAL NON-CURRENT ASSETS		1,425,569		**1,418,553**
TOTAL ASSETS		3,175,474		**3,183,431**
CURRENT LIABILITIES				
Payables	4	518,789	(65,233)	**453,556**
Employee costs and accruals		597,810	-	**597,810**
TOTAL CURRENT LIABILITIES		1,116,599		**1,051,366**
NON-CURRENT LIABILITIES				
Employee costs and accruals	5	26,198	17,676	**43,874**
Financial Liabilities	6	5,435,716	7,968,029	**13,403,745**
TOTAL NON-CURRENT LIABILITIES		5,461,914		**13,447,619**
TOTAL LIABILITIES		6,578,513		**14,498,985**
NET ASSETS		(3,403,039)		**(11,315,554)**
EQUITY				
Issued capital	7	20,995,331	(537,375)	**20,457,956**
Reserves	6	10,116,332	(7,465,302)	**2,651,030**
Accumulated losses		(34,514,702)	90,162	**(34,424,540)**
TOTAL EQUITY		(3,403,039)		**(11,315,554)**

The restated statement of comprehensive income for the year ended 30 June 2018 as a result of the aforementioned restatements is as follows:

Statement of comprehensive income (Extract)	**Reference**	**2018 (as previously stated) $**	**Increase / (Decrease) $**	**2018 (as restated) $**
Consultancy and professional costs	8	2,722,792	(27,126)	**2,695,666**
Foreign currency loss/(gain)	9	9,651	(35,816)	**(26,165)**
Finance costs	6	611,882	(579,181)	**32,701**
Director fees and executive costs	4	1,642,267	(317,519)	**1,324,748**
Share based payments	7	307,375	(306,065)	**1,310**
Profit/(loss) for the period		(5,474,281)	(1,265,707)	**(4,208,574)**
Aggregate adjustment to accumulated losses as at 30 June 2017	10		1,175,545	
Net adjustment to accumulated losses at 30 June 2018			(90,162)	

In accordance with a resolution of the Directors of Tamboran Resources Ltd, I state that:

(1) In the opinion of the Directors:

(a) The financial statements and notes of the Consolidated Entity are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards and the Corporations Regulations 2001; and

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

(2) This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the Board

Joel Riddle
Managing Director
Sydney, 31 January 2020

Building a better working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent Auditor's Report to the Members of Tamboran Resources Limited

Opinion

We have audited the financial report of Tamboran Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019, and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Material uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the consolidated entity's ability to continue as a going concern. These conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information includes the directors' report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Ernst & Young

Ryan Fisk

Ryan Fisk
Partner
Sydney
31 January 2020