



## **Annual Report 2020**

## Corporate Directory

### Directors

Dick Stoneburner	<i>Chairman</i>
Joel Riddle	<i>Managing Director</i>
Fredrick Barrett	<i>Non-Executive Director</i>
Dan Chandra	<i>Non-Executive Director</i>
Patrick Elliott	<i>Non-Executive Director</i>
David King	<i>Non-Executive Director</i>
Stuart Lake	<i>Non-Executive Director</i>

### Chief Financial Officer

Eric Dyer

### Company Secretary

Joanna Morbey

### Registered Office

110 -112 The Corso

Manly NSW 2095

Telephone: +61 (2) 9977 6522

Website: [www.tamboran.com](http://www.tamboran.com)

### Auditors

Ernst & Young

200 George Street

Sydney NSW 2000

**ABN** 28 135 299 062

## DIRECTORS REPORT

### DIRECTORS REPORT

The Directors of Tamboran Resources Limited present their report, together with the financial statements, on the consolidated entity (referred to as “Tamboran”, 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 2020.

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 Richard Stoneburner, *Chairman***

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

Mr Stoneburner is currently a Partner 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. He 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.

Mr Stoneburner sits on the Nominations Committee.

#### **Mr. Patrick James Dymock Elliott, retiring *Chairman Non-Executive Director***

***B. Commerce University of New South Wales, MBA (Mineral Economics) Macquarie University***

Mr Elliott has over 40 years of diverse experience working in commercial 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 the Chairman or a director of other listed mineral exploration companies as well a major privately-owned FMCG company and Cap-XX Limited, a manufacturer and technology licensor of supercapacitors.

Mr Elliott sits on the Nominations Committee.

#### **Mr. Joel Riddle, *Managing Director***

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

## DIRECTORS REPORT

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 oil and gas resources industry and has served as an independent Director for Tamboran 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 coalbed methane (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 for Santos.

Mr Barrett served various positions at Bill Barrett Corporation from 2002 to 2013, which was co-founded by him in January 2002. 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 merged with Fifth Creek Resources to form Highpoint Resources (NYSE: HPR) 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, Inc. in 2001. Mr Barrett was a Co-Founder and Partner in 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.

## DIRECTORS REPORT

### **Mr. Daniel Chandra, *Non-Executive Director***

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

Mr Chandra joined the Board in December 2018. He is currently a senior investment professional at Lion Point Capital, a value-focused investment fund based in New York City. Mr Chandra has over 17 years of investing experience across a range of industries and in equity, credit, and distressed debt. He previously worked as a senior analyst and portfolio manager at DW Partners and at DW predecessor Brevan Howard.

### **Dr. David King, *Non-Executive Director***

***B. Science 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 Cellmid Ltd. Dr King is also a Non-Executive Director of AIM-listed Litigation Capital Management Ltd. Dr King was a Founder and Executive Director of Eastern Star Gas Limited, and a former Managing Director of Beach Petroleum and North Flinders Mines Ltd.

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

### **Dr. Stuart Lake, *Non-Executive Director***

***B. Science Hons (Geology) University of Wales, PhD (Geology) University of Durham***

Dr Lake has over 35 years exploration and production experience in AGM Petroleum Ghana, Minexco Petroleum, Castle Petroleum, African Petroleum Corp., Hess Corporation, Apache Corporation and Shell International. He is currently Non-Executive Chairman of Invictus Energy Limited (ASX: IVZ), and Non-Executive Director of Capterio Limited (Private).

Dr Lake was the former CEO of AGM Petroleum Ghana, Minexco and Castle Petroleum (all Private), and former CEO of African Petroleum Corporation (OSL: APCL). He 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, Dr Lake was Director Global New Ventures with oversight of Exploration/Exploitation in Argentina. At Shell he was Vice President Exploration Russia and held other managerial and technical positions in Shell (1986-2005) and its affiliates including Shell International (Rijkswijk), the NAM (Nederlandse Aardolie Maatschappij B.V), Petroleum Development Oman (Oman), Shell Egypt, Shell UK, Pecten (USA) and Shell International (The Hague).

Dr Lake 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.

### **Mrs. Joanna Morbey, *Company Secretary***

***B. Commerce University of New South Wales, Chartered Accountant***

## **DIRECTORS REPORT**

Mrs Morbey 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.

### **Principal Activities**

The principal activities of Tamboran focus 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 2020 after providing for income tax amounted to \$14,503,934 (loss for 2019: \$15,361,768).

### **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 on its Joint Venture with Santos, as well as investigating other investment opportunities in the Beetaloo Basin, Northern Territory, Australia.

### **Financial Position**

As at 30 June 2020, the Company's cash position of \$5,594,309 is expected to fund its share of the remaining costs for the first-stage of the drill program with Santos.

### **Corporate Structure**

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

### **Employees**

The Company had one full-time employee as at 30 June 2020.

### **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 23 to the Financial Statements, there were at the date of this report, no matters or circumstances which have arisen since 30 June 2020 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.

## DIRECTORS REPORT

### Meetings of Directors

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

Director	Board Meetings		Audit and Risk Committee		Remuneration Committee	
	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended	Meetings Eligible to Attend	Meetings Attended
PJD Elliott	5	5	-	-	-	-
J Riddle	5	5	-	-	-	-
F Barrett	5	5	3	3	4	4
D Chandra	5	5	-	-	4	4
D King	5	5	3	3	4	4
S Lake	5	5	3	3	4	4
R Stoneburner	5	5	-	-	-	-

PJD Elliott and R Stoneburner met twice during the year as the nominations committee.

### 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. 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.

### Share Capital, Options and Warrants

The Company's capital as at 30 June 2020 is as follows:

<u>Securities</u>	<u>Number</u>
Ordinary, fully paid shares	93,712,336
Treasury shares – vested and unexercised	11,834,583
Redeemable preference shares	168,258,307
Options	1,000,000
Warrants	4,557,463

In addition, there are also outstanding Share Grants that are unvested and unissued totalling 3,666,664. The following chart provides a rollforward of the capital accounts from 30 June 2016 to 30 June 2020, which captures reclassifications and adjustments impacting Tamboran's capital accounts. For further description of these classifications of securities, please review Notes 1 (m) – (p) and 13 through 15.

## DIRECTORS REPORT

Reserve	Ordinary Shares	Contributed Equity	Unvested and/or Unissued		Vested and Unexercised		No. of Options Issued	Option Reserve	No. of Warrants Issued	Warrant Reserve	Total Reserve
		\$'000	No. of Share Grants	Share-Based Payment Reserve	No. of Treasury Shares	Treasury Shares Reserve		\$'000		\$'000	\$'000
<b>Balance 30 June 2016</b>	<b>89,883.096</b>	<b>19,810,991</b>	<b>1,000,000</b>	<b>230,000</b>	<b>5,401,250</b>	<b>2,160,500</b>	<b>1,000,000</b>	<b>109,400</b>	---	---	<b>2,499,900</b>
<i>New activity in period:</i>											
Shares granted to J Riddle 26 August 2016	---	---	1,100,000	149,820	---	---	---	---	---	---	149,820
<b>Balance 30 June 2017</b>	<b>89,883.096</b>	<b>19,810,991</b>	<b>2,100,000</b>	<b>379,820</b>	<b>5,401,250</b>	<b>2,160,500</b>	<b>1,000,000</b>	<b>109,400</b>	---	---	<b>2,649,720</b>
<i>New activity in period:</i>											
Ordinary share issuance 14 Jul 2017	2,855,511	646,965	---	---	---	---	---	---	---	---	---
Debt to equity conversion, net of costs 14 Jul 2017	742,433	---	---	---	---	---	---	---	---	---	---
Shares granted to J Riddle 27 Sep 2017	---	---	916,666	30,685	---	---	---	---	---	---	30,685
Shares granted to J Riddle 27 Sep 2017	---	---	916,666	30,685	---	---	---	---	---	---	30,685
Shares issued to J Riddle 14 Dec 2017	---	---	---	---	1,000,000	102,990	---	---	---	---	102,990
Shares issued to J Riddle 14 Dec 2017	---	---	---	---	500,000	66,950	---	---	---	---	66,950
<i>Forfeited shares:</i>											
Share grant forfeited by J Riddle 1 Jul 2017	---	---	(1,000,000)	(230,000)	---	---	---	---	---	---	(230,000)
<i>Treasury shares issued for previously expensed SBP:</i>											
Treasury Share issued to J Riddle 14 Dec 2017	---	---	(1,100,000)	(149,920)	1,100,000	149,820	---	---	---	---	---
<b>Balance 30 June 2018</b>	<b>93,481,040</b>	<b>20,457,956</b>	<b>1,833,332</b>	<b>61,370</b>	<b>8,001,250</b>	<b>2,480,260</b>	<b>1,000,000</b>	<b>109,400</b>	---	---	<b>2,651,030</b>
<i>New activity in period:</i>											
Shares granted to J Riddle 22 Jan 2019	---	---	---	---	1,000,000	188,500	---	---	---	---	188,500
Warrants issued, capital raise fee 5 Apr 2019	---	---	---	---	---	---	---	---	4,788,759	731,935	731,935
<i>Vesting Continuance:</i>											
Shares grant charge - J Riddle	---	---	---	---	---	33,210	---	---	---	---	33,210
Shares grant charge - J Riddle	---	---	---	40,914	---	---	---	---	---	---	40,914
Shares grant charge - J Riddle	---	---	---	40,914	---	---	---	---	---	---	40,914
<b>Balance 30 June 2019</b>	<b>93,481,040</b>	<b>20,457,956</b>	<b>1,833,332</b>	<b>143,198</b>	<b>9,001,250</b>	<b>2,701,970</b>	<b>1,000,000</b>	<b>109,400</b>	<b>4,788,759</b>	<b>731,935</b>	<b>3,686,503</b>
<i>New activity in period:</i>											
Shares granted to J Riddle 25 Jul 2019	---	---	916,666	122,742	-	-	---	---	---	---	122,742
Shares granted to J Riddle 25 Jul 2019	---	---	916,666	122,742	-	-	---	---	---	---	122,742
Shares granted to E Vik 25 Jul 2019	---	---	---	---	83,333	12,500	---	---	---	---	12,500
Shares granted to C Anderson 25 Jul 2019	---	---	---	---	250,000	37,500	---	---	---	---	37,500
Shares granted to E Dyer 20 Oct 2019	---	---	---	---	1,000,000	52,917	---	---	---	---	52,917
Shares granted to E Dyer 20 Oct 2019	---	---	---	---	500,000	19,168	---	---	---	---	19,168
Shares granted to E Dyer 20 Oct 2019	---	---	---	---	500,000	16,463	---	---	---	---	16,463
Shares granted to E Dyer 20 Oct 2019	---	---	---	---	500,000	14,581	---	---	---	---	14,581
Modification of warrants expiry date	---	---	---	---	---	---	---	---	---	14,820	14,820
E Dyer Redemption of Warrants 29 May 2020	231,296	60,340	---	---	---	---	---	---	(231,296)	---	---
<i>Vesting Continuance:</i>											
Shares grant charge - J Riddle	---	---	---	40,914	---	---	---	---	---	---	40,914
Shares grant charge - J Riddle	---	---	---	40,914	---	---	---	---	---	---	40,914
<b>Balance 30 June 2020</b>	<b>93,712,336</b>	<b>20,518,296</b>	<b>3,666,664</b>	<b>470,510</b>	<b>11,834,583</b>	<b>2,855,099</b>	<b>1,000,000</b>	<b>109,400</b>	<b>4,557,463</b>	<b>746,755</b>	<b>4,181,764</b>



## DIRECTORS REPORT

Beneficial share capital held as of each of the five years in the period ended 30 June by Non-Executive Directors and the Managing Director are depicted in the following chart.

	Ordinary Shares	RPS	Share Grants	Treasury Shares	Options	Warrants
<b>R Stoneburner</b>						
2020	765,947	---	---	250,000	---	---
2019	765,947	---	---	250,000	---	---
2018	471,541	---	---	250,000	---	---
2017	555,555	---	---	500,000	---	---
2016	555,555	---	---	500,000	---	---
<b>PJD Elliott</b>						
2020	20,589,293	---	---	---	---	---
2019	20,589,293	---	---	---	---	---
2018	20,328,055	---	---	---	---	---
2017	20,328,055	---	---	---	---	---
2016	20,335,555	---	---	---	---	---
<b>F Barrett</b>						
2020	1,204,860	---	---	500,000	---	---
2019	1,204,860	---	---	500,000	---	---
2018	916,599	---	---	500,000	---	---
2017	916,599	---	---	500,000	---	---
2016	916,599	---	---	500,000	---	---
<b>D Chandra</b>						
2020	665,575	---	---	---	---	---
2019	371,216	---	---	---	---	---
2018	371,216	---	---	---	---	---
2017	---	---	---	---	---	---
2016	---	---	---	---	---	---
<b>D King</b>						
2020	3,910,445	---	---	---	---	---
2019	3,910,445	---	---	---	---	---
2018	3,877,778	---	---	---	---	---
2017	3,877,778	---	---	---	---	---
2016	3,877,778	---	---	---	---	---
<b>S Lake</b>						
2020	555,555	---	---	500,000	---	---
2019	555,555	---	---	500,000	---	---
2018	555,555	---	---	500,000	---	---
2017	555,555	---	---	500,000	---	---
2016	555,555	---	---	500,000	---	---
<b>J Riddle</b>						
2020	730,056	---	3,666,664	4,733,750	---	---
2019	730,056	---	1,833,332	4,733,750	---	---
2018	730,056	---	1,833,332	2,733,750	---	---
2017	1,460,111	---	1,100,000	2,267,500	---	---
2016	1,460,111	---	---	2,267,500	---	---

## Covid-19 Pandemic

The Company has been affected by the Covid-19 pandemic in a number of areas:

1. The closure of the borders between Queensland, Western Australia and the Northern Territory restricted the equipment movement to the Beetaloo Basin. Due to an extended delay and with the onset of the wet season in Northern Australia, the drill program was held up for 160 days.

## DIRECTORS REPORT

2. Santos is in the process of reviewing its corporate exploration budget as a result of the global reaction to the pandemic and the collapse of the OPEC+ crude output agreement. Technical meetings on EP161 are continuing with the plan to complete the 2020 drill program.
3. Our Company's Chief Financial Officer, who resides in the United States of America, is currently unable to travel to Australia due to Covid-19 travel restrictions, but intends to relocate to Australia in 2021.

### 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.

#### 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*.

#### 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 December 2020 in accordance with a resolution of the Directors.



**Richard Stoneburner**


*Chairman of the Board*

## 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 2020, 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 December 2020

**TAMBORAN RESOURCES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**YEAR ENDED 30 JUNE 2020**

		<b>Consolidated 2020</b>	<b>Consolidated 2019</b>
	<b>Note</b>	<b>\$</b>	<b>\$</b>
Interest income	3.1	<b>102,570</b>	29,187
Administration expenses		<b>(119,867)</b>	(54,070)
Consultancy, legal and professional costs	3.2	<b>(9,866,883)</b>	(1,322,935)
Depreciation and amortisation	3.2	<b>(140,266)</b>	(12,303)
Director and executive fees		<b>(1,768,758)</b>	(1,542,142)
Net finance costs	3.2	<b>(2,108,315)</b>	(11,795,662)
Foreign exchange (losses) / gains		<b>200,241</b>	(22,780)
Other expenses		<b>(307,395)</b>	(337,525)
Share based payments expense	3.2	<b>(495,261)</b>	(303,538)
<b>LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE</b>		<b>(14,503,934)</b>	(15,361,768)
Income tax expenses relating to ordinary activities	4	-	-
		<b>(14,503,934)</b>	(15,361,768)
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE LOSS TOTAL</b>		<b>(14,503,934)</b>	(15,361,768)
Basic and diluted loss per share (cents per share)	25	<b>(\$0.155)</b>	(\$0.164)

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

**TAMBORAN RESOURCES LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AT 30 JUNE 2020**

	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
<b>CURRENT ASSETS</b>			
Cash assets	6	<b>5,594,309</b>	26,501,672
Receivables	7	<b>520,184</b>	81,573
<b>TOTAL CURRENT ASSETS</b>		<b>6,114,493</b>	26,583,245
<b>NON-CURRENT ASSETS</b>			
Plant and equipment	8	<b>727,458</b>	-
Deferred exploration and evaluation expenditure	9	<b>15,677,720</b>	4,477,727
Right of Use asset	10	<b>2,564,961</b>	-
<b>TOTAL NON-CURRENT ASSETS</b>		<b>18,970,139</b>	4,477,727
<b>TOTAL ASSETS</b>		<b>25,084,632</b>	31,060,972
<b>CURRENT LIABILITIES</b>			
Payables	11	<b>3,762,502</b>	578,343
Employee costs and accruals	11	<b>478,756</b>	358,900
Lease liabilities	10	<b>294,577</b>	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>4,535,835</b>	937,243
<b>NON-CURRENT LIABILITIES</b>			
Employee costs and accruals	12	<b>59,916</b>	46,734
Other financial liabilities	13	<b>57,792,830</b>	55,718,844
Lease liabilities	10	<b>2,286,233</b>	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>60,138,979</b>	55,765,578
<b>TOTAL LIABILITIES</b>		<b>64,674,814</b>	56,702,821
<b>NET ASSETS</b>		<b>(39,590,182)</b>	(25,641,849)
<b>EQUITY</b>			
Contributed Equity	14	<b>20,518,296</b>	20,457,956
Reserves	15	<b>4,181,764</b>	3,686,503
Accumulated losses		<b>(64,290,242)</b>	(49,786,308)
<b>TOTAL EQUITY</b>		<b>(39,590,182)</b>	(25,641,849)

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

**TAMBORAN RESOURCES LIMITED**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED 30 JUNE 2020**

	<b>Note</b>	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Payment to suppliers and employees		<b>(8,989,395)</b>	(3,452,788)
Interest received		<b>97,405</b>	35,719
Payment of lease interest		<b>(34,329)</b>	-
NET CASH FLOWS USED IN OPERATING ACTIVITIES	24	<b>(8,926,319)</b>	(3,417,069)
Expenditure on mining exploration	9	<b>(11,199,993)</b>	(3,071,477)
Expenditure on leasehold improvements	8	<b>(756,204)</b>	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		<b>(11,956,197)</b>	(3,071,477)
Proceeds from exercise of warrants	14	<b>60,340</b>	-
Proceeds from the issue of redeemable preference	14	-	32,090,884
Repayment of lease liability		<b>(85,187)</b>	-
Costs of issue of redeemable preference shares		-	(839,512)
NET CASH FLOWS FROM FINANCING ACTIVITIES		<b>(24,847)</b>	31,251,372
<b>Net increase (decrease) in cash held</b>		<b>(20,907,363)</b>	24,762,826
Cash at the beginning of the financial year	6	<b>26,501,672</b>	1,738,846
<b>CASH AT THE END OF THE FINANCIAL YEAR</b>	6	<b>5,594,309</b>	26,501,672

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

**TAMBORAN RESOURCES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**YEAR ENDED 30 JUNE 2020**

**Attributable to the equity holders of the parent**

	<b>Issued [Note 14] \$</b>	<b>Reserves [Note 15] \$</b>	<b>Accumulated Losses \$</b>	<b>Total Equity \$</b>
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)
<b>Balance 1 July 2019</b>	<b>20,457,956</b>	<b>3,686,503</b>	<b>(49,786,308)</b>	<b>(25,641,849)</b>
<b>Reserves: Share based payment</b>	<b>-</b>	<b>495,261</b>	<b>-</b>	<b>495,261</b>
<b>Conversion of warrants to Issued</b>	<b>60,340</b>	<b>-</b>	<b>-</b>	<b>60,340</b>
<b>Net Loss for the period</b>	<b>-</b>	<b>-</b>	<b>(14,503,934)</b>	<b>(14,503,934)</b>
<b>Balance as at 30 June 2020</b>	<b>20,518,296</b>	<b>4,181,764</b>	<b>(64,290,242)</b>	<b>(39,590,182)</b>

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

## **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, except for redeemable preference shares which have been measured at fair value. Certain reclassifications and immaterial adjustments to prior period expense estimates have been made in the current year financial statements to conform to current period presentation.

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 2020 was authorised for issue in accordance with a resolution of the Directors on 31st December 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 accumulated 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 committed approximately A\$25 million. Phase 1 of the work programme 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 disclosed in Note 23, on 10 December 2020, the Company announced a capital raise of A\$10 million via a private placement to US and European investors. This capital raise when combined with existing cash on hand is sufficient to meet non-discretionary obligations as they come due over the next twelve months. However, such funding does not provide sufficient liquidity to meet all discretionary obligations of the Company, which include obligations under the Santos JV Work Plan as well as exploration and other costs associated with the Sweetpea Petroleum Pty Limited acquisition. It is uncertain that sufficient incremental funds can be raised to meet these discretionary obligations. This indicates the existence of a material uncertainty, which casts significant doubt over the Group's ability to continue as a going concern and, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. The



**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

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 next 12 months.

**New standards, interpretations and amendments adopted by the Group**

**AASB 16 Leases** – the Group applied AASB 16 Leases as at 1 July 2019. The nature and effect of the changes as a result of adoption of this new accounting standard is described below. Several other amendments and interpretations apply for the first time in 2020, but do not have an impact on the consolidated financial statements of the Group.

AASB 16 Leases supersedes *IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. There were no leases prior to March 2020 so no transition reporting is required.

The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

**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) 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'. Control of such subsidiaries is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls and investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

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.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

There has been no change in the control of any subsidiaries during the financial period. All subsidiaries are 100% owned by the Company. (2019: 100%)

**(c) Fair value measurement**

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

**(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.

**(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.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**(g) Receivables**

**Initial recognition and measurement.** All receivables 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 classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

**(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**

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

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

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**(j) Employee Entitlements**

**Short-term employee benefits.** Liabilities for wages and salaries, including non-monetary benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

**Other long-term employee benefits.** The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**(k) Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period-of-time in exchange for consideration. The Company entered into one lease during the financial year. This lease relates to the office premises at Manly, NSW, Australia, which commenced in March 2020.

**Group as a lessee.** The Group applies a single recognition and measurement approach for all leases. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

**Right-of-use assets.** The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated amortisation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are amortised on a straight-line basis over the lease term. The term of the lease agreement is five years, with an option to extend by three years. As the option period is likely to be exercised, the right-of-use asset has been amortised over the total term of eight years.

**Lease liabilities.** At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

**(l) 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.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

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.

**(m) Share-based payments**

Equity-settled share-based compensation benefits are provided to directors, officers, employees and consultants. Equity-settled transactions are awards of shares, or options over shares that are provided to such recipients in exchange for the rendering of services.

All grants of equity-settled share-based payments to such recipients are determined in the sole and absolute discretion of the Board and Remuneration Committee. Such persons who are the recipients of the equity-settled share-based payments have no legal entitlement or rights to those equity-settled share-based payments until they vest in accordance with the terms of their grant. Relevantly, vesting of such grants means the point in time when the recipient receives rights to the equity-settled share-based payments after a specific milestone(s) is met related to their performance or employment. Prior to vesting, the recipient does not have any legal entitlement to such equity-settled share-based compensation benefit.

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

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 the recipient, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Consolidated Entity or recipient 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.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

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.

**(n) Redeemable preference shares**

The redeemable preference shares are financial instruments consisting of a debt instrument with a derivative liability conversion option. The equity conversion feature is accounted for as a derivative liability in the Company's consolidated financial statements.

At initial recognition, the Company estimates the fair value of the derivative feature. The derivative is subsequently remeasured at fair value at each balance sheet date.

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

**(o) Treasury Shares**

Treasury Shares relate to ordinary shares with an attaching limited recourse loan (ordinarily with a loan value for the full issue price of the share) issued in connection with awards made to directors, officers, employees and consultants under the Company's Incentive Plan. Whilst the loan attaching to the Treasury Shares remains unpaid, the holder has limited rights over the ordinary shares. Once the limited recourse loan is repaid, shares are formally issued to the holder and presented as contributed equity. If the loan is not paid by the recipient, the Treasury Shares are forfeited and the recipient will not have any entitlement to those shares. Refer to Note 15 for further detail.

**(p) Warrants**

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.

**(q) Joint operations**

The Group ("farmor") has recognised its joint venture arrangements with Santos (or "farmees") as a farm-out arrangement. 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. The farmor does not record exploration expenditures on the exploration tenements and licences made by the farmee.

The joint operation is structured as an unincorporated vehicle. Accordingly, Management has applied proportionate consolidation, to its interest in the joint venture, consistent with the joint operations agreement. Refer to Note 28 for further detail.

**(r) Revenue**

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**(s) 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.

**(t) 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



**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

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.

The Group is a tax consolidated group at balance date

**(u) Other taxes**

Revenues, expenses and assets are recognised net of the amount of goods and service tax (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.

**Impairment**

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 its 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 grouped together to form a cash-generating unit.

**(v) Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

**(w) Currency**

The presentational currency of the Group 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 inputs to the Black-Scholes valuation model include the share price at grant date, exercise price, the term of the right, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right. The accounting estimates and assumptions relating to equity-settled share-based payments, most significantly the volatility assumption, 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. The inputs to the Black-Scholes valuation model include the share price at grant date, exercise price, the term of the right, expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the right.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

***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 remeasured at each balance sheet date.

**Note 3. Other Income / Expenses**

<b>3.1 Interest</b>	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Interest income	<b>102,570</b>	29,187
	<b>102,570</b>	<b>29,187</b>
 <b>3.2 Expense</b>		
Loss before income tax includes the following specific expenses:		
Depreciation		
- Plant and equipment	-	12,303
- Leasehold assets	<b>28,746</b>	-
Amortisation		
- Right of use asset	<b>111,520</b>	-
	<b>140,266</b>	<b>12,303</b>
Consultancy, audit and professional costs		
- Accounting and company secretary costs	<b>106,021</b>	26,399
- Audit services	<b>265,672</b>	39,688
- Legal services	<b>4,369,515</b>	367,838
- Consultancy services	<b>5,125,675</b>	889,010
	<b>9,866,883</b>	<b>1,322,935</b>
Share based payments	<b>495,261</b>	303,538
Superannuation expense	<b>27,479</b>	22,103

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

Net finance costs		
Interest expense on lease liability	<b>34,329</b>	-
Redeemable preference shares		
- Accretion of discount on liability	<b>3,168,090</b>	1,455,113
- Market to market derivative loss / (gain)	<b>(1,967,741)</b>	9,225,739
- Unrealised foreign exchange loss	<b>450,511</b>	801,254
- Amortisation of borrowing costs	<b>423,126</b>	313,556
	<b>2,073,986</b>	11,795,662
	<b>2,108,315</b>	11,795,662

**Note 4. Income Taxes**

**Numerical reconciliation of income tax expense to prima facie tax payable**

	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Net Loss attributable to common shareholders	<b>14,503,934</b>	15,361,768
Tax at the Australian tax rate of 30%	<b>4,351,180</b>	4,608,531
Non-deductible expenditures	<b>(3,342,879)</b>	(4,084,398)
Deferred tax asset benefit not recognised	<b>(1,008,301)</b>	(524,131)
Net tax benefit	-	-

**Deferred Tax Assets**

Net operating loss carried forward	<b>12,946,376</b>	7,050,797
Costs of raising equity	-	1,398,169
Provisions	<b>161,601</b>	107,670
Total deferred tax assets	<b>13,107,977</b>	8,556,636

**Deferred Tax Liabilities**

Exploration assets	<b>4,703,316</b>	1,343,318
Total deferred tax liabilities	<b>4,703,316</b>	1,343,318
Net deferred tax assets and liabilities	<b>8,404,661</b>	7,213,317
Less: unrecognised net deferred tax asset	<b>(8,404,661)</b>	(7,213,317)
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 2020. The Company did not recognise the net deferred tax asset, representing carry forward tax losses, because future realization of these assets is not assured. No franking credits are available for subsequent years.

The Group has estimated losses not claimed of \$27,068,781 (2019: loss \$24,586,364).

These amounts have not been brought to account in calculating any future tax benefit. A benefit of 30% (2019: 30%) of approximately \$8,120,634 (2019: \$7,375,909) will only be obtained if:

- the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised,

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

- the Company continues to comply with the conditions for deductibility imposed by the law, and
- no changes in tax legislation adversely affects the Company in realising the benefit from the deductions for the losses, i.e. current tax legislation permits carried forward tax losses to be carried forward indefinitely.
- No franking credits are available for subsequent years.

**Note 5. Auditors' Remuneration**

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
Audit of the Company's accounts*	<b>265,672</b>	<b>39,688</b>
Professional services other than audit	<b>218,900</b>	-
	<b>484,572</b>	<b>39,688</b>

\*Includes IFRS and US GAAP work undertaken during the year ended 30 June 2020 related to prior periods.

**Note 6. Cash Assets**

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
Cash at bank	<b>594,309</b>	26,501,672
Term deposits	<b>5,000,000</b>	-
	<b>5,594,309</b>	26,501,672

**Note 7. Receivables – Current**

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
Rental deposit	<b>321,750</b>	81,573
GST receivable	<b>162,599</b>	-
Prepayments	<b>28,431</b>	-
Interest receivable	<b>7,404</b>	-
	<b>520,184</b>	81,573

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**Note 8. Plant and Equipment**

	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Office Furniture – at cost	-	13,651
Accumulated depreciation	-	(13,651)
Equipment – at cost	-	28,807
Accumulated depreciation	-	(28,807)
Leasehold improvements	<b>756,204</b>	-
Depreciation of leasehold assets	<b>(28,746)</b>	-
	<b>727,458</b>	-
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
Additions	<b>756,204</b>	-
Disposals	-	-
Depreciation expense	<b>(28,746)</b>	(12,303)
	<b>727,458</b>	-

**Note 9. Non-Current Assets – Exploration and Evaluation**

	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Costs brought forward	<b>4,477,727</b>	1,406,250
Additions	<b>11,199,993</b>	3,071,477
Costs carried forward	<b>15,677,720</b>	4,477,727

Refer to Note 28 relating to the Joint Venture with Santos Limited.

Refer to Note 23 Events after Reporting Date covering a purchase of a property adjacent to the McArthur / Beetaloo Santos JV project in the Northern Territory, Australia. As at 30 June 2020, 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.

**Note 10. Leases**

The Company has one lease contract covering the use of the office premises. The term of the lease is five years, with an option of three additional years. As Tamboran is reasonably certain the lease will be extended, the three-year extension period had been included into the initial lease liability.

Set out below is the carrying amount of the right of use asset recognised and the movements during the period:

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
<b>Right of Use Asset</b>		
As at 1 July 19	-	-
Additions	<b>2,676,481</b>	-
Less Amortisation	<b>(111,520)</b>	-
As at 30 June 2020	<b>2,564,961</b>	-
<b>Lease Liability</b>		
As at 1 July 19	-	-
Additions	<b>2,676,481</b>	-
Lease repayments	<b>(130,000)</b>	-
Interest expense on lease liability	<b>34,329</b>	-
As at 30 June 2020	<b>2,580,810</b>	-
Lease Liability split		
Current Liability	<b>294,577</b>	-
Non-Current Liability	<b>2,286,233</b>	-
	<b>2,580,810</b>	-

The following are the amounts recognised in profit and loss:

Amortisation expense	<b>111,520</b>	-
Interest expense (included as finance costs)	<b>34,329</b>	-
	<b>145,849</b>	-

The Company had total cash outflows for leases of \$130,000 (2019: Nil)

**Note 11. Payables – Current**

	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Trade and other payables	<b>3,762,502</b>	578,343
Accrued directors' fees and other accruals	<b>405,038</b>	173,400
Employee costs [annual leave provision]	<b>73,718</b>	185,500
	<b>478,576</b>	358,900

**Note 12. Payables – Non-current**

	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Employee costs [Long service leave provision]	<b>59,916</b>	46,734
	<b>59,916</b>	46,734

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

**Note 13. Redeemable Preference Shares**

	<b>Financial Liability</b>	<b>Embedded Derivative</b>	<b>Total</b>
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
	<b>17,052,205</b>	<b>38,353,083</b>	<b>55,405,288</b>
Amortisation of borrowing costs	313,556	-	313,556
Balance 30 June 2019	<b>17,365,761</b>	<b>38,353,083</b>	<b>55,718,844</b>
Balance 1 July 2019	<b>17,365,761</b>	<b>38,353,083</b>	<b>55,718,844</b>
Accretion of discount on liability	<b>3,168,090</b>	-	<b>3,168,090</b>
Unrealized foreign exchange loss	<b>450,511</b>	-	<b>450,510</b>
Fair value adjustment loss / (gain)	<b>344,519</b>	<b>(2,312,260)</b>	<b>(1,967,741)</b>
	<b>21,328,881</b>	<b>36,040,823</b>	<b>57,369,704</b>
Amortisation of borrowing costs	<b>423,126</b>	-	<b>423,126</b>
Balance 30 June 2020	<b>21,752,007</b>	<b>36,040,823</b>	<b>57,792,830</b>

**Summary of Redeemable Preference Shares**

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 shares (Preference Shares) (convertible into ordinary shares) at a subscription amount of US\$10,000,000 ("Baupost 2017 RPS").

Additionally, the Company has allowed Baupost to acquire additional preference shares for a subscription amount of the lesser of approximately \$19,623,237 (US\$15,000,000) or such amount, which would increase Baupost's shareholding to no more than 45% of the issued ordinary share capital of the Company (Additional Purchase Rights). In 2019, Baupost acquired additional shares at a subscription amount of US\$12,000,000 in alignment with this agreement, refer to details below.

**Year ended 30 June 2019 movements**

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 Shares (convertible into ordinary shares) in the capital of the Company (collectively the "2019 Lion Point and Baupost RPS").

Under the terms of the Lion Point Agreement, Lion Point has subscribed for 51,257,518 fully paid Preference Shares (equivalent to 18.6% of the shares of the Company at issuance date on a fully diluted basis), upon conversion into ordinary shares.

Under the terms of the Baupost Agreement, Baupost has subscribed for 24,745,908 fully paid Preference Shares equivalent to 8.2% of the shares of the Company on a fully diluted basis, upon



**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

conversion into ordinary shares. In addition, Baupost has exercised its additional purchase rights under the 24 April 2017 subscription agreement to subscribe for 35,144,659 Preference Shares. Taking into account Baupost's existing Preference Shares, the aggregate percentage shareholding of Baupost is equivalent to approximately 42.46% of the fully diluted capital of the Company on a fully diluted basis upon conversion into ordinary shares. The two tranches of Baupost additional rights totalled a subscription amount of US\$12,000,000.

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).

On 10 December 2018, Lion Point sold 8,542,920 (3.1% of total company shares) to Venture Holdings SARL on a fully-diluted basis, upon conversion into ordinary shares. These shares remain redeemable preference shares as at 30 June 2020.

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 Shares 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.

***Year ended 30 June 2020 movements***

No redeemable preference shares were issued during the period.

**Terms of Redeemable Preference Shares**

**Baupost 2017 RPS**

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

The Preference Shares 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 Shares;
- 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 Shares are redeemable at a price equal to the greater of:

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

- the subscription amount per share
- plus accrued, unpaid dividends, and
- the fair market value of ordinary shares plus any accrued, unpaid dividends.

If the company anticipates an exit event or insolvency event, the Preference Shares are redeemable at an amount equal to the greater of the subscription amount plus any accrued, unpaid dividends and the price per share payable (in an exit event) or the amount payable in respect of each share (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. Major assumptions used to value the Level 3 fair value of the derivative within the Black-Scholes model are as follows:

Share price [AUD] at grant date	0.32
Exercise price [AUD]	A\$0.25 – A\$0.32
Term (in years)	4 - 6
Risk-free rate	0.92%
Volatility	80.00%
Expected dividend yield	0.00%

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 Preference Shares is convertible upon election of Baupost to convert the Preference Shares into ordinary shares of the parent of the Group on the basis of one ordinary share for every one Preference Shares held. The Preference Shares rank ahead of the ordinary shares in the event of a liquidation.

The Preference Shares are non-voting shares and carry no right to vote except on:

- any matter considered at a meeting if, at date of meeting, the dividend on the Preference Shares is in arrears;
- a proposal to reduce the share capital of the company;
- a resolution to approve the terms of a buy-back agreement;
- a proposal that affects rights attached to the Preference Shares;
- a proposal to wind-up the company;
- a proposal for the disposal of the whole of the property, business and undertaking of the company; and
- any matter considered at a meeting held during the winding-up of the company.

**2019 Lion Point and Baupost RPS**

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

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

- (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 shares of the company (on a fully diluted basis), the Company must not, without shareholder approval, permit an "Exit Event" (which includes a transaction involving a sale, acquisition or transfer of all of, or a controlling interest, in the share 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 Shares provide that each preference share may convert into an ordinary share at A\$0.32. The Preference Shares do not provide for any coupon or interest amount payable. The Preference Shares will be entitled to receive the same dividend per share when, as and if declared with respect to any ordinary shares.

In addition to the circumstances set out above, the Preference Shares 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 Shares;
- (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 Shares are redeemable at a price equal to the greater of:

- (3) the subscription amount per share 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 Shares are redeemable at an amount equal to the greater of the subscription amount plus any accrued, unpaid dividends and the price per share payable (in an exit event) or the amount payable in respect of each share (in an insolvency event), plus accrued, unpaid dividends.

Each share is convertible upon election of Baupost or Lion Point to convert the Preference Shares into ordinary shares of the Company on the basis of one ordinary share for every one Preference Shares held. The Preference Shares rank ahead of the ordinary shares in the event of a liquidation.

The Preference Shares are non-voting shares 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 Shares is in arrears;
- (2) a proposal to reduce the share capital of the company;
- (3) a resolution to approve the terms of a buy-back agreement;

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

- (4) a proposal that affects rights attached to the Preference Shares;
- (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.

**Note 14. Contributed Equity**

	2020 shares	2019 shares	Consolidated 2020 \$	Consolidated 2019 \$
93,712,336 Ordinary shares	<b>93,712,336</b>	93,481,040	<b>20,518,296</b>	20,457,956

**Movements in ordinary share capital**

	Date	Number of shares	Issue price \$
Balance 30 June 2019		93,481,040	20,457,956
Conversion of warrants	29 May 20	231,296	60,340
Balance 30 June 2020		93,712,336	20,518,296

**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.

**Note 15. Other Capital Components and Reserves**

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

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

Under the Incentive Plan, the Company has the ability to offer and issue awards and other incentives to such participants on terms and conditions determined by the Board and the Remuneration Committee in its absolute discretion.

***Key Features of the Incentive Plan***

At the discretion of the Board, the Company may issue awards under the Incentive Plan to directors, officers, employees and consultants.

Awards may comprise Share Grants, Treasury Shares, Options, Performance Rights, Service Rights, Deferred Stock Awards, Exempt Stock Awards, Cash Rights, Stock Appreciation Rights and Limited Recourse Loan Awards.

A person who is issued an award becomes a participant under the Incentive Plan.

The Board and the Remuneration Committee have absolute 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 Incentive 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 Incentive Plan. The trustee of the trust will be bound by the rules of the Incentive Plan and a trust deed appointing and giving powers to the trustee.

The Company has discretion to issue new shares and/or cause existing shares 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 shares. Unless an offer of award specifies otherwise, financial assistance will be provided on an interest free basis. These shares are accounted for as treasury shares until the respective limited recourse loan is repaid.

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

Where financial assistance is due for repayment, the shares 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 Board and the Remuneration Committee administer the Incentive Plan and it may be suspended, terminated or amended at any time, subject to the passing of any resolutions of the Company required by law.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

Fair value of the shares, options and warrants granted by the Company are calculated under the Black-Scholes method using the following:

Reference	(A)	(B)	(C-E)	(F)	(G)	(H)	(I)	(J-K)
Fair value	0.1885	0.1362	0.1339	0.2250	0.1630	0.1400	0.12400	0.1500
Share price [AUD] at grant date	0.32	0.2292	0.2253	0.32	0.32	0.32	0.32	0.2253
Exercise price [AUD]	0.32	0.2253	0.2253	0.32	0.32	0.32	1.00	0.2253
Term (in years)	4	4	4	6.5	6.5	6.5	5	5
Risk-free rate	1.50%	2.10%	2.10%	0.95%	0.95%	0.95%	0.86%	2.10%
Volatility	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%	80.00%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

The following chart discloses outstanding grants, Treasury Shares, options, and warrants and their associated accounting reserves.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

	Unvested and/or Unissued		Vested and Unexercised						
Reserve	No. of Share Grants	Share-Based Payment Reserve	No. of Treasury Shares	Treasury Shares Reserve	No. of Options Issued	Option Reserve	No. of Warrants Issued	Warrant Reserve	Total Reserve
		\$'000		\$'000		\$'000		\$'000	\$'000
<b>Balance 1 July 2018</b>	<b>1,833,332</b>	<b>61,370</b>	<b>8,001,250</b>	<b>2,480,260</b>	<b>1,000,000</b>	<b>109,400</b>	---	---	<b>2,651,030</b>
<i>New activity in period:</i>									
(A) Shares granted to J Riddle	-	-	1,000,000	188,500	---	---	---	---	188,500
Warrants issued, capital raise	---	---	---	---	---	---	4,788,759	731,935	731,935
<i>Vesting Continuance:</i>									
(B) Shares granted to J Riddle	---	---		33,210	---	---	---	---	33,210
(C.2) Shares granted to J Riddle	---	40,914	---	---	---	---	---	---	40,914
(C.3) Shares granted to J Riddle	---	40,914	---	---	---	---	---	---	40,914
<b>Balance 30 June 2019</b>	<b>1,833,332</b>	<b>143,198</b>	<b>9,001,250</b>	<b>2,701,970</b>	<b>1,000,000</b>	<b>109,400</b>	<b>4,788,759</b>	<b>731,935</b>	<b>3,686,503</b>
<i>New activity in period:</i>									
(D) Shares granted to J Riddle	916,666	122,742	---	---	---	---	---	---	122,742
(E) Shares granted to J Riddle	916,666	122,742	---	---	---	---	---	---	122,742
(F) Shares granted to E Dyer	---	---	1,000,000	52,917	---	---	---	---	52,917
(G) Shares granted to E Dyer	---	---	500,000	19,168	---	---	---	---	19,168
(H) Shares granted to E Dyer	---	---	500,000	16,463	---	---	---	---	16,463
(I) Shares granted to E Dyer	---	---	500,000	14,581	---	---	---	---	14,581
(J) Shares granted to E Vik	---	---	83,333	12,500	---	---	---	---	12,500
(K) Shares granted to C Anderson	---	---	250,000	37,500	---	---	---	---	37,500
Modification of warrants expiry	---	---	---	---	---	---		14,820	14,820
E Dyer Redemption of Warrants	---	---	---	---	---	---	(231,296)	---	
<i>Vesting Continuance:</i>									
(C.2) Shares granted to J Riddle	---	40,914	---	---	---	---	---	---	40,914
(C.3) Shares granted to J Riddle	---	40,914	---	---	---	---	---	---	40,914
<b>Closing Balance 30 June 2020</b>	<b>3,666,664</b>	<b>470,510</b>	<b>11,834,583</b>	<b>2,855,099</b>	<b>1,000,000</b>	<b>109,400</b>	<b>4,557,463</b>	<b>746,755</b>	<b>4,181,764</b>

## **Share-Based Compensation**

### ***Share Grants and Treasury Shares classification and associated security interest***

Share Grants represent awards authorized by the Board which include milestone(s) that the recipient must meet in order for the award to vest and ordinary shares to be issued to the recipient. Share Grants that have not fully vested at 30 June are designated as 'Unvested and/or Unissued' as the recipient has not yet 'earned' the ordinary shares. Once the milestone(s) associated with the Share Grants fully vest, ordinary shares are issued to the recipient. These shares are considered Treasury Shares if issued with an associated limited recourse loan, or as contributed equity if the recipient receives and owns the ordinary shares outright.

All Treasury Shares issued under the Incentive Plan with limited recourse loans are considered, for accounting purposes, to be options, however, to avoid confusion, the Company refers to those options (issued with limited recourse loans) as Treasury Shares herein. Treasury Shares are considered 'Vested and Unexercised'. Whilst the loan attaching to the Treasury Shares remains unpaid, the holder has limited rights over the ordinary shares that are the subject of the loan, including no voting rights, no entitlements to dividends, limited transferability and the right for the Company to buy-back or transfer for nil consideration the ordinary shares in the event the holder has not re-paid the loan and is no longer associated with the Company.

As security for financial assistance, the Company takes a pledge over the Treasury Shares and a charge over all dividends or other amounts paid or payable on those Treasury Shares. None of the loans in respect of the Treasury Shares issued to recipients have been repaid at 30 June.

**Grant (A):** On 29 January 2019, the Board authorised the grant of a discretionary bonus to the Managing Director and Chief Executive Officer of the Company as a result of achieving the milestones set by the Remuneration Committee which formed part of the executive's salary package. The bonus in the form of the opportunity to purchase 1,000,000 ordinary shares 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 award remains exercisable as at 30 June 2020.

**Grant (B):** On 27 September 2017 the Board authorised the grant of shares to the Managing Director and Chief Executive Officer to acquire 1,000,000 ordinary shares at the price of the most recent capital raise. The shares vest provided that the arbitration process with the joint venture partner was resolved. The fair value of the shares to acquire ordinary shares was measured at the grant date and expensed over the expected vesting period, being 12-months. The awards are fully vested and treasury shares have been issued to the Chief Executive Officer.

**Grant (C):** On 25 September 2017 the Board authorised two discretionary grants of shares to the Managing Director and Chief Executive Officer to acquire 916,666 ordinary shares at the price of the most recent capital raise. Each grant has identical terms and vests provided that the recipient remains employed by the Company for three years from the date of issue. The awards are neither vested nor exercisable as at 30 June 2020.

**Grant (D):** On 25 September 2017 the Board of Directors authorised one grant of shares to the Managing Director and Chief Executive Officer to acquire 916,666 in ordinary shares at the price of the most recent capital raise. The shares vest subject to initiating operations on EP161 within 12 months of the full moratorium lift. On 25 July 2019, the NT Government announced the final regulations that enabled drilling to re-commence in the Beetaloo basin. The Company



**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

commenced operations on EP161 in 2020. The awards have vested but have not been issued as at 30 June 2020.

**Grant (E):** On 25 September 2017 the Board authorised one grant of shares to the managing director and chief executive officer to acquire 916,666 ordinary shares at the price of the most recent capital raise. The shares vest subject to demonstrating a pathway to commerciality within 24 months of full moratorium lift. On 25 July 2019, the NT Government announced the final regulations that enabled drilling to re-commence in the Beetaloo basin. The Company has had initial discussions indicating commerciality in 2020. The awards have vested but have not been issued as at 30 June 2020.

**Grant (F-I):** On 20 October 2019, the Board authorised the grant of options to the Chief Financial Officer upon his employment with the Company. The award remains exercisable as at 30 June 2020.

**Grant (J-K):** On 25 July 2019, the Board authorised the grant of shares to two consultants of the Company for meeting various milestones under an employee share scheme. The shares vest subject to initiating operations on EP161 within 12 months of the full moratorium lift. On 25 July 2019, the NT Government announced the final regulations that enabled drilling to re-commence in the Beetaloo basin. The Company commenced operations on EP161 in 2020. The awards have vested but have not been issued as at 30 June 2020.

## **Options**

Outstanding options are held by E Vik (500,000) and C Anderson (500,000). These options have a strike price of A\$0.50 and expire on 11 April 2021.

## **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.

On 30 May 2020, the Company modified those remaining warrants expiring at the end of May 2020, extending the expiry of the warrants to December 2020. The difference in fair value of the original warrants and the extended warrants has been expensed in the current period.

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 December 2020 [previously 31 May 2020], whereas 307,545 have an exercise price of US\$0.234112 and have an expiry date of 30 November 2021;

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

- (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. Eric Dyer exercised the 231,296 warrants on 29 May 2020;
- (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 December 2020 [previously 31 May 2020], whereas 1,937,535 have an exercise price of US\$0.234112 and have an expiry date of 30 November 2021; and
- (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 December 2020 [previously 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 outstanding as at 30 June 2020:

<b>Warrant holder:</b>	<b>Exercise</b>	<b>Expiry</b>	<b>Number of</b>	<b>Valuation A\$</b>
Odeon Capital Group	US\$0.1751	31 Dec	171,330	AUD 0.14
Mr Edward Sugar	US\$0.1751	31 Dec	1,079,385	AUD 0.14
Mr Matthew Bonner	US\$0.1751	31 Dec	231,296	AUD 0.14
			<u>1,482,011</u>	<u>AUD 207,481</u>
Odeon Capital Group	US\$0.234112	30 Nov	307,545	AUD 0.16
Mr Edward Sugar	US\$0.234112	30 Nov	1,937,535	AUD 0.16
Mr Eric Dyer	US\$0.234112	30 Nov	415,186	AUD 0.16
Mr Matthew Bonner	US\$0.234112	30 Nov	415,186	AUD 0.16
			<u>3,075,452</u>	<u>AUD 492,072</u>

At 30 June 2020 the Company had 1,482,011 warrants outstanding that had an exercise price of USD\$0.1751 and an expiration date of 31 December 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.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

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.

Eric Dyer exercised the 231,296 warrants on 29 May 2020. No warrants were exercised during the year ended 30 June 2019.

**Note 16. Dividends**

There were no dividends paid, recommended or declared during the current or previous financial period. There are no franking credits in 2020 and 2019.

**Note 17. Financial Instruments**

**Interest rate risk exposure**

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

	<b>Consolidated 2020 \$</b>	<b>Consolidated 2019 \$</b>
Weighted average rate of cash balances	<b>0.63%</b>	0.45%
Cash balances	<b>5,594,309</b>	26,501,672

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.

**Note 18. 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 because of reasonable possible changes in the market interest rates arising in relation to the Company's bank balances.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

The risk is managed using 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:

	<b>Consolidated 2020</b>	Consolidated 2019
	\$	\$
<b>The balance at 30 June comprised:</b>		
Cash and cash equivalents	<b>5,594,309</b>	26,501,672
Effect on profit and equity as a result of a 1% + / - sensitivity change in interest	<b>70</b>	2,355

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 2020 from around 0.6363% to 0.6237% representing a 0.0126-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 adjusts it in light of economic conditions.

**Note 19. 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 2020 and 2019.

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

Year ended	Salary	Directors fees	Consulting fees	Superannuation contributions	Share based payments	Total
	\$	\$	\$	\$	\$	\$
2020	1,000,000	607,328	-	27,478	430,440	2,065,246
2019	762,554	745,167	12,318	22,103	303,538	1,845,680

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

**Note 20. Related Party Disclosures**

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

Name	Age	Position	Appointed	Resigned
<u>Director</u>				
Patrick JD Elliott	68	Non-Executive Director	9 February 2009	---
Fredrick Barrett	59	Non-Executive Director	5 April 2016	---
David W King	74	Non-Executive Director	9 May 2012	---
Stuart D Lake	59	Non-Executive Director	5 April 2016	---
Richard K Stoneburner	67	Chairman	5 April 2016	---
Daniel Chandra	46	Non-Executive Director	21 March 2019	---
Joel Riddle	46	Managing Director	12 December 2018	---
<u>Chief Financial Officer</u>				
Eric Dyer	38	Chief Financial Officer	1 November 2019	---
<u>Company Secretary</u>				
Joanna Morbey	60	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

E Dyer CFO – appointed 1 November 2019

J Morbey – Company Secretary – consultant - appointed 23 March 2016

**Note 21. Segmented Information**

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

## **Note 22. Commitments and Contingencies**

### Joint venture obligations to Santos Limited

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
Payable not later than one year	<b>2,993,222</b>	13,528,523
Payable later than one year but not later than two years	-	12,671,477
	<b><u>2,993,222</u></b>	<u>26,200,000</u>

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 2020, 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.

## **Note 23. Events After Reporting Date**

No other matter or circumstance other than the matters detailed below, has arisen since 30 June 2020 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.

### ***Drill Program***

After being in shut in for over 160 days, the well was recently reopened and substantial flows have been achieved from the well. The well continues to dewater and flow gas. An announcement was made to all shareholders and to the media on 22 October 2020.

### ***Forfeiture of Treasury Shares***

The Company has contacted retired directors who have not repaid the recourse loan on the treasury shares issued. The Company is working towards transferring those shares.

### ***Purchase of Sweetpea Petroleum Pty Limited***

The Company announced on 10 December 2020 that Tamboran will acquire 100% of the shares in Sweetpea Petroleum Pty Limited in exchange for Tamboran equity (no cash) issued to Longview Petroleum LLC, ("Longview") holder of 100% of Sweetpea, resulting in Longview owning 29.95% of Tamboran post transaction. Regulatory approval of the Acquisition is anticipated in early 2021 and upon closing, Longview shall be offered a Non-Executive Director

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

position on Tamboran's Board. Upon closing of the Acquisition, Tamboran will be the 100% owner and operator of EP 136, EP 143, and EP 197(A), greatly expanding Tamboran's resource holding in the core of the Beetaloo Basin beyond its existing 25% working interest in EP 161.

The Company announced on 10 December 2020 that as well as the acquisition, Tamboran had closed a A\$10 million private placement equity funding transaction with US and European institutional investors. The issue price was AUD0.32 per share. A total of 31,250,000 new RPS shares were issued in this transaction. As a component of the transaction certain terms and conditions of the existing RPS shares were re-negotiated in exchange for issuance of 15,000,000 incremental ordinary shares in 5,000,000 share increments to each of Baupost, Lion Point and Venture Holdings SARL. Specific changes to the terms and conditions of the RPS include:

- The amended RPS removed anti-dilution provisions and any equity top-up mechanisms;
- The amended RPS removed consents required around acquisitions, sales, certain drilling activity, indebtedness and additional RPS financings;
- The amended RPS removed Board Seat rights and information rights; and
- The amended RPS automatically converts into common ordinary shares on a 1-for-1 basis in an initial public offering.

Effective on 9 December 2020, Mr Stoneburner replaced Mr Elliott as Chairman of Tamboran. Mr Elliott will remain with the Board of Directors as a Non-Executive Director.

**Note 24. Statement of Cash Flows**

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
<b>Reconciliation of net cash outflow from operation activities to operating loss after income tax</b>		
(a) Operating (loss) after income	<b>(14,503,934)</b>	(15,361,768)
Depreciation and	<b>140,266</b>	12,303
Finance costs – redeemable preference shares	<b>2,108,315</b>	11,795,662
Share based payments	<b>495,261</b>	303,538
Rent paid	<b>(119,516)</b>	-
Unrealised currency fluctuations	<b>(200,241)</b>	-
<b>Change in assets and liabilities:</b>		
(Increase)/decrease in receivables	<b>(438,611)</b>	(55,543)
(Decrease)/increase in trade creditors	<b>3,529,065</b>	(111,261)
<b>Net cash outflow from operating activities</b>	<b>(8,989,395)</b>	(3,417,069)

**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

- (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.

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
The balance at 30 June		
Bank operating account	<b>5,594,309</b>	26,501,672
Cash	<b>5,594,309</b>	26,501,672

**Note 25. Earnings per share**

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
Loss after income tax attributable to the owners of Tamboran Resources NL	<b>(14,503,934)</b>	(15,361,768)
Weighted average number of ordinary shares used in calculating basic earnings per share	<b>93,500,315</b>	93,481,040
Basic earnings per share	<b>(0.155)</b>	(0.164)

**Note 26. Information Relating to the Parent Entity**

	<b>Consolidated 2020 \$</b>	Consolidated 2019 \$
Current assets	<b>6,114,493</b>	26,583,245
Non-current assets	<b>18,970,138</b>	4,477,727
Total assets	<b>25,084,631</b>	31,060,972
Current liabilities	<b>4,535,835</b>	937,243
Non-current liabilities	<b>60,138,979</b>	55,765,578
Total Liabilities	<b>64,674,814</b>	56,702,821
Net assets	<b>(39,590,183)</b>	(25,641,849)
Contributed equity	<b>20,518,295</b>	20,457,956
Reserves	<b>4,181,764</b>	3,686,506
Accumulated losses	<b>(64,290,242)</b>	(49,786,308)
Total shareholders' equity	<b>(39,590,183)</b>	(25,641,849)
Loss for the Parent Entity	<b>(14,503,934)</b>	(15,361,768)
Total comprehensive income of the Parent Entity	<b>(14,503,934)</b>	(15,361,768)



**TAMBORAN RESOURCES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**30 JUNE 2020**

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 22 to the financial statements.

**Note 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	
		2020 - %	2019 - %
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%

**Note 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:

1. Santos made a direct investment of \$10,000,000 in Tamboran (representing an interest of approximately 14% of the Company), and
2. 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 the financial year, the Company continued working with Santos on the 2020/2021 EP161 Work Plan.

**TAMBORAN RESOURCES LIMITED**  
**DIRECTORS DECLARATION**

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 2020 and of its performance for the year ended on that date; and
  - (ii) complying with Accounting Standards and the Corporations Regulations 2001.
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1.
- (c) 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.

On behalf of the Board



Richard Stoneburner

Chairman

Houston, Texas USA

31 December 2020

## 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 2020, 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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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. 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 is 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 business activities within the entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the 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



Ryan Fisk  
Partner

Sydney  
31 December 2020