



Half-Year Financial Report

31 DECEMBER 2020

TAMBORAN RESOURCES LIMITED

ABN 76 098 564 606

DIRECTORS

Richard K Stoneburner – *Chairman*
Patrick JD Elliott – *Non-Executive Director*
Joel Riddle – *Managing Director*
Fredrick Barrett – *Non-Executive Director*
Daniel Chandra – *Non-Executive Director*

New directors – 3 March 2021

Ann M Diamant – *Non-executive Director*
David N Siegel – *Non-executive Director*

Retired directors – 3 March 2021

David W King – *Non-Executive Director*
Stuart D Lake – *Non-Executive Director*

SENIOR MANAGEMENT

Eric Dyer – *Chief Financial Officer*

COMPANY SECRETARY

Joanna Morbey

REGISTERED AND PRINCIPAL OFFICE

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AUDITORS

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CONTENTS

Directors' Report	1
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Cash Flows.....	8
Statement of Changes in Equity	9
Notes to the Financial Statements.....	10
Directors' Declaration	19
EY Report on Half Year Financial Report..	20

DIRECTORS REPORT

Your directors submit their report for the half-year ended 31 December 2020.

Founded in 2009, Tamboran Resources Limited (**Tamboran** or the **Company**) is a public unlisted gas company focused on supporting the "Net Zero CO2" energy transition in Australia and Asia-Pacific through developing low CO2 unconventional gas resources in the Australian Northern Territory. Holding premium acreage in the highly prospective Beetaloo/McArthur basin, Tamboran is strategically positioned to rapidly commercialise these resources to address a forecast domestic energy shortfall and as a feed supplier to existing Australian LNG plants.

DIRECTORS

The names of the Company's directors in office during the half-year are as below:

- Patrick JD Elliott - Chairman
- Joel Riddle – Managing Director
- Fredrick Barrett – Non-Executive Director
- Daniel Chandra - Non-Executive Director
- David W King – Non-Executive Director
- Stuart D Lake – Non-Executive Director
- Richard K Stoneburner – Non-Executive Director

Subsequent to 31 December 2020 there were a number of changes to the Board of Directors as follows:

- a) Patrick JD Elliott retired as Chairman and assumed the position of a Non-Executive Director;
- b) Richard K Stoneburner accepted the role of Chairman;
- c) Retiring directors as at 3 March 2021; and
 - i. David W King – Non-Executive Director
 - ii. Stuart D Lake – Non-Executive Director
- d) New appointments as at 3 March 2021.
 - i. Ann Diamant – Non-Executive Director
 - ii. David Siegel – Non-Executive Director

REVIEW AND RESULTS OF OPERATIONS

The net results of operations after applicable income tax expense for the half-year was a loss of \$7,993,426 (6 months to 31 December 2019 – loss \$5,134,050).

Share Capital, Options and Warrants

The Company's capital as at 31 December 2020 is as follows:

<u>Securities</u>	<u>Number</u>
Ordinary, fully paid shares	110,194,347
Treasury shares – vested and unexercised	11,834,583
Redeemable preference shares	205,881,713
Options	1,000,000
Warrants	3,075,452

In addition, there are 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 31 December 2020, which captures reclassifications and adjustments impacting Tamboran's capital accounts.

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
			No. of Share Grants	Share-Based Payment Reserve	No. of Treasury Shares	Treasury Shares Reserve					
		\$'000		\$'000		\$'000		\$'000		\$'000	\$'000
Balance 30 June 2016	89,883.096	19,810,991	1,000,000	230,000	5,401,250	2,160,500	1,000,000	109,400	---	---	2,499,900
<i>New activity in period:</i>											
Shares granted to J Riddle 26 August 2016	---	---	1,100,000	149,820	---	---	---	---	---	---	149,820
Balance 30 June 2017	89,883.096	19,810,991	2,100,000	379,820	5,401,250	2,160,500	1,000,000	109,400	---	---	2,649,720
<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	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</i>											
Treasury Share issued to J Riddle 14 Dec 2017	---	---	(1,100,000)	(149,920)	1,100,000	149,820	---	---	---	---	---
Balance 30 June 2018	93,481,040	20,457,956	1,833,332	61,370	8,001,250	2,480,260	1,000,000	109,400	---	---	2,651,030
<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
Balance 30 June 2019	93,481,040	20,457,956	1,833,332	143,198	9,001,250	2,701,970	1,000,000	109,400	4,788,759	731,935	3,686,503
<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

DIRECTORS REPORT

Shares grant charge - J Riddle	---	---	---	40,914	---	---	---	---	---	---	40,914
Balance 30 June 2020	93,712,336	20,518,296	3,666,664	470,510	11,834,583	2,855,099	1,000,000	109,400	4,557,463	746,755	4,181,764
<i>Vesting Continuance:</i>											
Shares grant charge - J Riddle	-	-	-	10,228	-	-	-	-	-	-	10,228
Shares grant charge - J Riddle	-	-	-	10,228	-	-	-	-	-	-	10,228
Ordinary shares issued 31 December 2020	15,000,000	4,800,000	-	-	-	-	-	-	-	-	-
Redemption of warrants	1,482,011	335,873	-	-	-	-	-	-	(1,482,011)	-	-
Balance 31 December 2020	110,194,347	25,654,169	3,666,664	490,966	11,834,583	2,855,099	1,000,000	109,400	3,075,452	746,755	4,202,220

DIRECTORS REPORT

The company has corrected the shares held by directors in the table below as at the date of each reporting period in order to adjust the timing of certain securities held by J Riddle that were incorrectly presented in the 30 June 2020 Financial Statements:

	Ordinary Shares	RPS	Share Grants	Treasury Shares	Options	Warrants
R Stoneburner						
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	---	---
PJD Elliott						
2020	20,589,293	---	---	---	---	---
2019	20,589,293	---	---	---	---	---
2018	20,328,055	---	---	---	---	---
2017	20,328,055	---	---	---	---	---
2016	20,335,555	---	---	---	---	---
F Barrett						
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	---	---
D Chandra						
2020	665,575	---	---	---	---	---
2019	371,216	---	---	---	---	---
2018	371,216	---	---	---	---	---
2017	---	---	---	---	---	---
2016	---	---	---	---	---	---
J Riddle						
2020	730,056	---	3,666,664	4,733,750	---	---
2019	730,056	---	1,833,332	4,733,750	---	---
2018	730,056	---	1,833,332	3,733,750	---	---
2017	1,460,111	---	2,100,000	2,267,500	---	---
2016	1,460,111	---	1,000,000	2,267,500	---	---

DIRECTORS REPORT

Significant changes in the state of affairs

As at 31 December 2020, the Company has issued 37,623,406 redeemable preference shares at an issue price of \$0.32 per share to raise \$12,039,490. The funds have been used to meet obligations under the Santos Joint Venture, to cover expenses relating to the purchase of Sweetpea Petroleum Pty Limited, to cover costs associated with an Initial Public Offer and for general working capital.

As noted in the second paragraph of the Directors Report there have been a number of changes in the Board of Directors.

Apart from the above there were no significant changes in the state of affairs of the consolidated entity during the financial half year.

Matters subsequent to the end of the financial half-year

Other than where stated in the Directors Report or at Note 12 to the Financial Statements, no matters or circumstances which have arisen since 31 December 2020 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.

On behalf of the directors



Richard K Stoneburner
Chairman

19th April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Half-year ended 31 December 2020

	Note	31 Dec 20 \$	31 Dec 19 \$
OTHER INCOME	2.1	6,575	19,067
Administration expenses		(34,487)	(57,266)
Consultancy and professional costs	2.2	(2,142,424)	(2,092,425)
Depreciation and amortisation expense	2.2	(214,931)	-
Director and executive fees		(1,558,321)	(610,438)
Other corporate expenses	2.2	(62,874)	(156,873)
Share-based payments expense	2.2	(20,457)	(485,897)
Finance income/gains	2.2	3,523,738	350,172
Finance expense/losses	2.2	(7,490,245)	(2,100,390)
LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		(7,993,426)	(5,134,050)
Income tax expense relating to ordinary activities		-	-
LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO MEMBERS OF THE PARENT AFTER INCOME TAX EXPENSE		(7,993,426)	(5,134,050)
Other comprehensive income – items that may be reclassified to profit and loss in future periods			
TOTAL COMPREHENSIVE PROFIT (LOSS) ATTRIBUTABLE TO MEMBERS OF TAMBORAN RESOURCES LTD		(7,993,426)	(5,134,050)
Basic profit / (loss) per share (cents per share)		(\$0.08)	(\$0.05)
Diluted profit / (loss) per share (cents per share)		(\$0.08)	(\$0.05)

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes to the Half-Year Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2020

	Note	31 Dec 20 \$	30 Jun 20 \$
CURRENT ASSETS			
Cash and cash equivalents		11,493,927	5,594,309
Receivables	3	1,158,774	520,184
TOTAL CURRENT ASSETS		12,652,701	6,114,493
NON-CURRENT ASSETS			
Plant and Equipment		697,501	727,458
Deferred exploration and evaluation expenditure	4	17,004,574	15,677,720
Right of Use asset	8	2,397,681	2,564,961
TOTAL NON-CURRENT ASSETS		20,099,756	18,970,139
TOTAL ASSETS		32,752,457	25,084,632
CURRENT LIABILITIES			
Payables	5	2,938,037	3,762,502
Employee costs and accruals	5	792,275	478,756
Lease liabilities	8	300,368	294,577
TOTAL CURRENT LIABILITIES		4,030,680	4,535,835
NON-CURRENT LIABILITIES			
Employee costs and accruals	6	64,673	59,916
Other financial liabilities	7	68,949,795	57,792,830
Lease liabilities	8	2,134,587	2,286,233
TOTAL NON-CURRENT LIABILITIES		71,149,055	60,138,979
TOTAL LIABILITIES		75,179,735	64,674,814
NET ASSETS		(42,427,278)	(39,590,182)
EQUITY			
Contributed equity	9	25,654,169	20,518,296
Reserves	10	4,202,221	4,181,764
Accumulated losses		(72,283,668)	(64,290,242)
TOTAL EQUITY		(42,427,278)	(39,590,182)

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes to the Half-Year Financial Statements

CONSOLIDATED STATEMENT OF CASH FLOWS

Half-year ended 31 December 2020

	Half Year 31 Dec 20 \$	Half Year 31 Dec 19 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payment to suppliers and employees	(4,942,770)	(2,993,151)
Lease interest	(49,145)	-
Interest received	6,575	19,067
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES	<u>(4,985,340)</u>	<u>(2,974,084)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of plant and equipment	(17,696)	(152,244)
Expenditure on mining exploration	(1,326,854)	(8,123,423)
NET CASH FLOWS (USED IN) INVESTING ACTIVITIES	<u>(1,344,550)</u>	<u>(8,275,667)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of redeemable preference shares	12,039,490	-
Proceeds from the exercise of warrants	335,873	-
Repayment of lease liability principle	(145,855)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES	<u>12,229,508</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH HELD	5,899,618	(11,249,751)
Add opening cash brought forward	<u>5,594,309</u>	<u>26,501,672</u>
CLOSING CASH CARRIED FORWARD	<u><u>11,493,927</u></u>	<u><u>15,251,921</u></u>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes to the Half-Year Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Half-year ended 31 December 2020

	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
AT 1 JULY 2020	20,518,296	(64,290,242)	4,181,764	(39,590,182)
Profit/(loss) after income tax	-	(7,993,426)	-	(7,993,426)
Total Comprehensive income	-	(7,993,426)	-	(7,993,426)
Reserves: share based payments	-	-	20,457	20,457
Issue of ordinary shares	4,800,000	-	-	4,800,000
Conversion of warrants	335,873	-	-	335,873
AT 31 DECEMBER 2020	25,654,169	(72,283,668)	4,202,221	(42,427,278)

	Issued Capital	Accumulated Losses	Reserves	Total Equity
	\$	\$	\$	\$
AT 1 JULY 2019	20,457,956	(49,786,308)	3,686,503	(25,641,849)
Profit/(loss) after income tax	-	(5,134,049)	-	(5,134,049)
Total Comprehensive income	-	(5,134,049)	-	(5,134,049)
Reserves: share based payments	-	-	485,897	485,897
AT 31 DECEMBER 2019	20,457,956	(54,920,357)	4,172,400	(30,290,001)

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes to the Half-Year Financial Statements

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS

31 December 2020

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

Tamboran Resources Limited ("Company") and its subsidiaries ("Group") is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

The accounting policies and methods of computation adopted in the preparation of the Half Year Financial Report are consistent with those adopted and disclosed in the Company's Annual Report for the financial year ended 30 June 2020. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The financial report has been prepared on a historical cost basis, except for the derivative component of redeemable preference shares which have been measured at fair value. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

These interim financial statements were authorised for issue on 19 April 2021.

(a) Basis of accounting

This half year financial report is a condensed general purpose financial report prepared in accordance with AASB 134 Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report and considered together with any public announcements made during the half year ended 31 December 2020, and subsequent thereto.

(b) Basis of consolidation

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

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

Subsidiaries are fully consolidated from date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. There has been no change in the control of any subsidiaries during the financial period. All subsidiaries are 100% owned by the Company.

The Company operates as an unconventional gas exploration company and operates only in Australia with sole focus on the Beetaloo basin asset. This is considered the only reportable segment.

(c) Significant Accounting Policies

The half-year financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

(d) Going Concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$7,993,426 (2019: \$5,134,050) and net cash outflows from operating and investing activities of \$6,329,890 (2019: \$11,249,751) for the half year ended 31 December 2020.

As at 31 December 2020, the Company has prepared a cash flow forecast which indicates that the Company does not have sufficient funds to meet all its forecasted exploration budgets and support its current level of corporate overheads and therefore needs to raise additional funds to continue as a going concern.

In January 2021, the Company completed another raise of approximately \$10,000,000 through issuance of 31,250,000 redeemable preference shares to Regal Funds Management and a number of individual investors. At the date of this report, the Company is preparing for an initial public offering of ordinary shares and to list on the Australian Securities Exchange.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

The Directors are confident that they will be able to raise sufficient equity that will provide the company with the required funding to support its planned level of exploration and overhead expenditure, for at least twelve months from the date of issuance of this financial report, and therefore that it is appropriate to prepare the financial statements on the going concern basis.

Further, the Directors are confident that, in the event additional cash management activity is required, deferral of exploration activities above minimum committed levels, further capital raisings and/or other initiatives will provide the consolidated entity with sufficient funding, for at least twelve months from the date of issuance of this financial report, and therefore consider that it is appropriate to prepare the financial statements on the going concern basis.

However, in the event that the current exploration program exceeds budget and the consolidated entity is not able to successfully complete its planned fundraising, significant uncertainty would exist as to whether the Company will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial statements.

The financial statements do not include adjustments relating to the recoverability and classification of recorded assets amounts nor to the amounts and classification of liabilities that might be necessary should the Company and the consolidated entity not continue as going concerns.

2. OTHER INCOME / EXPENSES

	Six Months to 31 Dec 20 \$	Six Months to 31 Dec 19 \$
2.1 Other income		
Interest income – other corporations	6,575	19,067
Total other income	6,575	19,067
2.2 Profit / (Loss) items		
<u>Share based payments</u>		
- contractors	-	199,500
- directors	20,457	286,397
	20,457	485,897
<u>Depreciation</u>		
- Leasehold improvements	47,651	-
<u>Amortisation</u>		
- Right of use asset	167,280	-
	214,931	-
Consultancy, audit and professional costs		
- Accounting and company secretary costs	44,476	45,959
- Audit services	36,000	134,200
- Legal services	971,748	86,519
- Consultancy services	1,090,200	1,825,747
	2,142,424	2,092,425
Superannuation expense	13,688	13,678

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

	Six Months to 31 Dec 20 \$	Six Months to 31 Dec 19 \$
<u>Net finance costs</u>		
Interest expense on lease liability	49,146	-
Foreign exchange loss / (gain) on operating account	(113)	22,282
Issuance of shares for modification	4,800,000	-
Redeemable preference shares		
- Accretion of discount on liability	1,930,189	2,057,513
- Market to market derivative loss / (gain)	710,911	(350,172)
- Unrealised foreign exchange loss / (gain)	(2,639,547)	20,595
- Remeasurement due to Modification loss / (gain)	(884,078)	-
	<u>(882,525)</u>	<u>1,727,936</u>
	<u>3,966,508</u>	<u>1,750,218</u>

3. RECEIVABLES – CURRENT

	Half Year 31 Dec 20 \$	Year to 30 Jun 20 \$
Rental Bond	321,750	321,750
Receivable from the Australian Tax Office	140,283	162,599
Loan to Sweetpea *	688,063	-
Prepayments	8,678	28,431
Interest receivable	-	7,404
Total Receivables - current	<u>1,158,774</u>	<u>520,184</u>

- * This amount represents amounts loaned to Sweetpea pursuant to a Services Agreement between Tamboran Resources Limited and Longview Petroleum LLC. The Services Agreement is an integral part of the Share Exchange Agreement between the companies. The balance is expected to be settled at the effective date of the acquisition.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

4. DEFERRED EXPLORATION AND EVALUATION EXPENDITURE

	Half Year 31 Dec 20 \$	Year to 30 Jun 20 \$
Costs brought forward	15,677,720	4,477,727
Costs incurred during the period		
- Additions	1,326,854	11,199,993
Total deferred exploration and evaluation expenditure	17,004,574	15,677,720

5. PAYABLES - CURRENT

	Half Year 31 Dec 20	Year to 30 Jun 20
Trade and other payables	2,938,037	3,762,502
Accrued director fees and other accruals	613,232	405,038
Employee costs [annual leave provisions]	179,043	73,718
	792,275	478,576
Lease liabilities	300,368	294,577
Total payables - current	4,030,680	4,535,835

6. OTHER NON-CURRENT

Employee costs [long service leave provisions]	64,673	59,916
Lease liabilities	2,134,587	2,286,233
Total other non-current liabilities	2,199,260	2,346,149

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

7. OTHER FINANCIAL LIABILITIES

	Financial Liability	Embedded Derivative	Total
	\$	\$	\$
Balance 1 July 2019	17,365,761	38,353,083	55,718,844
Accretion of discount on liability	2,057,513	-	2,057,513
Unrealized foreign exchange loss	20,595	-	20,595
Fair value adjustment loss / (gain)	-	(350,172)	(350,172)
Balance 31 December 2019	19,443,869	38,002,911	57,446,780

	Financial Liability	Embedded Derivative	Total
	\$	\$	\$
Balance 1 July 2020	21,752,007	36,040,823	57,792,830
Issue of Redeemable preference shares	5,985,754	6,053,736	12,039,490
Accretion of discount on liability	1,930,189	-	1,930,189
Unrealized foreign exchange loss	(2,639,547)	-	(2,639,547)
Fair value adjustment loss / (gain)	-	710,911	710,911
Remeasurement due to Modification loss/(gain)	(1,100,048)	215,970	(884,078)
Balance 31 December 2020	25,928,355	43,021,440	68,949,795

The variability in the redemption price of the redeemable preference shares 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	1% - 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.

On 12 December 2020, in conjunction with the issuance of the new redeemable preference shares during the period, the Company modified the original agreements with Baupost, Lion Point, and Venture to adjust the redemption period from seven years from the original grant date, to five years subsequent to the issuance on 12 December 2020. This resulted in a modification of the original financial liability and corresponding embedded derivative leading to a gain on modification of \$884,078.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

Baupost, Lion Point, and Venture were each issued five million shares, for a total of 15 million issued capital shares as incentive to accept the amendments proposed by the Company. These shares were valued at \$0.32 per share and have been expensed during the period with a corresponding increase in contributed capital.

8. LEASES

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

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

	Half year 31 Dec 20 \$	Year to 30 Jun 20 \$
Right of Use Asset		
Opening balance	2,564,961	-
Additions	-	2,676,481
Less Amortisation	(167,280)	(111,520)
Closing balance	<u>2,397,681</u>	<u>2,564,961</u>
Lease Liability		
Opening balance	2,580,810	-
Additions	-	2,676,481
Lease repayments	(195,000)	(130,000)
Interest expense on lease liability	49,145	34,329
Closing balance	<u>2,434,955</u>	<u>2,580,810</u>
Lease Liability split between:		
Current Liability	300,368	294,577
Non-Current Liability	2,134,587	2,286,233
The following are the amounts recognised in profit and loss:		
Amortisation expense	167,280	111,520
Interest expense (finance costs)	49,145	34,329
	<u>216,425</u>	<u>145,849</u>

The Company had total cash outflows for leases of \$195,000 for the period ending 31 December 2020.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

9. CONTRIBUTED EQUITY

	No of shares	\$
<u>Share capital</u>		
Ordinary shares 1 July 2019	93,481,040	20,457,956
Ordinary shares at 31 December 2019	93,481,040	20,457,956
Conversion of warrants – 29 May 2020	231,296	60,340
Ordinary shares at 30 June 2020	93,712,336	20,518,296
Issue of ordinary shares	15,000,000	4,800,000
Conversion of warrants – 31 December 2020	1,482,011	335,873
Ordinary shares as at 31 December 2020	110,194,347	25,654,169
	No of shares	Reserve
<u>Treasury shares</u>		
Treasury shares 1 July 2019	9,001,250	2,701,970
Treasury shares at 31 December 2019	9,001,250	2,701,970
Shares granted to E Dyer – 29 May 2020	2,500,000	103,129
Shares granted to consultants – 29 May 2020	333,333	50,000
Treasury shares at 30 June 2020	11,834,583	2,855,099
Treasury shares as at 31 December 2020	11,834,583	2,855,099

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

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

10. RESERVES

	Half Year 31 Dec 20 \$	Year to 30 Jun 20 \$
<u>Share-based payments reserve</u>		
Balance at the beginning of the period	3,435,009	2,954,568
Share based payments - director / consultants	20,457	480,441
Balance at the end of the period	3,455,466	3,435,009
<u>Warrants</u>		
Balance as at the beginning of the period	746,755	731,935
Issue of warrants – capital raise fee	-	14,820
Balance at the end of the period	746,755	746,755
Balance of Reserves at the end of the period	4,202,221	4,181,764

11. CONTINGENT ASSETS AND LIABILITIES

Since the last annual reporting date, there has been no change in any contingent liabilities or contingent assets.

12. SUBSEQUENT EVENTS

No other matter or circumstance other than the matters detailed below, has arisen since 31 December 2020 that has significantly affected, or may significantly affect the Consolidated Entity's operations, the results of those operations, or the Group's state of affairs in future financial years.

a) Issuance of redeemable preference shares (RPS)

Subsequent to 31 December 2020, Tamboran issued 31,206,884 RPS at \$0.32 per share, raising approximately \$10 million in new capital. In addition, the Company issued a total of 4,349,430 of new RPS to settle obligations owed by the Company to third parties for services rendered (\$372,105) and to Non-Executive Directors for unpaid Board fees (\$1,019,713). RPS issued to the Non-Executive Directors is subject to shareholder approval and full details of these shares to be issued forms part of the Notice of General Meeting expected to be sent to shareholders prior to the May meeting.

These transactions represented completion of a capital raise program initiated in December 2020. In aggregate, the Company raised \$21,653,588 of new capital and settled obligations totalling \$1,551,594 (pending shareholder vote). As of the date of this report, total RPS outstanding is 237,088,597.

b) Completion of the purchase of Sweetpea Petroleum LLC from Longview Petroleum LLC

As stated in Note 23 in the Financial Statements for the year ended 30 June 2020, the Company advised that it had signed an agreement to acquire 100% of the shares in Sweetpea Petroleum LLC in exchange for Tamboran equity (no cash) issued to Longview Petroleum LLC, resulting in Longview owning 29.95% of Tamboran post transaction.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS (CONTINUED)

An amended Share Exchange Agreement was signed in February 2021 and this transaction is due to be put to a vote of shareholders of the Company in May 2021. Full disclosure of the transaction will be outlined in the Notice of General Meeting expected to be sent to shareholders prior to the May meeting.

c) Change of Company Directors

On 3 March 2021 Mr David King and Mr Stuart Lake retired from the Board of the Company. Effective on that day, Ms Ann Diamant and Mr David Siegel were appointed to the Board of the Company as Non-Executive Directors. The qualifications and biographies of the new directors can be found on the Tamboran Resources Limited website.

d) Change in the nature of share based payments and Treasury Shares

On 15 April 2021, the Remuneration Committee resolved that non-qualified stock options (NSOs) would be the preferred incentive compensation instrument prospectively, subject to future Board decisions. In this conclusion the committee determined all current arrangements under the Employee Share Scheme (ESS) would be cancelled and replaced with new options. Terms and conditions are yet to be finalised and may be subject to final shareholder approval, if required.

13. FAIR VALUE MEASUREMENT

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy based on the lowest level input that is significant to the fair value measurement as a whole. The following outlines the Group's fair value hierarchy:

Level 1 – Quoted market prices in an active market (that are unadjusted) 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).

The carrying amounts of the Group's financial assets and liabilities are a reasonable approximation of their fair values. During the six-months ended 31 December 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements. (31 December 2019: Nil)

The Consolidated Entity measures share-based payments at fair value at the grant date using the Binomial formula taking into account the terms and conditions upon which the instrument were granted.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Tamboran Resources Limited, I state that in the opinion of the directors:

- a) the financial statements and notes of the Group:
 - i) give a true and fair view of the Group's financial position as at 31 December 2020 and the performance for the half-year ended on that date; and
 - ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting"; and
- b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Richard K Stoneburner

Chairman

Sydney, 19th April 2020

To the Board of Tamboran Resources Limited

Report on the Half Year Financial Report

We have reviewed the accompanying 31 December 2020 financial report of Tamboran Resources Limited, which comprises the statement of financial position as at 31 December 2020, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the 31 December 2020 Financial Report

The directors of the company are responsible for the preparation and fair presentation of the 31 December 2020 financial report and for such internal controls as the directors determine are necessary to enable the preparation of the 31 December 2020 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express a conclusion on the 31 December 2020 financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the accompanying financial report is not presented fairly, in all material respects, in accordance with AASB 134 *Interim Financial Reporting*. As the auditor of Tamboran Resources Limited, ASRE 2410 also requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a 31 December 2020 financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

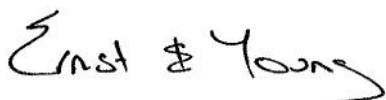
In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies.

Conclusion

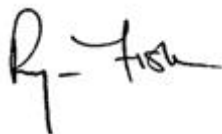
Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying 31 December 2020 financial report of Tamboran Resources Limited does not present fairly, in all material respects, the company's financial position as at 31 December 2020 and its financial performance and its cash flows for the six months ended on that date, in accordance with AASB 134 *Interim Financial Reporting*.

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.



Ernst & Young



Ryan Fisk
Sydney
19 April 2021

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