tamboran
RESOURCES

ACN 135 299 062

# 2021 Annual Report

For the year ending 30 June 2021

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# Corporate Directory



**Directors**

**Richard (Dick) Stoneburner**
Chairman

**Joel Riddle**
Managing Director
and Chief Executive Officer

**Fredrick Barrett**
Non-Executive Director

**Daniel Chandra**
Non-Executive Director

**Patrick Elliott**
Non-Executive Director

**Ann Diamant**
Non-Executive Director
*Appointed 3 March 2021*

**David Siegel**
Non-Executive Director
*Appointed 3 March 2021*

**David King**
Non-Executive Director
*Retired 3 March 2021*

**Stuart Lake**
Non-Executive Director
*Retired 3 March 2021*

**Chief Financial Officer**
Eric Dyer

**Chief Operating Officer**
Faron Thibodeaux

**Company Secretary**
Joanna Morbey

**Registered Office**

110 -112 The Corso
Manly, NSW 2095

**Telephone:** +61 (2) 8330-6626

**Website:** www.tamboran.com

**Auditors**

Ernst & Young
200 George Street
Sydney NSW 2000

**Share Register**

Boardroom Pty Limited
Level 12, 225 George Street
Sydney, NSW 2000
www.boardroomlimited.com.au
Shareholder access: www.investorserve.com.au

**ABN**

28 135 299 062

Quoted on the official list of the Australian Securities Exchange (ordinary shares code TBN)

# Chairman's Letter



Dear Shareholders,

I am proud to present you with the 2021 Annual Report, our first since the listing of the Company on the Australian Securities Exchange (ASX). Tamboran intends to play a constructive role in the global energy transition towards a lower carbon future by developing low CO2 unconventional natural gas resources in the core Beetaloo Sub-basin within the Greater McArthur Basin in the Northern Territory of Australia.

The Company experienced several milestones over the period including:

1. The completion of a $23 million pre-IPO capital raise and a successful initial public offering (IPO) on the ASX. The IPO was well supported by institutional and sophisticated investors and raised $61 million, the largest IPO for an oil and gas exploration and production (E&P) company in nearly a decade. In total, Tamboran has raised $84 million during the 2021 financial year, which is being used to fund our exciting Beetaloo exploration and appraisal program.
2. The acquisition of Sweetpea Petroleum Pty Ltd through an all-share transaction, which has established Tamboran's position as an operator in the core area of the Beetaloo Sub-basin with a 100% interest in EP 136, EP 143, and EP(A)197.
3. Completion of a successful flow test following the fracture stimulation of the Tanumbirini 1 vertical gas well in EP 161. Tamboran has a 25% interest in EP 161, which is located in the core area of the Beetaloo Sub-basin and is operated by our joint venture partner, Santos QNT Pty Ltd (Santos).
4. The drilling of two high impact horizontal wells in EP 161, Tanumbirini 2 horizontal (T2H) and Tanumbirini 3 horizontal (T3H) in the core area of the Beetaloo Sub-basin, aimed at establishing commercial flow rates.
5. The preparation and design of the first horizontal well, Maverick 1 (M1H), which is expected to be drilled in EP 136 in calendar year 2022. EP 136 is operated by Tamboran (100% working interest) and, located adjacent to EP 161, is also uniquely positioned in the core of the Beetaloo Sub-basin.

**Strategy**

Tamboran's key focus is to de-risk and commercialise the resources identified within its highly prospective acreage in the core area of the Beetaloo Sub-basin, which is the deepest, thickest area of the Beetaloo Sub-basin and consequently expected by Tamboran to be the most productive. Netherland, Sewell & Associates, Inc., an independent reserves and resource certifier, has provided a best estimate of net prospective resources in EP 161 and EP 136 of approximately 31 Tcf, comprising:

- Approximately 12 Tcf net un-risked prospective resource (25% non-operating interest) in EP 161; and
- Approximately 19 Tcf net un-risked prospective resource (100% working interest) in EP 136.

The Beetaloo Basin has been earmarked by the Federal and Northern Territory government as being highly strategic for the future direction of Australian gas supply, with significant potential to convert multi-TCF resources into large 2P reserves. In line with this, Tamboran intends to accelerate the appraisal and commercialisation of its licences in the Beetaloo Sub-basin, to provide affordable gas to local Northern Territory markets and the east coast of Australia.

A commercial framework has been agreed with Jemena Ltd, one of the largest pipeline and infrastructure operators in Australia. This framework provides for the construction of a pipeline connecting the Beetaloo Sub-basin directly to the Southeast Australian domestic gas market via Jemena's existing Northern Gas Pipeline. We believe that this arrangement will help facilitate the delivery of reliable, affordable gas to domestic markets.

The Company's Board and management team have a strong track record of commercialising unconventional resources in the United States and Australia. Members of Tamboran led the initial development of multiple prolific oil and gas unconventional resource plays in the United States, including in the Eagle Ford, Marcellus, Woodford, Fayetteville and Haynesville shales, as well as the successful development and monetisation of Australian gas assets. Tamboran is utilising this extensive experience in the development of the unconventional gas resources in the Beetaloo Sub-basin.

**Update on EP 161 and EP 136**

T2H was spudded on 11 May 2021 and was successfully completed in mid-August 2021 having reached a total measured depth of 4,598 metres, which included the drilling of approximately a 1,000 metre horizontal section in the Mid-Velkerri 'B' shale. This operation was completed safely and without incident. The rig was moved a short distance and T3H was then spudded. Drilling on T3H, which is planned to include a 1,000 metre horizontal section, is expected to be completed in October 2021. Both wells will then be fracture stimulated and flow tested, with results expected by the end of calendar 2021.

During the 2021 financial year, substantial planning and design work took place in preparation for Tamboran's first operated well on EP 136, the M1H horizontal well, as well as detailed negotiations with potential rig suppliers. In addition, technical work on a proposed 2D seismic survey was ongoing during the reporting period. The Company expects to commence the EP 136 seismic acquisition and drilling activities early in the 2022 calendar year, following the finalisation of land access arrangements activities.

In June 2021, the Company submitted three grant applications under the Beetaloo Cooperative Drilling Program provided by the Commonwealth Minister for Resources and Water. If awarded, the grants could provide up to 25% of the cost per well, up to a limit of $7.5 million per grant.

**Building the Tamboran Team**

Shortly after the end of the financial year, Tamboran appointed Faron Thibodeaux, a highly experienced E&P executive, as the Chief Operating Officer. Faron has more than 40 years of experience in the energy industry and will be based in Darwin, Northern Territory. In addition, five unconventional gas experts previously with Pioneer Natural Resources, the largest producer in the Permian Basin, United States, also joined Tamboran's technical and operational team. These appointments ensure that Tamboran has the expertise, skills and capabilities to deliver our operational and strategic objectives.

**Focus on Sustainability**

Tamboran believes that operating in a sustainable manner is essential to delivering the Company's core strategy and objectives. These core values are central to Tamboran's Code of Conduct and its core values of leadership, sustainability, integrity, diversity and inclusion, courage and commitment. The Company has established a Sustainability Plan with six pillars that align with selected Sustainable Development Goals (SDGs) as defined by the United Nations.

A key differentiating feature of natural gas from the Beetaloo Sub-basin compared to other gas-producing basins in Australia is the relatively low CO2 content. Production tests of wells that have been drilled within and on trend with the Tamboran assets in the Beetaloo Sub-basin indicate that the gas in the basin generally has a lower CO2 content than the industry average for gas fields currently in production or under development in the north-west of Australia.[1]

Tamboran is committed to minimising the carbon emissions related to the development of this resource further, by using advanced drilling and completion technologies and exploring options to integrate renewable energy, carbon capture and sequestration and carbon offsets. Tamboran's vision is to become a producer of gas with net zero emissions for our equity share of Scope 1 and Scope 2 emissions.

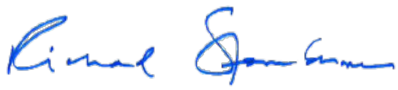
During the reporting period, to support this vision, Tamboran purchased Voluntary Emission Reductions (VERs), a carbon offset that are used to offset emissions and are eligible under the Australian Government's carbon neutral certification, Climate Active. An independent review of Tamboran's carbon footprint is planned to be conducted as part of our commitment to carbon management.

**Outlook**

Substantial activity is planned for the year ahead, including the fracture stimulation of the T2H and T3H wells in EP 161, aimed at confirming commercial flow rates, and the commencement of the seismic and drilling program on EP 136. Further work is also expected to take place on securing the pathway to commerciality for our Beetaloo Sub-basin gas.

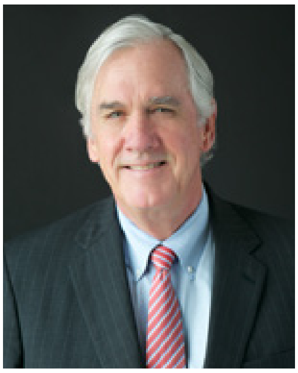
The Directors believe that our strategies and business plans will enable Tamboran to achieve both its corporate vision and mission and will help create the maximum long-term value for all our stakeholders, including shareholders, host governments, partners, traditional landowners and local communities.

Once again, I thank you for being a Shareholder of Tamboran Resources and look forward to the year ahead, when we aim to add significant value and progress with the Company's development plans.



**Dick Stoneburner**

Non-Executive Chairman



1 Based on flow tests for each of the Tanumbirini, Amungee and Kyalla wells in the Beetaloo Sub-basin compared against other similar Australia gas fields which include Barossa, Gorgon, Browse, Icthys, Prelude, Wheatstone, Bayu Undan, Janz and Scarborough.

# Directors’ Report

The directors of Tamboran Resources Limited present their report together with the consolidated financial statements of Tamboran Resources Limited (‘Tamboran’, ‘Company’ or ‘Parent Entity’), and its controlled entities (collectively the ‘Group’) for the financial year ended 30 June 2021.

**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 as follows:**

## Mr Richard Stoneburner
Chairman

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

Mr Stoneburner joined the board on 5 April 2016.

Mr Stoneburner is currently a Senior Advisor for Pine Brook Partners, a private equity firm focusing on investments in the energy sector. Mr Stoneburner has approximately 45 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 is an Emeritus board member for Memorial Assistance Ministries, a not-for-profit organization in West Houston.

Current directorships:
Brigham Minerals; NYSE; 2018-Present

Former directorships (last 3 years):
Yuma Exploration; NYSE; 2015-2020

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. Joel Riddle

Managing Director

**B. Science (Hons) Mech. Eng. University of Florida and a, MBA from the University of Chicago**

Mr Riddle joined the Company as Chief Executive Officer in September 2013 and was appointed to Managing Director on 19 December 2018.

Mr Riddle has more than 24 years' experience in the upstream oil and gas industry. Prior to joining Tamboran, he served as Vice President, Commercial and Planning at Cobalt International Energy (Cobalt), 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, Mr Riddle served in various management positions including business development, commercial and strategic planning with Unocal Corporation from 2002-2005, 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.

Current directorships: nil

Former directorships (last 3 years): nil

## Mr. Patrick Elliott

Retiring Chairman and Non-Executive Director

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

Mr Elliott is a founding shareholder and joined the board on 9 February 2009. Mr Elliott stepped down as the Chairman of the Company on 1 November 2020 and remains as a non-executive director.

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.

Current directorships:
Cap-XX Limited, Argonaut Resources NL (Commenced 30 June 2003), Kirrama Resources Limited; Rockfire Resources PLC.

Former directorships (last 3 years):
Ioneer Limited (retired 30 November 2020)

Mr Elliott sits on the Sustainability Committee and is Chair of the Audit Committee.

## Mr. Fredrick Barrett
Non-Executive Director

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

Mr Barrett joined the Board on 5 April 2016.

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 during 2017 and 2018. 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 USA 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.

**Current directorships:** nil

**Former directorships (last 3 years):**
Asian American Gas Inc.

Mr Barrett is the Chair of the Nomination and Governance Committee and a member of the Remuneration Committee and the Sustainability Committee.

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

**BA (Economics), Stanford University and a MBA from The Wharton School, University of Pennsylvania.**

Mr Chandra joined the Board on 21 March 2019.

Mr Chandra is currently a senior investment professional at Lion Point Capital, a value-focused investment fund based in New York City. Mr Chandra has over 18 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.

**Current directorships:** nil

**Former directorships (last 3 years):** nil

Mr Chandra is a member of the Audit and Risk Committee and the Nomination and Governance Committee.

## Ms Ann Diamant
### Non-Executive Director

**B. Sc (Colour Chemistry) First Class Honours University of Leeds, M. Sc (Management Science) from Imperial College, London**

Ms Diamant joined Tamboran as a non-executive Director on 3 March 2021.

Ms Diamant has more than 35 years' experience in the oil and gas and investment banking industries. She joined ASX listed Oil Search Limited in 2003 and was responsible for developing and implementing Oil Search Limited's highly regarded investor relations strategy. From 2010 to 2019, in addition to investor relations, she was also head of the corporate communications and media relations functions.

Prior to her oil and gas company roles, Ms Diamant worked in investment banking, as an equities sell-side analyst, specialising in the energy sector and leading equities research teams.

In 2015, Ms Diamant was appointed a Fellow of the Australian Investor Relations Association (AIRA). She served as a member of the AIRA Capital Markets Committee in 2018 to 2019 and the AIRA Best Practice Guidelines Revision Working Group in 2020.

**Current directorships:** nil

**Former directorships (last 3 years):** nil

Ms Diamant is chair of the Sustainability Committee and is a member of the Nomination and Governance Committee and the Remuneration Committee.

## Mr. David Siegel
Non-Executive Director

**B.Sc (Applied Mathematics-Economics) magna cum laude from Brown University and MBA (Honours) from The Harvard Business School.**

Mr Siegel joined the Board of Tamboran as a Non-Executive Director on 3 March 2021.

Mr Siegel has 25 years' experience as a CEO and substantial experience in private equity and managing public companies. Mr Siegel is the Chairman and a substantial holder in Longview Petroleum, LLC (Longview) and is therefore an associate of Longview.

Mr Siegel is currently Senior Advisor to Apollo Global Management and Chairman of two Apollo portfolio companies, Sun Country Airlines and Volotea, S.L. He has previously served as CEO of the following companies: AWAS, Frontier Airlines, XOJET, Inc., Avis Budget Group, Inc., Continental Express Airlines, US Airways Group, Inc., Gategroup, A.G.

**Current Directorships:** Sun Country Airlines Holdings Inc

**Former Directorships (last 3 years):** Genesis Park Acquisition Corporation.

Mr Siegel is the Chair of the Remuneration Committee and a member of the Audit and Risk Committee.

# Retired Directors

## Dr. David King
Non-Executive Director

*Directorship 9 May 2012 to 3 March 2021*

**B. Science Physics/Mathematics, MSc. Geophysics, PhD Seismology from the Australian National University**

Dr King is a geophysicist with over 40 years of experience in the oil and gas industry. He is currently the Managing Director of Galilee Energy Ltd. He is a Non-Executive Director of ASX-listed Tap Oil 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, a Founder of Gas2Grid Ltd, and a Founder of Sapex Ltd. He was the CEO of Beach Petroleum, the CEO of Claremont Petroleum and Managing Director of North Flinders Mines Ltd.

## Dr. Stuart Lake
Non–Executive Director

*Directorship 5 April 2016 to 3 March 2021*

**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 (Rijskwijk), the NAM (Nederlandse Aarolie Maatscappij 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 and 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.

# Company Secretary

## Mrs. Joanna Morbey
Company Secretary

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

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.

# Independence

The Board considers that each of Mr Stoneburner, Ms Diamant and Mr Barrett, are free from any interest, position, association or relationship that might influence, or reasonably be perceived to influence, the independent exercise of the Director's judgement and that each of them is able to fulfil the role of independent director.

Mr Siegel is currently considered by the Board not to be independent due to the size of his indirect holding of Tamboran shares.

Mr Chandra is not considered independent as he is an employee of Lion Point Capital, which is a substantial shareholder.

Mr Elliott is not considered independent as he was a substantial holder within the previous 12 months.

# Meetings of Directors

**Directors' attendance at Directors meetings is shown in the following table:**

| | Board Meetings | | Audit and Risk Committee [3] | | Remuneration Committee [3] | | Sustainability Committee | | Nomination Committee [3] | |
|---|---|---|---|---|---|---|---|---|---|---|
| Director | Meetings Eligible to Attend | Meetings Attended | Meetings Eligible to Attend | Meetings Attended | Meetings Eligible to Attend | Meetings Attended | Meetings Eligible to Attend | Meetings Attended | Meetings Eligible to Attend | Meetings Attended |
| R Stoneburner | 10 | 10 | - | - | - | - | - | - | 5 | 5 |
| J Riddle | 9 | 9 | - | - | - | - | - | - | - | - |
| F Barrett | 10 | 10 | 1 | 1 | 1 | 1 | 1 | 1 | - | - |
| D Chandra | 10 | 10 | 1 | 1 | 2 | 2 | - | - | - | - |
| A Diamant[4] | 3 | 3 | - | - | 1 | 1 | 1 | 1 | - | - |
| P Elliott | 10 | 10 | 1 | 1 | 1 | - | 1 | 1 | 5 | 5 |
| D Siegel[5] | 3 | 3 | 1 | 1 | 1 | 1 | - | - | - | - |
| S Lake[1] | 7 | 7 | 1 | 1 | 1 | 1 | - | - | - | - |
| D King[2] | 4 | 4 | 1 | 1 | 1 | 1 | - | - | - | - |

[1] Dr Lake retired from the Board on 3 March 2021.

[2] Dr King retired from the Board on 3 March 2021.

[3] There were changes of directors made between the Committees as a result of the change of directorships.

[4] Ann Diamant was appointed as a director on 3 March 2021

[5] David Siegel was appointed as a director on 3 March 2021.

## Principal Activities

The principal activities of Tamboran focus on shale gas exploration in onshore basins in the Northern Territory of Australia.

## Results

The loss for Tamboran and its subsidiaries (together, the 'Consolidated Entity') for the year ended 30 June 2021 after providing for income tax amounted to $23,821,438 (loss for 2020: $14,503,934).

## Dividends

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

## History

Tamboran holds interests in three exploration permits and one application, all of which are located in the Beetaloo Sub-basin in the Northern Territory in Australia.

It is strategically focused on the development of its portfolio being EP 136, EP 143, EP 161 and EP(A) 197. Tamboran was granted exploration permit EP 161 in 2012 by the Northern Territory government. In December 2012, Tamboran and Santos entered into a joint venture agreement under which Santos became the operator of the permit as well as a farm-in agreement pursuant to which Santos earned a 75% working interest in the permit.

On 25 July 2020, Longview Petroleum, LLC (Longview), Tamboran and Tamboran McArthur entered into the Share Exchange Agreement under which Tamboran, through its wholly owned subsidiary, Tamboran McArthur Pty Limited, acquired 100% of the issued share capital of Sweetpea from Longview. That transaction was completed on 21 May 2021 after receiving approval from existing shareholders and Ministerial approval.

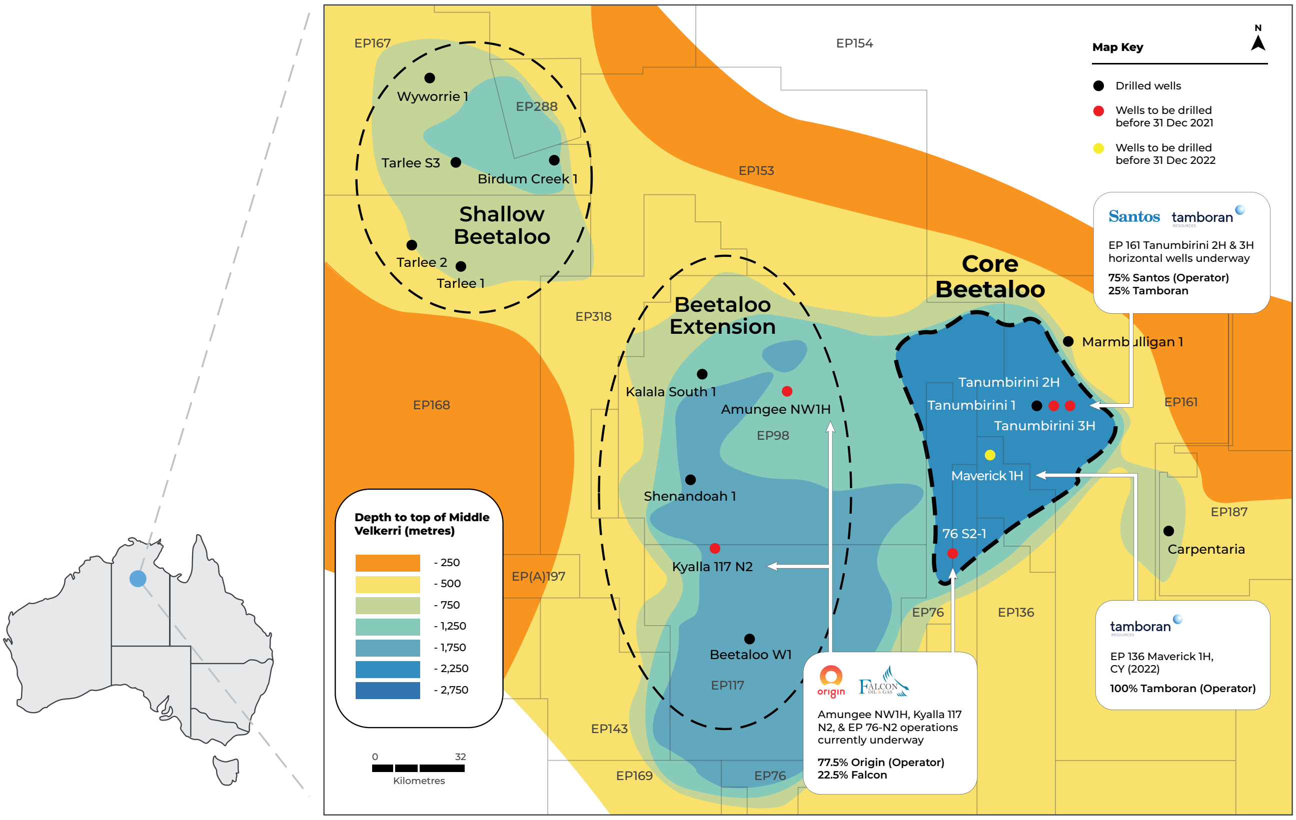
Sweetpea is the registered holder of 100% working interests in Exploration Permits, EP 136 and EP 143, which are located in the Northern Territory, and has also applied for exploration permit application EP(A) 197.

# Review of Operations



The Company is focused on developing early-stage, unconventional low $CO_2$ natural gas resources within its portfolio (EP 136, EP 143, EP 161 and EP(A) 197) which are located in the Beetaloo Sub-basin in the Northern Territory.

**Beetaloo Basin Regional Map (Mid-Velkerri Shale)**




The Board believes that there is a considerable opportunity for Tamboran to commercialise the prospective resources in its assets due to the current climate of the gas industry, and the supply and demand fundamental assessment in Australia specifically.

### Operations

In December 2019, the Santos and Tamboran joint venture in EP 161 successfully completed a four-stage vertical stimulation program in the Mid-Velkerri shale formation at the Tanumbirini 1 well. The program was completed safely with no environmental incidents.

This program was the first hydraulic fracture stimulation operation performed in the Northern Territory under updated unconventional energy rules and regulations.

On 19 December 2019, Santos and Tamboran submitted a notification and initial report to the Northern Territory Department of Primary Industry and Resources to advise a gas discovery had been achieved at the Tanumbirini 1 well in EP 161 located in the Beetaloo Sub-basin within the greater McArthur Basin. The Declaration of Discovery was accepted by the Northern Territory government in April 2020.

The 130-day flow test exceeded 1.2 million cubic feet per day (-“MMCF/D”-) or 1.3 terajoules per day (-“TJ/D”-) and remained constant at 400 thousand cubic feet per day (-“MCF/D”-) or 422 gigajoules (-“GJ/D”-) with minimal decline. The flow test was ended prematurely due to the shelter-in-place orders related to COVID-19.

After being shut-in for over 160 days, the well was reopened and initially flowed 10 MMCF/D (10.5 TJ/D) and achieved an average flow rate of 2.3 MMCF/D (2.4 TJ/D) during the first 90-hours of testing. The gas flows were observed, data was recorded and then the well was shut-in.

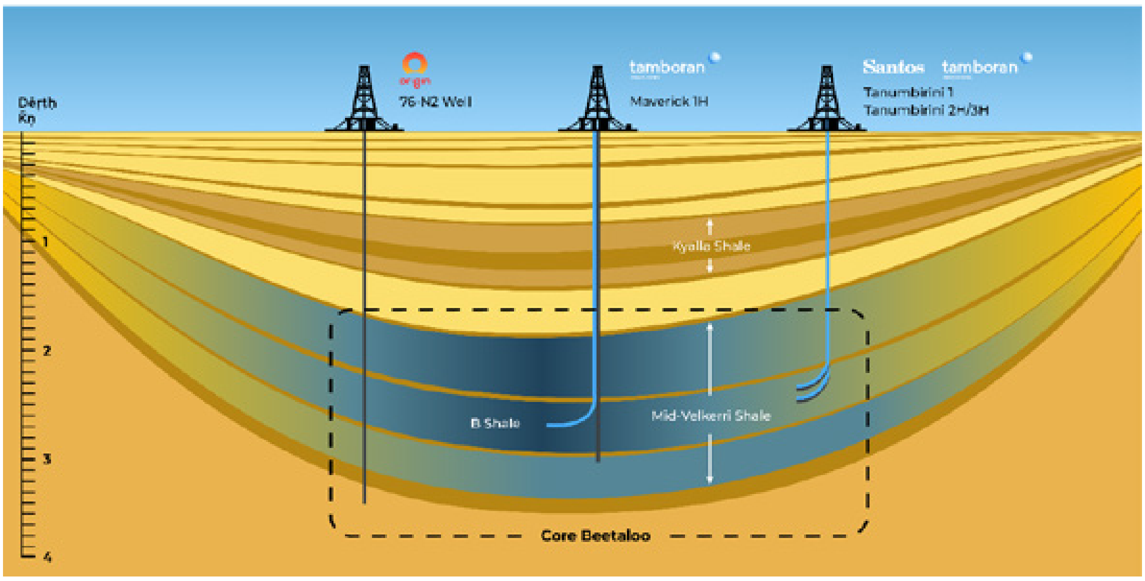
### Business Strategies

On 4 June 2020, a commercial framework was agreed with Jemena Ltd, one of the largest pipeline developers and infrastructure operators in Australia, which provides for the construction of a pipeline connecting the Beetaloo Sub-basin directly to the Southeast Australian domestic gas market via Jemena’s existing Northern Gas Pipeline and north to local NT markets. There is potential to work further with Jemena on an infrastructure solution that provides a commercial pathway to supply the domestic gas market in Australia.

On 11 May 2021, Santos initiated drilling on the Tanumbirini 2 horizontal well (T2H), the first of two horizontal wells located in EP 161 in the core of the Beetaloo Sub-basin in the Northern Territory. Drilling of the T2H was completed on 17 August 2021. T2H was drilled to a total depth of approximately 4,598 metres with approximately 1,000 metres of horizontal section in the target Mid-Velkerri ‘B’ shale. The mud gas response of the well logged significant and consistent gas shows through the horizontal section in the Mid-Velkerri ‘B’ shale and was consistent with data collected in T1, as expected. The second horizontal well, Tanumbirini 3 horizontal (T3H), was initiated on 23 August 2021 and is currently being drilled.

It is anticipated after the drilling is completed on the T3H well, that both wells will be hydraulically fracture-stimulated. The fracture stimulation will comprise 10-20 stages in the horizontal sections of each well, followed by completion and flow tests. The results from the two-well drilling and testing program are anticipated to be announced prior to the end of calendar year 2021.

West to East Cross-Section - Mid Velkerri Shale



Tamboran is currently in the well planning and design stage for the Maverick 1 horizontal well (M1H) in EP 136. The well is planned to be drilled and fracture stimulated during calendar year 2022. Tamboran owns a 100% working interest in EP 136. Tamboran is seeking to incorporate learnings from the T2H and T3H well program to utilize new data and best practise technologies to plan M1H and further de-risk the Beetaloo Sub-basin. In addition, technical work on a proposed 2D seismic survey in EP 136 is ongoing. M1H and the results of the seismic acquisition will help to further de-risk the Beetaloo Sub-basin.

**COVID-19 Pandemic**

Beginning in September 2019, Santos (operator) and Tamboran joint venture conducted a vertical fracture stimulation and flow test at Tanumbirini 1 (T1) well. This was followed by a “Declaration of Discovery” that was accepted by Northern Territory Government in April 2020. The flow test was scheduled for a minimum of 180 days. On 20 March 2020, Australia imposed a travel restriction to non-residents and effectively closed its international borders and restricted interstate and intrastate travel as one of the measures to reduce the impact of the COVID-19 pandemic. Due to travel restrictions, the flow test program was conducted for only 130 days. The T1 well was shut-in for over 160 days and subsequently re-opened in September 2020.

The main operational impacts of COVID-19 delays were the deferral of the Inacumba 1H well and Tanumbirini 2H (T2H) well from CY 2020. T2H was delayed until 2021 and the joint venture decided to drill Tanumbirini 3H (T3H) in 2021 and defer Inacumba 1H until after T2H and T3H. Tamboran employees, during regional travel restrictions, followed flexible work at home arrangements. As of the date of this report, no additional impacts or delays due to COVID-19 have been experienced in the drilling of T2H and T3H.

**Outlook**

Tamboran is seeking to de-risk the Beetaloo Sub-Basin with the current drilling program underway and in the next 12 months. The goal of the Company is to commercialise low $CO_2$ natural gas from the Beetaloo and deliver it to the domestic gas markets in the Northern Territory and Southeast Australia.

## Financial Position

As at 30 June 2021, the Company's cash position was $63,083,822, which will be used towards funding its commitments in respect to its 25% working interest in EP 161 and to acquire seismic data and drill the Maverick 1H well in EP136 (operator and 100% working interest) during calendar year 2022.

## Corporate Structure

Tamboran is a publicly listed company that is incorporated and domiciled in Australia. On 2 July 2021 the Company was admitted to the official list of the ASX Limited.

## Employees

The Company had two full-time employees at 30 June 2021. As of the date of this report, Tamboran has 11 full-time employees. The operations team consists of several experienced professionals who have worked in several of the major unconventional shale basins in the United States. These professionals have supervised the drilling of more than 5,000 unconventional horizontal shale wells.

## Significant Changes in the State of Affairs

The Company was admitted to ASX on 2 July 2021 with shares commencing trading on the Australian Securities Exchange on 2 July 2021.

The Company successfully purchased Sweetpea Petroleum Pty Ltd (Sweetpea) during the year. Sweetpea is the 100% owner of significant tenements in the Beetaloo Basin, located in the Northern Territory. Purchasing Sweetpea enables the Company to have operatorship over these significant unconventional gas tenements.

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.

## Rounding Amounts

Tamboran meets the requirements referred to in the Corporations Instrument 2016/191 issued by the Australian Securities and Investments Commission, in relation to the "rounding off" of amounts. Amounts in the Directors' Report and Financial Statements have been rounded off, in accordance with the Instrument, to the nearest whole dollar, unless otherwise stated.

## Matters Subsequent to the End of the Financial Period

Other than where stated at Note 23 to the Financial Statements, at the date of this report, there were no matters or circumstances which have arisen since 30 June 2021 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.

## Environmental regulations

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 contain conditions which relate to the full rehabilitation of the areas of exploration in accordance with regulatory guidelines and standards. The directors are not aware of any breaches of the licence conditions or environmental regulations during or since the end of the financial year. The Group is committed to meeting environmental and land use regulations, including native title requirements.

## Sustainability

Tamboran intends to play a constructive role in the global energy transition towards a lower carbon future by developing low $CO_2$ unconventional natural gas resources in the Core Beetaloo Sub-basin within the Greater McArthur Basin in the Northern Territory of Australia. Tamboran's vision is to seek to become a producer of gas with net zero emissions for its equity share of Scope 1 and Scope 2 emissions[2].

One of the differentiating features of natural gas from the Beetaloo Sub-basin is the relatively low $CO_2$ content. Production tests of wells that have been drilled within and on trend with the Tamboran assets in the Beetaloo Sub-basin indicate that the gas in the basin generally has a lower $CO_2$ content than the industry average for gas fields currently in production or under development in the north-west of Australia.

Tamboran is committed to minimising the carbon emissions related to the development of this resource further, by using advanced drilling technologies and exploring options to integrate renewable energy, and underground carbon capture and sequestration.

While mitigating the generation of carbon emissions from its operations is a priority that is core to Tamboran's net zero vision, during the reporting period, Tamboran demonstrated its commitment to its net zero vision through the purchase of 16,807 $tCO_2$-e Verified Emissions Reductions (VERs). These assets will be utilised to directly offset Tamboran's current carbon footprint.

Tamboran intends to retire these VERs following an independent review of Tamboran's carbon footprint, which is part of its strategy to achieve the net zero vision. While there is a cost of purchasing VERs, not all carbon offsets are created equal, with nature-based credits having geographical and location advantages as well.

Tamboran has purchased VERs that are eligible under the Australian Government's carbon neutral certification, Climate Active, and also provide several key benefits as highlighted under the UN Sustainable Development Goals. These benefits include enhancing biodiversity as well as social and economic co-benefits.

Tamboran has a Sustainability Committee to assist the Board in fulfilling its responsibilities for the oversight of Tamboran's sustainability policies, reviewing and updating the Company's Sustainability Plan and overseeing the production of a Sustainability Report. Tamboran's inaugural Sustainability Plan was published on 7 May 2021 and is available on Tamboran's website (www.tamboran.com). Tamboran intends to release its first Sustainability Report in May 2022, which will be updated annually.

## Corporate Governance Statement

The Company believes that effective corporate governance policies promote and support an informed decision making process within all areas of our business while contributing to long-term value creation for shareholders in a socially responsible manner. The Company is committed to ensuring best practices and operates within the frameworks of a number of internal policies at the Board and management levels. Board and management have established the following corporate governance policies:

2 Scope 1 emissions occur from sources controlled by the Company, for example emissions from fuel, flare and vent; Scope 2 emissions are indirect, mainly electricity consumption.

| | |
|---|---|
| Board Charter | Shareholder Communications Policy |
| Code of Conduct | Securities Trading Policy |
| Disclosure Policy | Whistleblower Protection Policy |
| Diversity Policy | Anti-Bribery & Corruption Policy |

These policies make clear Tamboran's commitment to ensuring ethical and sustainable operations for our employees, shareholders, partners, and key stakeholders. Transparency and corporate governance best practices are formally monitored through Board level committees, including the Audit and Risk Management Committee, Remuneration Committee, Nomination and Governance Committee and the Sustainability Committee. The governance policies are available on the Company's website at: https://www.tamboran.com/corporate-governance-statements/.

Under ASX Listing Rule 4.10.3, Tamboran is required to benchmark its corporate governance practices against the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, 4th edition (**ASX Governance Recommendations**).

Tamboran's 2021 Corporate Governance Statement and Appendix 4G are available on the Company's website at: https://www.tamboran.com/corporate-governance-statements/.

## Share Capital and Unlisted Options

As at the date of this Annual Report, the Company's equity capital is as follows:

| Quoted Securities | ASX Code | Number |
|---|---|---|
| Ordinary, fully paid shares | TBN | 652,860,557 |

| Unquoted Securities | Number |
|---|---|
| Options – fully vested | 20,970,541 |
| Options – unvested | 16,000,000 |

For further description of these classifications of securities, please review Notes 14 and 15.

## Land Access Arrangements

Tamboran is currently working through the process of land access pursuant to section 29(1) of the Petroleum Regulations 2020 (NT). As part of that process, Tamboran has referred the land access arrangements in respect of EP 136 to the Northern Territory Civil and Administrative Tribunal for a procedural determination. Tamboran anticipates land access arrangements will be granted in respect of EP 136 to be finalised prior to the end of the calendar year 2021.

## Indemnification and Insurance of Officers and Auditors

### Indemnification

The Company has agreed to indemnify all directors and officers of the Company against all liabilities that may arise from their position as directors or officers of the Company or Group Company, to the extent permitted by law.

### 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.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Non-Audit Services

During the financial year, Ernst & Young, the Group's auditor, performed certain other services in addition to its statutory audit duties. Total fees for non-audit services provided during the year, as set out in Note 5 of the financial statements, amounted to $503,738 (2020: $218,900).

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* for the following reasons:

- all non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants. This includes not reviewing and auditing the auditor's own work, not acting in a management or decision-making capacity for the Group, not acting as advocate for the Group and not jointly sharing economic risk or rewards.

### 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 37.

## Remuneration Report – Audited

The directors of Tamboran present the remuneration report prepared in accordance with section 300A of the *Corporations Act 2001* ("the Act") for the consolidated entity for the year ended 30 June 2021.

This report which forms part of the Directors' Report outlines the remuneration strategy, framework and arrangements adopted by the consolidated entity in accordance with the requirements of the Act and its regulations. This information has been audited as required by section 308-(3C) of the Act.

This report details remuneration information pertaining to directors and executives who are the 'Key Management Personnel' ("KMP") of the consolidated entity. KMP are defined as those persons having authority and responsibility for planning, directly and controlling the activities of the consolidated entity, directly or indirectly, including all directors.

This is the first year that Tamboran Resources Limited is presenting an audited remuneration report. Tamboran was admitted to the official list of ASX Limited on 1 July 2021.

The following non-executive directors ("NED's") and executives have been identified as KMP for the purpose of this report:

| Name | Position | Appointed | Resigned |
|---|---|---|---|
| **Non-Executive Directors** | | | |
| **Patrick Elliott** | Non-Executive Director | 9-Feb-09 | --- |
| **Fredrick Barrett** | Non-Executive Director | 5-Apr-16 | --- |
| **Richard Stoneburner** | Chairman | 5-Apr-16 | --- |
| **Daniel Chandra** | Non-Executive Director | 21-Mar-19 | --- |
| **Ann Diamant** | Non-Executive Director | 3-Mar-21 | --- |
| **David Siegel** | Non-Executive Director | 3-Mar-21 | --- |
| **David King** | Non-Executive Director | 9-May-12 | 3-Mar-21 |
| **Stuart Lake** | Non-Executive Director | 5-Apr-16 | 3-Mar-21 |
| **Executive director and Executives** | | | |
| **Joel Riddle** | Managing Director and CEO | 12-Dec-18 | --- |
| **Eric Dyer** | Chief Financial Officer | 1-Nov-19 | --- |
| **Faron Thibodeaux** | Chief Operating Officer | 6-Aug-21 | --- |
| **Joanna Morbey** | Company Secretary | 23-Mar-16 | --- |

The remuneration report is set out under the following main headings:

(a) Remuneration governance

(b) Remuneration arrangements

(c) Remuneration outcomes of managing director and executives

(d) Interests held by managing director and senior executives

(e) Remuneration outcomes of non-executive directors

(f) Interests held by non-executive directors

### Historical background

Prior to 1 July 2021, Tamboran was an unlisted public company. Unique to Tamboran is that a number of the management team and several directors are U.S. citizens taxed on income by the US government globally and long-time consultants to the Company are Canadian. Prior to listing, the Board and Tamboran realised that there needed to be a management incentive structure attractive to prospective employees both in Australia and in the United States.

Historically, incentives offered to the Board and employees and consultants have included a combination of options, warrants, and employee share scheme ('ESS") share instruments having either fixed exercise prices or variable prices based on multiples of the fair market value of the enterprise at grant date. The issued ESS share grants were supported by limited recourse loans ("treasury shares") for the value of the share grants as at issuance date.

In the December 2020 Interim Report, the following employment securities on issue:

- 11,834,583 ESS awards granted and vested, but unexercised,
- 12,916,667 ESS granted but unvested (as milestones remained unmet),
- 1,000,000 granted options outstanding, and
- 3,075,452 granted warrants outstanding.

These securities were held by Board members, ex-Board members, full time employees, advisors and consultants to the Company. The unintended consequence of this remuneration approach was a complicated capital structure that was not always clear to the investing community and potential new employees.

In May 2021 these securities were cancelled, paid out or had expired. Subsequent to the extinguishment of these securities, non-qualified stock options (NSOs) were issued in response to the new remuneration structure as outlined in the following report. This report reflects the following employment securities on issue:

- 10,734,584 fully vested options expiry 20 May 2026, exercise price of $0.32
- 7,416,667 fully vested options expiry 20 May 2026, exercise price of $0.2367
- 2,819,290 fully vested options expiry 30 November 2021, exercise price of $0.32
- 16,000,000 milestone options, unvested, expiry 20 May 2026, exercise price of $0.40

### a) Remuneration governance

Remuneration governance is overseen by the Remuneration Committee and the Nomination Committee. The Committees are committees of the Board established in accordance with the Company's constitution and authorised by the Board to assist it in fulfilling its statutory, fiduciary and regulatory responsibilities.

The ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (ASX Recommendations) recommend that the Company has formal and rigorous processes for the appointment and reappointment of directors to the Board. The Committee was established to assist the Board by undertaking the roles and exercising the responsibilities set out in the Remuneration Charter and Nomination and Governance Committee Charter. Copies of these Charters are available on the Company's website www.tamboran.com.

The Committees aim to bring transparency, focus and independent judgment to these roles. The Committees will review and make recommendations to the Board on matters relevant to these roles and responsibilities, and as required to satisfy the Corporations Act, ASX Recommendations and ASX Listing Rule requirements relevant to these roles and responsibilities.

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders. The Board believes that KMP remuneration satisfies the following key criteria:

- competitiveness and reasonableness
- acceptability to shareholders
- alignment of executive compensation
- transparency
- capital management

The Committee currently comprises the following non-executive directors:

| Remuneration Committee | Nomination and Governance Committee |
|---|---|
| David Siegel (Chairman) | Fredrick Barrett (Chairman) |
| Ann Diamant | Ann Diamant |
| Fredrick Barrett | Daniel Chandra |

## Roles of the Remuneration Committee and Nomination Committee

The roles of the Committees are defined in the Charter and is to assist and advise the Board on:

### Nomination Committee

The Nomination Committee has the following responsibilities:

- succession planning generally;
- induction and continuing professional development programs for directors;
- the development and implementation of a process for evaluating the performance of the Board, its committees and directors;
- the process for recruiting a new director, including evaluating the balance of skills, knowledge, experience, independence and diversity on the Board and, in the light of this evaluation, preparing a description of the role and capabilities required for a particular appointment;
- determining board size and balance of skills as the Company develops and evolves and becomes more complex as progress is made from project development to full operations;
- the appointment and re-election of directors including with consideration to the appropriate director tenure and length of service for the Company; and
- appointment and succession planning for the Managing Director (or such person performing the function of a chief executive officer) and other senior executives, with the objective of having a Board of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of the Company as a whole.

### Remuneration Committee

Policies and practices are designed to:

- enable the Company to attract, retain and motivate directors, executives and employees who will create value for shareholders within an appropriate risk management framework, by providing remuneration packages that are equitable and externally competitive;
- be fair and appropriate having regard to the performance of the Company and the relevant director, executive or employee and the interests of shareholders; and
- comply with relevant legal requirements.

## Responsibilities of the Remuneration Committee and Nominations Committee

### Nominations Committee

The Committee is responsible for:

- Board size: making recommendations regarding the size of the Board which would most encourage efficient decision making; current board size range is 6-8; ensuring geographic balance, including directors with Australia residence;
- Director competencies: making recommendations regarding the necessary and desirable competencies of directors;
- Skills matrix: developing a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership against the desirable range of skills;
- Director recommendations: developing and reviewing the process for the selection, appointment and re-election of directors, and making recommendations to the Board by:
    - evaluating the balance of skills, experience, independence, knowledge and diversity of directors sitting on the Board; evaluating current needs under the circumstances of the short and long term requirements of the business as well as changes in strategy, external environment and anticipated terms of current directors;
    - in light of this evaluation, preparation of a description of the role and capabilities required for a particular appointment within the context of shorter and longer term business considerations;
    - sourcing candidates from the available market including with the possible assistance of a third-party provider, and reviewing recommendations from other sources including current directors, advisors, significant shareholders, management, and industry experts;
    - assuring the candidates possess both the personal qualities of integrity, courage, curiosity, interpersonal skills, interest in the business and the industry, business acumen, ability and capacity to contribute and the appropriate and necessary competencies and skills as described above within the matrix;
    - reviewing the current diversity represented on the Board with the backdrop of the Company's Diversity Policy to assist with the sourcing and targeting of candidates;
    - interviewing and evaluating candidates along with obtaining appropriate checks and references, and
    - putting forward the candidate for appointment and election as a director to the Chairman, Managing Director, and full Board;
- Providing information: providing security holders with material information in the Committee's possession relevant to a decision as to whether or not to elect or re-elect a director;
- Assessing performance: implementing a process to evaluate the performance of the chairperson, Board, Board committees, individual directors and senior executives on an annual basis to support governance improvement, efficient Board processes and effective decision making and to address issues that may arise from the review;
- Assessing time commitment: reviewing the time required to be committed by non-executive directors to properly fulfil their duties to the Company and whether non-executive directors are meeting these requirements;
- Assessing independence: assisting the Board in assessing the independence of each non-executive director;

- Succession plans: reviewing Board and senior executive succession plans and processes, including for the Managing Director and other senior executive positions and being conscious of each director's tenure, to maintain an appropriate balance of skills, experience, expertise and diversity; and;
- Governance matters: reviewing and making recommendations in relation to any corporate governance issues as requested by the Board from time to time.

### Remuneration

The Committee is responsible for informing itself of market-based, publicly available and relevant competitive remuneration committee information and developing, reviewing and making recommendations to the Board on:

- Directors' fees: the Company's remuneration framework for directors, including, the process by which any pool of directors' fees approved by shareholders is allocated to directors;
- Senior executives: the remuneration packages to be awarded to senior executives;
- Bias: reviewing whether there are any gender or other inappropriate bias in remuneration for directors, senior executives or other employees;
- Policies: the Company's recruitment, retention and termination policies for the Managing Director and senior executives and any changes to those policies;
- Incentive schemes: incentive schemes, if appropriate, for the Managing Director and senior executives;
- Equity-based programs: equity-based remuneration plans, if appropriate, for senior executives and other employees;
- Superannuation and retirement benefits: superannuation and retirement benefit arrangements for directors, senior executives and other employees; and
- Other perquisites: applying certain other benefits as determined appropriate based upon market and competitive information.

### Incentive schemes and equity-based remuneration

For any incentive schemes or equity-based plans which are adopted, the Committee is responsible for:

- Reviewing: reviewing their terms (including any eligibility criteria and performance hurdles);
- Administration: overseeing their administration (including compliance with applicable laws that restrict participants from hedging the economic risk of their security holdings) and disclosing its policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme;
- Shareholder approval: considering whether shareholder approval is required or desirable for the schemes or plans and for any changes to them; and
- Payments and awards: ensuring that payments and awards of equity are made in accordance with their terms and any shareholder approval

### Remuneration advisors

The Remuneration Committee engaged the services of Longnecker & Associates to assist the Chairman of the Remuneration Committee in providing remuneration advice on competitive benchmarking and executive remuneration targets and structures for Australia and the USA. Squire Patton Boggs assisted in advising on remuneration agreements and drafting employee remuneration contracts. KPMG advised on the remuneration packages and human resources activities in Australia and the USA.

The Committee and its advisors are satisfied that the advice provided by each individual party is free from bias from the KMP to whom the recommendations apply.

The Remuneration Committee intends to continue with the services of remuneration advisors to ensure the Company is respectful of market expectations in this area of reporting.

## b) Remuneration arrangements

### Managing director and executives

Remuneration packages may contain the following key elements:

- Primary benefit – salary / fees / annual leave
- Variable short term incentives - bonuses
- Post-employment benefits – superannuation and prescribed retirement benefits
- Variable equity – non-qualified stock options (NSOs) and treasury shares (historic) granted under shareholder approved equity incentive plans.

The Tamboran executive compensation strategy provides for fair, competitive remuneration that aligns potential rewards with the Company's objectives while being transparent to shareholders. Key remuneration elements are reviewed annually to determine appropriate awards based upon factors such as individual performance, Company results and competitive benchmark survey data.

The following is a brief description of the approach for each element:

- Primary benefit - base salary is reviewed annually and adjusted based upon individual performance and competitive benchmarks that may be reviewed from time to time to ensure competitiveness.
- Variable short term incentives - cash bonuses are reviewed annually with awards granted based upon individual performance and Company results using identified strategic objectives and metrics. Bonus targets are benchmarked from time to time to ensure competitiveness. The Board reserves the right to grant bonuses and the quantum of the bonus dependent on performances.
- Variable Equity long-term incentives are reviewed annually with incentives being provided to employees or consultants in the form of NSOs. Equity grants awarded as part of the Company's annual review cycle will vest over a 5-year period. Equity targets are benchmarked from time to time to ensure competitiveness.

### Equity Incentive Plans

Tamboran adopted a new Equity Incentive Plan in May 2021 in preparation to becoming a publicly listed company. As a result, the previous incentives issued to NEDs and executives were cancelled and new options were issued.

### Service agreements

The key management personnel of the Company are Mr Joel Riddle (Managing Director and Chief Executive Offer), Mr Eric Dyer (Chief Financial Officer) and Joanna Morbey (Company Secretary). The employment arrangements for Mr Riddle and Mr Dyer are set out below.

### Managing Director and Chief Executive Officer

| Term | Description |
| --- | --- |
| Employer | Tamboran Services Pty Limited |
| Fixed annual remuneration | $625,000 |
| Other benefits | 3,267,500 Options at $0.32, fully vested, expiring on 20 May 2026.<br>5,500,000 Options at $0.2367, fully vested, expiring on 20 May 2026.<br>11,000,000 Milestone Options at $0.40, unvested, expiring on the Milestone Option Expiry Dates.<br>In the event of a change of control, the Board may in its discretion determine that all or a portion of the Managing Director's Milestone Options are to vest immediately or at a future time.<br>In the event that the Managing Director's employment is terminated and he is a bad leaver, the Board may determine that all or a portion of the unvested Milestone Options are to lapse immediately or at a future time. In the event the Managing Director is a good leaver, the Board may in its discretion determine that all or a portion of the Managing Director's Milestone Options are to vest immediately or at a future time. |
| Notice period, termination and termination payments | Six months prior written notice for termination of employment. No other termination benefits applicable. |
| Non-solicitation/restrictions of future activities | Must not within 12 months, 6 months, 3 months or 6 weeks (whichever is enforceable) after the termination of employment:<br>• engage in or work for a Competing Business;<br>• without the Company's written consent, directly or indirectly interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between Tamboran and any of its clients, customers or suppliers and any prospective customers, suppliers identified by the Company;<br>• accept a request from a customer to provide services relating to a Competing Business; and<br>• induce, encourage or solicit any of the Tamboran's employees, contractors or agents where there is a business relationship at any time during the last 12 months of employment to leave employment or agency or to cease providing services to the Company. |

### Chief Financial Officer

| Term | Description |
|---|---|
| Employer | Tamboran Services Pty Limited |
| Fixed annual remuneration | $500,000 |
| Other benefits | 3,000,000 Options at $0.32, fully vested, expiring on 20 May 2026.<br><br>5,000,000 Milestone Options at $0.40, unvested, expiring on the Milestone Option Expiry Dates.<br><br>In the event of a change of control, the Board may in its discretion determine that all or a portion of the CFO's Milestone Options are to vest immediately or at a future time. All Options convert on a one to one basis.<br><br>In the event that the CFO's employment is terminated and he is a bad leaver, the Board may determine that all or a portion of the unvested Milestone Options are to lapse immediately or at a future time. In the event the CFO is a good leaver, the Board may in its discretion determine that all or a portion of the CFO's Milestone Options are to vest immediately or at a future time. |
| Notice period, termination and termination payments | Three months prior written notice for termination of employment. No other termination benefits applicable. |
| Non-solicitation/restrictions of future activities | Must not within 12 months, 6 months, 3 months or 6 weeks (whichever is enforceable) after the termination of employment:<br><br>• engage in or work for a Competing business;<br><br>• without the Company's written consent, directly or indirectly interfere with, disrupt or attempt to disrupt the relationship, contractual or otherwise, between Tamboran and any of its clients, customers or suppliers and any prospective customers, suppliers identified by the Company;<br><br>• accept a request from a customer to provide services relating to a competing business; and<br><br>• induce, encourage or solicit any of the Tamboran's employees, contractors or agents where there is a business relationship at any time during the last 12 months of employment to leave employment or agency or to cease providing services to the Company. |

## c) Remuneration outcomes of Managing Director and executives

### Remuneration tables

Details of the nature and amount of each element of remuneration of the Managing Director and each of the named executives are as follows:

| Year ended 30 June 2021 | Cash, Salary, Directors fee and Consulting fees | Cash Bonus | Superannuation and employee benefits | Options | Ordinary shares | Total | Proportion of Remuneration that is performance based | % of value of remuneration that consists of options/shares |
|---|---|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ | % | % |
| J Riddle | 625,000 | 300,000 | 136,329 | 2,176,554 | 832,000 | 4,069,883 | 81.29% | 73.92% |
| E Dyer [1] | 652,621 | 300,000 | 61,594 | 621,416 | 320,000 | 1,955,631 | 63.48% | 48.14% |
| J Morbey [2] | 72,534 | 36,000 | 1,561 | 46,679 | - | 156,774 | 52.74% | 29.77% |
| TOTAL Remuneration | 1,350,155 | 636,000 | 199,484 | 2,844,649 | 1,152,000 | 6,182,288 | 74.93% | 64.65% |

1. E Dyer commenced as a contractor to Tamboran on 1 November 2019 until 31 January 2021 and became a full time employee on 1 February 2021. The salary in the current period includes a reimbursement of expenses incurred in 2021 of $100,000.
2. J Morbey accepted part time employment on 1 May 2021.

### Fixed remuneration

As part of the remuneration work undertaken by the new Remuneration Committee, in preparation for admission to the ASX and with advice from Longnecker and Associates adjustments to the base salary were made to reflect benchmark comparatives:

| | 30 June 2021 |
|---|---|
| **J Riddle** | $625,000 |
| **E Dyer** [1] | $500,000 |
| **J Morbey** [2] | $108,000 |

1. E Dyer commenced as a contractor to Tamboran on 1 November 2019 until 31 January 2021 and became a full time employee on 1 February 2021.
2. J Morbey accepted part time employment on 1 May 2021.

### Variable short term incentives – bonuses

Cash bonuses of $636,000 were accrued for the year ended 30 June 2021 and were paid after the balance sheet date.

As a result of changes to the executive packages to Mr Riddle and Mr Dyer, the following fully paid ordinary shares were issued during the year ended 30 June 2021:

| Ordinary shares issued | 30 June 2021 |
|---|---|
| **J Riddle** | 2,600,000 |
| **E Dyer** | 1,000,000 |

The issue of these shares was a result of the executives meeting performance benchmarks and time served benchmarks set by the Remuneration committee. These shares relate to the year ended 30 June 2020, however were not granted or finalised until May 2021.

### Variable equity

As a result of the reorganisation of the Company's capital structure prior to admission on the ASX the equity incentives that were issued prior to 30 June 2020 were cancelled and new incentives were issued. For all unissued shares under option detailed below, Tamboran Resources Limited will issue shares when options are exercised.

The following table sets out the changes made:

| | Treasury shares as at 1 July 2020 | Treasury shares cancelled | Milestone securities granted & unvested | Milestone securities cancelled | Granted and vested Options | Granted and Unvested Milestone Options | Unexercised options as at 30 June 2021 | Unvested Milestone options as at 30 June 2021 |
|---|---|---|---|---|---|---|---|---|
| **J Riddle** | 5,867,500 | (5,867,500) | 5,500,000 | (5,500,000) | 8,767,500 | 11,000,000 | 8,767,500 | 11,000, 000 |
| **E Dyer** | 2,500,000 | (2,500,000) | 4,500,000 | (4,500,000) | 3,000,000 | 5,000,000 | 3,000,000 | 5,000, 000 |
| **J Morbey** | - | - | - | - | 233,393 | - | 233,393 | - |
| **Total** | 8,367,500 | (8,367,500) | 10,000,000 | (10,000,000) | 12,000,893 | 16,000,000 | 12,000,893 | 16,000,000 |

(a) As at the date of this Director's Remuneration Report, the Company has 14,651,251 vested options (Options) and 16,000,000 unvested milestone options (Milestone Options) to KMP on issue.

(b) Options issued under the Equity Incentive Plan

(c) The Company has adopted the Employee Incentive Plan (EIP) to assist in the motivation and retention of selected Company employees and directors. Below is a summary of the terms and conditions of issue of the Options issued under the EIP.

| Total number of Options issued under the EIP | Vesting Condition | Exercise price and expiry date |
|---|---|---|
| **9,151,251 Options** | Fully vested | $0.32 per Option expiring on 20 May 2026 |
| **5,500,000 Options** | Fully vested | $0.2367 expiring on 20 May 2026 |
| **16,000,000 Milestone Options** | (1) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $1.00 per Share<br><br>(2) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $1.50 per Share<br><br>(3) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $2.00 per Share<br><br>(4) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $2.50 per Share | $0.40 per Milestone Option expiring on 20 May 2026 or, if the Milestone Options vest, the date that is 5 years after the date they vest as determined by the Board |

Each Option entitles the holder (**Optionholder**) to subscribe for one Share upon exercise of the Option and is exercisable at any time on or prior to 20 May 2026. Shares issued on exercise of the Options will rank equally with the then shares of the Company. The Options are not transferable.

The Options may be exercised by notice in writing to the Company and payment of the relevant exercise price for each Option being exercised. The Company will not apply to the ASX for quotation of the Options. However, the Company will apply to the ASX for quotation of the Shares issued upon the exercise of the Options.

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders.

If the Company makes a bonus issue of Shares or other securities to Existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue.

If the Company makes an issue of Shares pro rata to Existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the ASX Listing Rules.

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

## Interests held by the Managing Director and senior executives

| Securities held | Balance as at 1 July 2020 | Cancelled Options | Shares purchased / disposed | Options issued under EIP | Shares issued under EIP | Balance as at 30 June 2021 - options | Balance as at 30 June 2021 – milestone options | Balance as at 30 June 2021 shares |
|---|---|---|---|---|---|---|---|---|
| **J Riddle - CEO** | | | | | | | | |
| Ordinary shares | 1,460,111 | - | (250,000) | - | 2,600,000 | - | - | 3,810,111 |
| Treasury shares: | | | | | | | | |
| Issued at $0.2367 | 2,600,000 | (2,600,000) | - | - | - | - | - | - |
| Issued at $0.3200 | 1,000,000 | (1,000,000) | - | - | - | - | - | - |
| - Issued at $0.5000 | 2,267,500 | (2,267,500) | - | - | - | - | - | - |
| Milestone options | 5,500,000 | (5,500,000) | - | - | - | - | - | - |
| Options (expiry 20/5/2026) | - | - | - | - | - | - | - | - |
| - exercise price $0.2367 | - | - | - | 5,500,000 | - | 5,500,000 | - | - |
| - exercise price $0.3200 | - | - | - | 3,267,500 | - | 3,267,500 | - | - |
| Milestone options @$0.40 | - | - | - | 11,000,000 | - | - | 11,000,000 | - |
| **E Dyer - CFO** | | | | | | | | |
| Ordinary shares | 1,029,839 | - | 520,093 | - | 1,000,000 | - | - | 2,549,932 |
| Treasury shares: | | | | | | | | |
| - Issued at $0.3200 | 1,000,000 | (1,000,000) | - | - | - | - | - | - |
| - Issued at $1.0000 | 500,000 | (500,000) | - | - | - | - | - | - |
| - Issued at $1.5000 | 500,000 | (500,000) | - | - | - | - | - | - |
| - Issued at $2.0000 | 500,000 | (500,000) | - | - | - | - | - | - |
| Milestone options | 4,500,000 | (4,500,000) | - | - | - | - | - | - |
| Options (expiry 20/5/2026) | - | - | - | - | - | - | - | - |
| - exercise price $0.3200 | - | - | - | 3,000,000 | - | 3,000,000 | - | - |
| Milestone options | - | - | - | 5,000,000 | - | - | 5,000,000 | - |
| **J Morbey – Company Secretary** | | | | | | | | |
| Ordinary shares | 214,163 | - | 812,500 | - | - | - | - | 1,026,663 |
| Options (expiry 20/5/2026) | - | - | - | 233,393 | - | 233,393 | - | - |
| **Total** | **17,804,113** | **(18,367,500)** | **1,082,593** | **28,000,893** | **3,600,000** | **12,000,893** | **16,000,000** | **7,386,706** |

The fair values attributed to the new vested and unvested options granted during the period is as follows:

| Summary of options | Number options granted | Number options vested | Milestone options unvested | Fair value per option at grant date $ | Exercise Price $ | Amount Paid | Expiry Date | Grant Date |
|---|---|---|---|---|---|---|---|---|
| J Riddle | 5,500,000 | 5,500,000 | - | 0.2200 | 0.237 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 3,267,500 | 3,267,500 | - | 0.2000 | 0.320 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.1352 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.1208 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.1036 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.0884 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 3,000,000 | 3,000,000 | - | 0.2000 | 0.320 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.1352 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.1208 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.1036 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.0884 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Morbey | 233,393 | 233,393 | - | 0.2000 | 0.320 | - | 20/05/2026 | 20/05/2021 |
| **Total on issue** | **28,000,893** | **12,000,893** | **16,000,000** | | | | | |

## d) Remuneration outcomes of Non-Executive Directors

(i) Under the Constitution, in a general meeting the Company may determine the maximum aggregate remuneration to be provided to or for the benefit of the Non-Executive Directors as remuneration for their services as a Director. Further, under the ASX Listing Rules, the total amount of directors' fees paid to the Directors (subject to certain exceptions) must not exceed in aggregate in any financial year the amount fixed by the Company's members in general meeting.

(ii) The Company's Constitution provides that the remuneration of Non-executive Directors will be not more than the aggregate fixed sum determined by a general meeting. Initially, and until a different amount is determined by Shareholders, the maximum aggregate Non-Executive Directors' remuneration for the purposes of the ASX Listing Rules and the Constitution is $1,000,000 per annum. This amount excludes, among other things, amounts payable to any executive Director under any executive services agreement with the Group or any special remuneration which the Board may grant to the Directors for special exertions or additional services performed by a Director for or at the request of the Company. The remuneration of a Director (who is not the Chief Executive Officer or an Executive Director) must not include a commission on, or a percentage of, profits or operating revenue.

(iii) The following annual base fees are payable to Directors:

| Director fees per annum including statutory entitlements | |
|---|---|
| Chairman | $220,000 |
| Non-Executive Director | $110,000 |

The following annual committee fees are payable to the Chairman of the following Committees (with effect from Completion):

| Committee fees | Chairman fee |
|---|---|
| Audit and Risk Management Committee | $25,000 |
| Remuneration Committee | $25,000 |
| Nomination and Governance Committee | $25,000 |
| Sustainability Committee | $25,000 |

Directors will receive additional fees for being a member of a Board committee of $12,500 per annum.

All Directors' fees include superannuation payments required by law to be made. Non-Executive Directors do not receive performance-based remuneration.

The options reported in the table below include the cancelling of Treasury shares that were issued to directors prior to 1 July 2020 and past directors in 2016 and the new options that were issued as NSOs. These options have been valued under the Black-Scholes method.

Mr Joel Riddle does not receive any fees in his capacity as a Director.

Details of the nature and amount of each element of the remuneration of each of the directors of the Company and the Group during the year ended 30th June 2021 are set out in the following tables.

| Year ended 30 June 2021 | Chairman / Director Fees $ | Acceptance fee - cash $ | Additional Services $ | Superannuation $ | Granted and vested Options $ | Acceptance fee - shares $ | Total $ | Proportion of Remuneration that is performance based % | % of value of remuneration that consists of options/shares % |
|---|---|---|---|---|---|---|---|---|---|
| **Directors:** | | | | | | | | | |
| R Stoneburner | 124,964 | - | 128,982 | - | 96,679 | - | 350,625 | 27.57% | 27.57% |
| F Barrett | 153,693 | - | 128,982 | - | 146,679 | - | 429,354 | 34.16% | 34.16% |
| D Chandra | 125,731 | - | 128,982 | - | 46,679 | - | 301,392 | 15.49% | 15.49% |
| A Diamant [1] | 39,425 | - | 25,000 | 3,745 | 46,679 | 88,487 | 203,336 | 22.96% | 66.47% |
| P Elliott [2] | 261,826 | - | 128,982 | - | 46,679 | - | 437,487 | 10.67% | 10.67% |
| D King [3] | 86,955 | - | 128,982 | 2,840 | n/a | - | 218,777 | - | - |
| S Lake [4] | 72,622 | - | 128,982 | - | n/a | - | 201,604 | - | - |
| D Siegel[5] | 49,168 | 110,608 | - | - | 46,679 | - | 206,455 | 22.61% | 22.61% |
| **TOTAL** | **914,384** | **110,608** | **798,892** | **6,585** | **430,074** | **88,487** | **2,349,030** | **18.31%** | **22.08%** |

1. Ann Diamant was appointed on 3 March 2021. On appointment Ms Diamant was allocated 276,522 ordinary shares as a sign-on bonus.
2. Pat Elliott was the Chairman of the Company for the period 1 July 2020 to 28 February 2021.
3. Stuart Lake retired from the Board on 3 March 2021.
4. David King retired from the Board on 3 March 2021.
5. David Siegel was appointed a non-executive director on 3 March 2021. On appointment Mr Siegel accepted the cash equivalent of 276,522 ordinary shares.

While the total remuneration is in excess of the maximum aggregate Non-executive Directors' remuneration for the purposes of the ASX Listing Rules and the Constitution of $1,000,000 per annum, the fees for the current period include payments related to sign on bonuses, prior periods, and additional services and are in accordance with the plan.

## e) Interests held by Non-Executive directors

### Movement in equity

The Board has no approved minimum shareholding guidelines for Non-Executive directors at the date of this report.

### Ordinary shares

| Ordinary shares | Balance as at 1 July 2020 | Issued Remuneration | Purchases | Changes in Board | Other | Balance as at 30 June 2021 |
|---|---|---|---|---|---|---|
| **R Stoneburner** | 765,947 | 551,198 | 798,957 | - | - | 2,116,102 |
| **F Barrett** | 1,204,860 | 703,021 | 281,834 | - | - | 2,189,715 |
| **D Chandra** | 665,575 | 940,161 | 312,500 | - | - | 1,918,235 |
| **A Diamant** | - | 276,522 | 125,000 | - | - | 401,522 |
| **P Elliott** | 20,589,293 | 417,178 | 2,312,499 | - | - | 23,318,970 |
| **D Siegel** [1] | - | - | 2,776,522 | - | 142,700,907 | 145,477,429 |
| **S Lake** [2] | 555,555 | - | - | (555,555) | - | - |
| **D King** [3] | 3,386,707 | 575,046 | - | (3,961,753) | - | - |
| **Totals** | 27,167,937 | 3,463,126 | 6,607,312 | (4,517,308) | 142,700,907 | 175,421,973 |

1. Shares issued relate to the purchase of Sweetpea Petroleum Pty Ltd from a company associated with Mr Siegel.
2. S Lake retired from the Board on 3 March 2021.
3. D King retired from the Board on 3 March 2021.

### Unlisted options, exercise price $0.3200, expiry date 20 May 2026.

| Unlisted option | Balance as at 1 July 2020 | Cancelled Options | Issued (non-cash)[3] | Purchases | Balance as at 30 June 2021 |
|---|---|---|---|---|---|
| **R Stoneburner** | 500,000 | (500,000) | 483,393 | - | 483,393 |
| **F Barrett** | 500,000 | (500,000) | 733,393 | - | 733,393 |
| **D Chandra** | - | - | 233,393 | - | 233,393 |
| **A Diamant** | - | - | 233,393 | - | 233,393 |
| **P Elliott** | - | - | 233,393 | - | 233,393 |
| **D Siegel** | - | - | 233,393 | - | 233,393 |
| **S Lake [1]** | 500,000 | (500,000) | 500,000 | - | 500,000 |
| **D King [2]** | - | - | - | - | - |
| **Totals** | 1,500,000 | (1,500,000) | 2,650,358 | - | 2,650,358 |

1. S Lake retired from the Board on 3 March 2021.
2. D King retired from the Board on 3 March 2021.
3. All new options were issued with an exercise price of $0.32 and a fair value of $0.20 at the grant date. Further, none of the above options are paid as of 30 June 2021.

**Completion of Remuneration Report**

Signed at Sydney this 30th September 2021 in accordance with a resolution of the Directors.

Richard Stoneburner

Chairman of the Board

# Auditor's Independence Declaration

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## 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 2021, 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
30 September 2021

# Statement of Comprehensive Income

Year Ended 30 June 2021

| | Note | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| Interest income | 3.1 | **6,868** | 102,570 |
| Other income | 3.1 | **2,492,121** | - |
| Administration expenses | | **(489,354)** | (119,867) |
| Consultancy, legal and professional costs | 3.2 | **(7,422,186)** | (9,866,883) |
| Depreciation and amortisation | 3.2 | **(447,562)** | (140,266) |
| Director and executive fees | | **(5,071,684)** | (1,768,758) |
| Net finance costs | 3.2 | **(7,825,459)** | (2,108,315) |
| Foreign exchange (losses) / gains | | **(113,081)** | 200,241 |
| Other expenses | | **(198,796)** | (307,395) |
| Share based payments expense | 3.2 | **(4,438,597)** | (495,261) |
| ASX Listing Fees | | **(181,255)** | - |
| Verified Emissions Reductions | | **(132,453)** | - |
| **LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE** | | **(23,821,438)** | **(14,503,934)** |
| Income tax expenses relating to ordinary activities | 4 | **-** | - |
| | | **(23,821,438)** | (14,503,934) |
| Other comprehensive income | | **-** | - |
| **TOTAL COMPREHENSIVE LOSS TOTAL COMPREHENSIVE LOSS** | | **(23,821,438)** | **(14,503,934)** |
| Basic and diluted loss per share (cents per share) | 25 | **($0.192)** | ($0.155) |

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

# Statement of Financial Position

At 30 June 2021

| | Note | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash assets | 6 | **63,083,722** | 5,594,309 |
| Receivables | 7 | **436,442** | 162,599 |
| Other Current Assets | 7 | **58,315** | 35,835 |
| **TOTAL CURRENT ASSETS** | | **63,578,479** | 5,792,743 |
| **NON-CURRENT ASSETS** | | | |
| Plant and equipment | 8 | **649,427** | 727,458 |
| Deferred exploration and evaluation expenditure | 9 | **46,601,221** | 15,677,720 |
| Right of Use asset | 10 | **1,416,740** | 2,564,961 |
| Other Non-Current assets | | **321,750** | 321,750 |
| **TOTAL NON-CURRENT ASSETS** | | **48,989,138** | 19,291,889 |
| **TOTAL ASSETS** | | **112,567,617** | 25,084,632 |
| **CURRENT LIABILITIES** | | | |
| Payables | 11 | **5,715,283** | 3,762,502 |
| Employee costs and accruals | 11 | **908,861** | 478,756 |
| Lease liabilities | 10 | **359,830** | 294,577 |
| **TOTAL CURRENT LIABILITIES** | | **6,983,974** | 4,535,835 |
| **NON-CURRENT LIABILITIES** | | | |
| Employee costs and accruals | 12 | **105,222** | 59,916 |
| Other financial liabilities | 13 | **-** | 57,792,830 |
| Lease liabilities | 10 | **1,114,390** | 2,286,233 |
| **TOTAL NON-CURRENT LIABILITIES** | | **1,219,612** | 60,138,979 |
| **TOTAL LIABILITIES** | | **8,203,586** | 64,674,814 |
| **NET ASSETS** | | **104,364,031** | (39,590,182) |
| **EQUITY** | | | |
| Contributed Equity | 14 | **183,855,350** | 20,518,296 |
| Reserves | 15 | **8,620,361** | 4,181,764 |
| Accumulated losses | | **(88,111,680)** | (64,290,242) |
| **TOTAL EQUITY** | | **104,364,031** | (39,590,182) |

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

## Statement of Cash Flows

Year Ended 30 June 2021

| | Note | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|
| Payment to suppliers and employees | | **(8,562,862)** | (8,989,395) |
| Interest received | | **14,272** | 97,405 |
| Payment of lease interest | | **(84,994)** | (34,329) |
| **NET CASH FLOWS USED IN OPERATING ACTIVITIES** | **24** | **(8,633,584)** | (8,926,319) |
| Expenditure on exploration | 9 | **(13,196,723)** | (11,199,993) |
| Expenditure on leasehold improvements | 8 | **(17,695)** | (756,204) |
| **NET CASH FLOWS USED IN INVESTING ACTIVITIES** | | **(13,214,418)** | (11,956,197) |
| Proceeds from exercise of warrants | | **335,875** | 60,340 |
| Proceeds from the issue of redeemable preference shares | 13 | **21,653,588** | - |
| Proceeds from issue of Ordinary shares | 14 | **61,004,206** | - |
| Repayment of lease liability (principal) | 10 | **(310,206)** | (85,187) |
| Cost of issue of shares | | **(3,346,048)** | - |
| **NET CASH FLOWS FROM FINANCING ACTIVITIES** | | **79,337,415** | (24,847) |
| Net increase (decrease) in cash held | | **57,489,413** | (20,907,363) |
| Cash at the beginning of the financial year | 6 | **5,594,309** | 26,501,672 |
| **CASH AT THE END OF THE FINANCIAL YEAR** | **6** | **63,083,722** | 5,594,309 |

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

# Statement of Changes in Equity

Year Ended 30 June 2021

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

| | Note | Issued [Note 14] $ | Reserves [Note 15] $ | Accumulated Losses $ | Total Equity $ |
|---|---|---|---|---|---|
| Balance 1 July 2019 | | 20,457,956 | 3,686,503 | (49,786,308) | (25,641,849) |
| Share based payments | | - | 495,261 | - | 495,261 |
| Conversion of warrants to | | 60,340 | - | - | 60,340 |
| Net Loss for the period | | - | - | (14,503,934) | (14,503,934) |
| Balance as at 30 June 2020 | | 20,518,296 | 4,181,764 | (64,290,242) | (39,590,182) |
| **Balance 1 July 2020** | | **20,518,296** | **4,181,764** | **(64,290,242)** | **(39,590,182)** |
| **Share based payments** | | **-** | **4,438,597** | **-** | **4,438,597** |
| **Issue of ordinary shares** | **14** | **83,868,785** | **-** | **-** | **83,868,785** |
| **Conversion of redeemable** | **13** | **82,719, 254** | **-** | **-** | **82,719,254** |
| **Conversion of warrants to** | | **335,875** | **-** | **-** | **335,875** |
| **Cost of raising capital** | | **(3,586,860)** | **-** | **-** | **(3,586,860)** |
| **Net Loss for the period** | | **-** | **-** | **(23,821,438)** | **(23,821,438)** |
| **Balance as at 30 June 2021** | | **183,855,350** | **8,620,361** | **(88,111,680)** | **104,364,031** |

# Notes to the Financial Statements

## 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 during the period.

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 Group'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 2021 was authorised for issue in accordance with a resolution of the Directors on 30th September 2021.

### Going Concern

These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will have sufficient cash to pay its debts as and when they become payable for a period of at least 12 months from the date the financial report was authorised for issue.

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

***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 Amendments to AASB 3 – Reference to the 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.

***AASB 2018-6 Amendments to AASs – Definition of a Business –*** The definition of a business helps entities to distinguish business combinations from asset purchases. Business combinations are accounted for using the acquisition method, which, among other things, may give rise to goodwill. Accounting treatments for other types of transactions may also be affected, depending on whether the transaction involves a business (e.g., A loss of control transaction where a retained interest is accounted for using the equity method). With the aim of helping companies determine whether an acquired set of activities and assets is a business, the amendments to AASB 3 Business Combinations:

- Clarify the minimum requirements for a business to exist
- Remove the assessment of whether market participants are capable of replacing missing elements of a business
- Provide guidance to help entities assess whether an acquired process is substantive
- Narrow the definitions of a business and of outputs
- Introduce an optional fair value concentration test to identify a business

These amendments are applied prospectively.

## New standards, interpretations and amendments issued but not yet effective

***AASB2020-3 Fees in the '10 per cent' test for derecognition of financial liabilities*** - As part of its 2018-2020 annual improvements to IFRS standards process the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

***AASB 2020-3 Amendments to AASB 137 Onerous Contracts – Cost of Fulfilling a Contract*** – IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

***Classification of Liabilities as Current or Non-current –*** In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The amendments are not expected to have a material impact on the Group.

AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates – Amendments of AASB 7, 101 and 108 provide definition and clarifications on accounting estimates and clarify the concept of materiality in the context of disclosure of accounting policies. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.

***AASB 2021-5 Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction –*** This amendment revises the AASB 112 to narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences and clarify that the exemption does not apply to transactions such as leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. The amendments are not expected to have a material impact on the Group.

Several other standard amendments and interpretations were applicable for the first time from 1 July 2020 or were issued but not yet applicable as of the reporting date, but were not relevant to the Group and does not impact the Group's consolidated financial statements.

### (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

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.

### (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:

- 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 – 5 years.

### (e) Recoverable amount of non-financial 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 impaired when the above criteria do not apply or when the Directors assess that the carrying value may exceed the recoverable amount.

### (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.

### (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 is party to one lease entered into in the previous 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. During the period, the Company concluded it is no longer likely to extend the term of the lease by the optional three years, and as such has assessed this lease remeasurement in Note 10.

***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.

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.

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.

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 debt financial instrument.

On 25th June 2021 all redeemable preference shares were converted to ordinary shares. Prior to the conversion the amortised cost of the debt instrument was assessed and the derivative liability was remeasured.

### (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. As a part of the restructuring of the company share structure these Treasury shares were cancelled and a new employee incentive scheme was created.

### (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.

Refer to Note 15 for further detail. As a part of the restructuring of the company share structure these warrants were cancelled and new, unlisted options were granted.

### (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, the Group recognises its asset, liabilities, revenue, and expenses in relation to its interest in the joint operation. Refer to Note 28 for further details.

### (r) Other income

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

### (s) Income tax

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

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

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

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

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

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

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

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

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

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

The Group is a tax consolidated group at the balance sheet date.

### (t) 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.

### (u) 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 it recoverable amount.

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

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; 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.

## Note 2. Critical Accounting Estimates and Judgements

The preparation of these financial statements in conformity with Australian Accounting Standards has required

management to make judgements, estimates and assumptions which impact the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical knowledge and various other factors that are believed to be reasonable in the circumstance. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed regularly and revisions to accounting estimates are reviewed in the period in which the estimate is revised. The most significant estimates and assumptions which have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to:

***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.

***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.

***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 impaired 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 or upon conversion to shares. Additional information is set out in Note 13.

# Note 3. Other Income / Expenses

| 3.1 Income | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Interest income | **6,868** | 102,570 |
| | **6,868** | 102,570 |
| **Other income** | | |
| Previous year expenditure recovered or discounted | **2,492,121** | - |
| | **2,492,121** | - |

**3.2 Expense**

Loss before income tax includes the following specific expenses:

| | | |
|---|---|---|
| Depreciation | | |
| - Leasehold assets | **95,726** | 28,746 |
| Amortisation | | |
| - Right of use asset | **351,835** | 111,520 |
| | **447,561** | 140,266 |
| Consultancy, audit and professional costs | | |
| - Accounting and company secretary costs | **127,665** | 106,021 |
| - Audit services | **169,520** | 265,672 |
| - Legal services | **2,779,529** | 4,369,515 |
| - Consultancy services | **4,345,472** | 5,125,675 |
| | **7,422,186** | 9,866,883 |
| Verified Emissions Reductions | **132,453** | - |
| Share based payments | **4,438,597** | 495,261 |
| Superannuation expense | **29,842** | 27,479 |
| Net finance costs | | |
| Interest expense on lease liability | **84,995** | 34,329 |
| Interest expense on Sweetpea Note Payable | **39,732** | - |
| Redeemable preference shares | | |
| - Issuance of shares for modification | **4,800,000** | - |
| - Accretion of discount on liability | **4,079,783** | 3,168,090 |
| - Market to market derivative loss / (gain) | **1,554,759** | (1,967,741) |
| - Unrealised foreign exchange loss / (gain) | **(2,324,904)** | 450,511 |
| - Amortisation of borrowing costs | **475,172** | 423,126 |
| - Remeasurement due to Modification loss / (gain) | **(884,078)** | - |
| **Redeemable Preference Shares Net Finance Costs** | **7,700,731** | 2,073,986 |
| **Total Net Finance Costs** | **7,825,459** | 2,108,315 |

# Note 4. Income Taxes

| Numerical reconciliation of income tax expense to prima facie tax payable | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Net Loss attributable to common shareholders | **23,821,438** | 14,503,934 |
| Tax at the Australian tax rate of 30% | **7,146,431** | 4,351,180 |
| Non-deductible expenditures | **(4,533,178)** | (3,342,879) |
| Deferred tax asset benefit not recognised | **(2,613,253)** | (1,008,301) |
| Net tax benefit | **-** | - |
| **Deferred Tax Assets** | | |
| Net operating loss carried forward | **8,355,315** | 4,541,715 |
| Costs of raising equity | **717,372** | - |
| Provisions | **101,429** | 161,601 |
| Total deferred tax assets | **9,174,116** | 4,703,316 |
| **Deferred Tax Liabilities** | | |
| Exploration assets | **9,174,116** | 4,703,316 |
| Total deferred tax liabilities | **9,174,116** | 4,703,316 |
| 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 2021. 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 $51,608,760 (2020: loss $42,897,917).

These amounts have not been brought to account in calculating any future tax benefit. A benefit of 30% (2020: 30%) of approximately $15,482,628 (2020: $12,869,375) 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,
- 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.

## Note 5. Auditors' Remuneration

The auditor of Tamboran Resources Limited is Ernst & Young Australia.

| | **Consolidated 2021 $** | Consolidated 2020 $ |
|---|---|---|
| Fees for auditing the statutory financial report | **169,520** | 265,672 |
| Other assurance services where there is discretion as to whether the service is provided by the auditor or another firm | **449,500** | 218,900 |
| Other services | | |
| Tax Services | **54,238** | - |
| | **673,258** | 484,572 |

Other assurance services are primarily comprised of those services related to the due diligence of the initial public offering

## Note 6. Cash Assets

| | **Consolidated 2021 $** | Consolidated 2020 $ |
|---|---|---|
| Cash at bank | **63,083,722** | 594,309 |
| Term deposits | **-** | 5,000,000 |
| | **63,083,722** | 5,594,309 |

## Note 7. Receivables and Other Current Assets

| | **Consolidated 2021 $** | Consolidated 2020 $ |
|---|---|---|
| Receivable from the Australian Tax Office | **436,442** | 162,599 |
| | | |
| Other current assets | | |
| Prepayments | **58,315** | 28,431 |
| Interest receivable | **-** | 7,404 |
| | **58,315** | 35,835 |

## Note 8. Plant and Equipment

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Leasehold improvements | **773,899** | 756,204 |
| Depreciation of leasehold assets | **(124,472)** | (28,746) |
| | **649,427** | 727,458 |

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 | **727,458** | - |
| Additions | **17,695** | 756,204 |
| Disposals | **-** | - |
| Depreciation expense | **(95,726)** | (28,746) |
| | **649,427** | 727,458 |

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

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Opening Balance | **15,677,720** | 4,477,727 |
| Additions on EP 161 | **6,100,045** | 11,199,993 |
| Sweetpea tenements acquired | **16,963,287** | - |
| Additions to Sweetpea tenements post-acquisition | **7,900,169** | - |
| Closing Balance | **46,601,221** | 15,677,720 |

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

Refer to Note 28 relating to the Joint Venture with Santos Limited. Additionally, in May 2021 the company purchased 100 % of Sweetpea Petroleum Pty Ltd in an asset acquisition. Sweetpea owns EP 136, EP 143, and EP(A) 197 in the Beetaloo Basin, Northern Territory.

Asset acquisitions which are not business combinations are accounted for by allocating the purchase consideration, against identifiable assets and liabilities acquired, based on their relative fair values determined on acquisition date. Transaction costs incurred in relation to the acquisition are capitalised to the tenement acquired.

For equity-settled share-based payment transactions, the entity shall measure the goods or services received, and the corresponding increase in equity, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. The consideration of the Sweetpea transaction was derived from the fair value of the assets and liabilities received.

Tamboran executed the asset purchase agreement with Longview Petroleum to acquire 100% interest Sweetpea's Beetaloo assets for equity consideration of $14.8m.

| Total Consideration | A$ |
|---|---|
| Exploration and evaluation assets | 15,169,222 |
| Transaction costs (capitalised to E&E) | 851,616 |
| Stamp Duty, to be capitalised to E&E | 902,452 |
| GST Receivable | 111 |
| Payables | (355,226) |
| **Total fair value of net assets** | **16,568,175** |
| Consideration (issued in shares) | 14,814,107 |
| Transaction costs | 851,616 |
| Stamp duty costs | 902,452 |
| **Total consideration** | **16,568,175** |

In addition, the Sweetpea Assets are subject to overriding royalty interests (ORRI) and an Area of Mutual Interest (AMI) obligation, granted in favour of parties that give the holders certain contractual rights (such as to receive a share of the gross revenue) in respect of gas produced from the land within a permit. The aggregate ORRI totals 7% of revenue and the AMI provides for grant of additional ORRIs where additional acreage is acquired by Sweetpea within a specified area contiguous to EP 136, EP 143 and EP(A) 197.

Portions of the 7% ORRI, may be reduced over time to an aggregate 3% ORRI, and the AMI may be eliminated, at Tamboran's discretion, which may be achieved through cash payments made by Tamboran totalling approximately US$17 million.

As of the date of this report, Tamboran had eliminated the AMI and reduced the ORRI to 4% through a payment of US$2.7m. The reduction of the Bayless ORRI was performed through a combination of equity (issuance of 3,095,475 shares) and cash.

## Note 10. Leases

The Company has one lease contract for the use of the office premises. The term of the lease is five years, with an option of three additional years. At the inception of the lease, the Group had assessed the lease period as eight years. During the period, the Group concluded it was unlikely to extend the lease for the optional three years. As such, a lease remeasurement was performed during the period, the impacts of which are shown in the table below in addition to the carrying amount of the right of use asset recognised and the movements during the period:

| | **Consolidated 2021 $** | Consolidated 2020 $ |
|---|---|---|
| Right of Use Asset | | |
| As at 1 July | **2,564,961** | - |
| Additions | **-** | 2,676,481 |
| Remeasurement to lease | | (796,385) |
| Less Amortisation | **(351,835)** | (111,520) |
| As at 30 June | **1,416,741** | 2,564,961 |
| Lease Liability | | |
| As at 1 July | **2,580,810** | - |
| Additions | **-** | 2,676,481 |
| Remeasurement of lease | | (796,385) |
| Lease repayments | **(395,200)** | (130,000) |
| Interest expense on lease liability | **84,994** | 34,329 |
| As at 30 June | **1,474,219** | 2,580,810 |
| Lease Liability split between: | | |
| Current Liability | **359,830** | 294,577 |
| Non-Current Liability | **1,114,389** | 2,286,233 |
| | **1,474,219** | 2,580,810 |

The following are the amounts recognised in profit and loss:

| | | |
|---|---|---|
| Amortisation expense | **351,835** | 111,520 |
| Interest expense (included as finance costs) | **84,994** | 34,329 |
| | **436,829** | 145,849 |

The Company had total cash outflows for leases of $394,780 (2020: $130,000).

## Note 11. Payables – Current

| | **Consolidated 2021 $** | Consolidated 2020 $ |
|---|---|---|
| Trade and other payables | **5,715,286** | 3,762,502 |
| Accrued directors' fees and other employee accruals | **636,000** | 405,038 |
| Other employee costs | **39,986** | - |
| Employee costs [annual leave provision] | **232,875** | 73,718 |
| | **908,861** | 478,576 |

## Note 12. Payables – Non-current

| | **Consolidated 2021 $** | Consolidated 2020 $ |
|---|---|---|
| Employee costs [Long service leave provision] | **105,222** | 59,916 |
| | **105,222** | 59,916 |

## Note 13. Redeemable Preference Shares

| | **Financial Liability** | **Embedded Derivative** | **Total** |
|---|---|---|---|
| Balance 1 July 2019 | 17,365,761 | 38,353,083 | 55,718,844 |
| Accretion of discount on liability | 3,168,090 | - | 3,168,090 |
| Unrealized foreign exchange loss | 450,511 | - | 450,510 |
| Fair value adjustment loss / (gain) | 344,519 | (2,312,260) | (1,967,741) |
| | 21,328,881 | 36,040,823 | 57,369,704 |
| Amortisation of borrowing costs | 423,126 | - | 423,126 |
| Balance 30 June 2020 | 21,752,007 | 36,040,823 | 57,792,830 |
| Balance at 1 July | **21,752,007** | **36,040,823** | **57,792,830** |
| Issue of redeemable preference shares | **10,950,662** | **11,075,031** | **22,025,693** |
| Remeasurement due to Modification loss / (gain) | **(1,100,049)** | **215,970** | **(884,078)** |
| Accretion of discount on liability | **4,554,954** | **-** | **4,554,954** |
| Unrealized foreign exchange loss | **(2,324,904)** | **-** | **(2,324,904)** |
| Market to market derivative loss / (gain) | **-** | **1,554,759** | **1,554,759** |
| Balance 25 June 2021 at redemption | **33,832,671** | **48,886,583** | **82,719,254** |
| Redemption to ordinary shares | **(33,832,671)** | **(48,886,583)** | **(82,719,254)** |
| Balance 30 June 2021 | **-** | **-** | **-** |

### Historical Summary of Redeemable Preference Shares (RPS)

During and prior to the year ending 30 June 2019, the Group executed a number of Subscription Agreements with BP-PE3, L.L.C. (a nominee of Baupost Capital LLC) (**Baupost**), Lion Point Master, LP (a nominee of Lion Point Capital) (**Lion Point**) and Venture Holdings SARL for a total subscription amount of $43,092,578 and 168,258,307 redeemable preference shares.

Year ended 30 June 2020 movements

No redeemable preference shares were issued during the period ended 30 June 2020.

Year ended 30 June 2021 movements

On 8 December 2020, 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 Venture Holdings SARL (**Venture**) for a placement of fully paid redeemable Preference Shares (convertible into ordinary shares) in the capital of the Company (collectively the "2021 Lion Point and Venture RPS").

Under the terms of the Lion Point Agreement, Lion Point subscribed for 15,625,000 fully paid Preference Shares convertible into ordinary shares.

Under the terms of the Venture Agreement, Venture subscribed for 15,625,000 fully paid Preference Shares convertible into ordinary shares.

The Company also offered a number of individuals and institutions fully paid Preference Shares with terms that mirrored those of the Lion Point and Venture agreement leading to an additional issuance of 6,373,406 fully paid Redeemable Preference Shares at $0.32 per RPS at 31 December 2020.

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.

In January 2021, Tamboran issued a further 31,206,884 Redeemable Preference Shares at $0.32 per RPS raising approximately $10 million in new capital. This included issuing 1,162,828 new RPS to settle obligations owed by the Company to third parties for services rendered ($372,105).

## Conversion of Redeemable Preference Shares on 25 June 2021

| Historical redeemable preference shares issuances | | | | | |
|---|---|---|---|---|---|
| **Number of shares** | Total Baupost holding | Total Lion Point holding | Total Venture holding | Other | TOTAL |
| **RPS issued April 2017** | 57,110,222 | | | | |
| **RPS issued December 2018** | 29,945,283 | 21,357,299 | 4,271,451 | | |
| **RPS issued April 2019** | 29,945,284 | 21,357,299 | 4,271,451 | | |
| **RPS issued as at 30 June 2020** | **117,000,789** | **42,714,598** | **8,542,920** | | **168,258,307** |
| **RPS issued December 2020** | | 15,625,000 | 15,625,000 | 6,373,406 | 37,623,406 |
| **Total RPS issued as at 31 December 2020** | **117,000,789** | **58,339,598** | **24,167,920** | **6,373,406** | **205,881,713** |
| **RPS issued January 2021** | | | | 31,206,884 | 31,206,884 |
| **Total RPS issued as at 25 June 2021** | **117,000,789** | **58,339,598** | **24,167,920** | **37,580,290** | **237,088,597** |
| **Conversion of RPS as at 25 June 2021** | (117,000,789) | (58,339,598) | (24,167,920) | (37,580,290) | (237,088,597) |
| **Balance of RPS as at 30 June 2021** | - | - | - | - | - |

Under the terms of the Redeemable Preference Share Agreement the shares are to be converted to ordinary shares when the Company proposes to undertake a Qualified IPO under the terms of the

Agreement. On 6 June 2021 the Company notified all redeemable preference shareholders that every Redeemable Preference Share would be converted into a fully paid ordinary shares on a one for one basis. This conversion was completed on 25 June 2021.

Prior to the conversion the amortised cost of the debt instrument was assessed and the derivative liability was remeasured through to 25 June 2021.

**Terms of Redeemable Preference Shares issued in 2021 & Prior Agreement Modifications**

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

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

(2) Until such time when the Company becomes listed on a recognised stock exchange or where Lion Point or Baupost cease to hold at least 5% of the 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).

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 fifth 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. 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 | 0.82% |
| 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 share is convertible upon election of the holder 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;
(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 and for avoidance of doubt, all preference shares have been converted to common equity prior to the IPO and these provisions are no longer applicable.

# Note 14. Contributed Equity

| | 2021 shares | 2020 shares | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|---|---|
| 652,860,557 Ordinary shares | 652,860,557 | 93,712,336 | 183,855,350 | 20,518,296 |

| 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 |
| Transaction costs of Redeemable Preference Shares | 17 Dec 2020 | 15,000,000 | 0.3200 | 4,800,000 |
| Conversion of warrants | 31 Dec 2020 | 1,482,011 | 0.2266 | 335,875 |
| Shares issued in lieu of fees[1] | 14 May 2021 | 3,186,602 | 0.3200 | 1,019,713 |
| Employee Benefits | 21 May 2021 | 2,600,000 | 0.3200 | 832,000 |
| Employee Benefits | 21 May 2021 | 1,000,000 | 0.3200 | 320,000 |
| Shares issued as a sign on fee | 21 May 2021 | 276,522 | 0.3200 | 88,487 |
| Conversion of warrants | 21 May 2021 | 207,593 | - | - |
| Acquisition of Sweetpea | 21 May 2021 | 142,700,907 | Note 9 | 14,814,107 |
| Voluntary Settlement of ORRI | 21 May 2021 | 3,095,475 | 0.3200 | 990,272 |
| Redeemable Preference shares | 25 June 2021 | 237,088,597 | Note 13 | 82,719,254 |
| Balance before capital raise | | 500,350,043 | | |
| Issue of ordinary shares @ $0.40 | 26 June 2021 | 152,510,514 | | 61,004,206 |
| Less: cost of raising capital | | | | (3,586,860) |
| Balance 30 June 2021 | | 652,860,557 | | 183,855,350 |

1. The resolutions covering the issue of shares to directors were accepted by the shareholders of the Company at a general meeting held 14 May 2021.

## 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 is not subject to any externally imposed capital requirements.

# Note 15. Other Capital Components and Reserves

Historically, incentives offered to the Board and employees and consultants have included a combination of options, warrants, and employee share scheme ("ESS") share instruments having either fixed exercise prices or variable prices based on multiples of the fair market value of the enterprise at grant date. The issued ESS share grants were supported by limited recourse loans ("treasury shares") for the value of the share grants as at issuance date.

**Share-Based Compensation**

In the December 2020 Interim Report, the following employment securities on issue were as follows:

- 11,834,583 ESS awards granted and vested, but unexercised
- 12,916,667 ESS granted but unvested (as milestones remain unmet),
- 1,000,000 granted options outstanding, and
- 3,075,452 granted warrants outstanding.

These securities were held by current Board members, prior Board members, full time employees, advisors and consultants to the Company. The unintended consequence of this remuneration approach was a complicated capital structure that was not clear to the investing community and potential new employees.

As a result of the reorganisation of the Company's capital structure prior to admission on the ASX, the equity incentives that were issued prior to 30 June 2020 were cancelled in May 2021.

Non-qualified stock options (NSOs) were issued as part of the new capital structure and are as follows as of 30 June 2021:

- 10,734,584 fully vested options expiry 20 May 2026, exercise price of $0.32
- 7,416,667 fully vested options expiry 20 May 2026, exercise price of $0.2367
- 2,819,290 fully vested options expiry 30 November 2021, exercise price of $0.32
- 16,000,000 milestone options, unvested expiry 20 May 2026, exercise price of $0.40

The following table sets out the changes made to the Treasury shares:

| Treasury shares issued at: | 0.2367 | 0.32 | 0.50 | $1.00 | $1.50 | $2.00 | Total at 30 June 2020 | Cancellation of Treasury Shares | Total at 30 June 2021 |
|---|---|---|---|---|---|---|---|---|---|
| **Year of issue:** | | | | | | | | | |
| **30 June 2017** | - | - | 5,401,250 | - | - | - | 5,401,250 | (5,401,250) | - |
| **30 June 2018** | 2,600,000 | - | - | - | - | - | 2,600,000 | (2,600,000) | - |
| **30 June 2019** | - | 1,000,000 | - | - | - | - | 1,000,000 | (1,000,000) | - |
| **30 June 2020** | - | 1,333,333 | - | 500,000 | 500,000 | 500,000 | 2,833,333 | (2,833,333) | - |
| **Total** | **2,600,000** | **2,333,333** | **5,401,250** | **500,000** | **500,000** | **500,000** | **11,834,583** | **(11,834,583)** | **-** |

These Treasury shares were cancelled under a Buy-back Agreement and a Loan Extinguishment Deed dated 17 May 2021.

The following new options were granted under the Equity Incentive Plan with an expiry date of 20 May 2026 for a total value of $3,778,584. The new options granted were calculated under the Black-Scholes method using the following assumptions:

| A$ | Grant of New Options | Fair Value | Share price at grant date | Exercise Price | Term (in years) | Risk-free rate | Volatility | Expected dividend yield |
|---|---|---|---|---|---|---|---|---|
| **Tranche 1** | 10,734,584 | $0.20 | $0.32 | $0.32 | 5 | 0.7% | 80% | 0% |
| **Tranche 2** | 7,416,667 | $0.22 | $0.32 | $0.2367 | 5 | 0.7% | 80% | 0% |

The warrants that had an expiry date of 31 December 2020 (1,482,011 warrants) were exercised on 31 December 2020 with a corresponding increase in contributed equity of $335,875.

On 19 April 2021, as part of the reconstruction of the company's share capital, the remaining outstanding warrants were cancelled. New options were granted with an expiry date of 30 November 2021:

| | Number of warrants granted | Cancellation of Warrants | Warrants converted to Shares | Remaining warrants at 30 June 2021 |
|---|---|---|---|---|
| **Odeon Capital Group LLC** | 307,545 | (307,545) | - | - |
| **E Sugar** | 1,937,535 | (1,937,535) | - | - |
| **E Dyer[1]** | 415,186 | - | 415,186 | - |
| **M Bonner** | 415,186 | (415,186) | - | - |

1. E Dyer accepted an earlier offer from the Board to accept a cashless conversion of the warrants to ordinary shares in which a two-for-one version occurred in which E Dyer received 207,593 shares.

The new options granted were calculated under the Black-Scholes method using the following assumptions:

| A$ | Grant of New Options | Fair Value | Share price at grant date | Exercise Price | Term (in years) | Risk-free rate | Volatility | Expected dividend yield |
|---|---|---|---|---|---|---|---|---|
| **Odeon Capital Group LLC** | 325,929 | $0.08 | $0.32 | $0.32 | 0.62 | 0.1% | 80% | 0% |
| **E Sugar** | 2,053,356 | $0.08 | $0.32 | $0.32 | 0.62 | 0.1% | 80% | 0% |
| **M Bonner** | 440,005 | $0.08 | $0.32 | $0.32 | 0.62 | 0.1% | 80% | 0% |

New Milestone Options were granted in May 2021 based on the following vesting conditions and assumptions:

| Total number of Options issued under the EIP | Vesting Condition | Exercise price and expiry date |
|---|---|---|
| **16,000,000 Milestone Options** | (1) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $1.00 per Share<br><br>(2) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $1.50 per Share<br><br>(3) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $2.00 per Share<br><br>(4) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $2.50 per Share | $0.40 per Milestone Option expiring on 20 May 2026 or, if the Milestone Options vest, the date that is 5 years after the date they vest as determined by the Board |

Given the variable market-based vesting condition, the Company engaged valuation experts to assist in performing a Monte Carlo simulation to incorporate a probability-based value impact of the market condition to determine the fair value of each tranche of options. The key inputs used by the expert are as follows:

| A$ | Grant of New Options | Fair Value | Share price at grant date | Exercise Price | Expected Vesting Date | Risk-free rate | Volatility | Iterations Simulated |
|---|---|---|---|---|---|---|---|---|
| **Tranche 1** | 4,000,000 | $0.1352 | $0.32 | $0.40 | 4/12/2023 | 1.67% | 65% | 100,000 |
| **Tranche 2** | 4,000,000 | $0.1208 | $0.32 | $0.40 | 2/5/2024 | 1.67% | 65% | 100,000 |
| **Tranche 3** | 4,000,000 | $0.1036 | $0.32 | $0.40 | 6/8/2024 | 1.67% | 65% | 100,000 |
| **Tranche 4** | 4,000,000 | $0.0884 | $0.32 | $0.40 | 1/10/2024 | 1.67% | 65% | 100,000 |

The Company is expensing the fair value of the awards over the vesting period as indicated in the assumptions above.

At 30 June 2021, the Company has on issue 20,970,541 Options and 16,000,000 Milestone Options, comprised of:

| | |
|---|---|
| $0.32 per Option expiring on 20 May 2026 - Options issued under the Equity Incentive Plan | 10,734,584 |
| $0.2367 expiring on 20 May 2026 Options issued under the Equity Incentive Plan | 7,416,667 |
| $0.32 per Option expiring on 30 November 2021 – not issued under the Equity Incentive Plan | 2,819,290 |
| **Total unlisted options** | **20,970,541** |
| | |
| Milestone options – subject to vesting conditions, $0.40 per option, expiring on 20 May 2026 | **16,000,000** |

### Options issued under the Equity Incentive Scheme

The Company has adopted the EIP in order to assist in the motivation and retention of selected Company employees and directors. Below is a summary of the terms and conditions of issue of the Options issued under the EIP.

| Total number of Options issued under the EIP | Vesting Condition | Exercise price and expiry date |
|---|---|---|
| **10,734,584 Options** | Fully vested | $0.32 per Option expiring on 20 May 2026 |
| **7,416,667 Options** | Fully vested | $0.2367 expiring on 20 May 2026 |
| **16,000,000 Milestone Options** | (1) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $1.00 per Share<br><br>(2) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $1.50 per Share<br><br>(3) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $2.00 per Share<br><br>(4) 25% of Milestone Options vest if the 90-day VWAP is greater than or equal to $2.50 per Share | $0.40 per Milestone Option expiring on 20 May 2026 or, if the Milestone Options vest, the date that is 5 years after the date they vest as determined by the Board |

Each Option entitles the holder (**Optionholder**) to subscribe for one Share upon exercise of the Option and is exercisable at any time on or prior to 20 May 2026. Shares issued on exercise of the Options will rank equally with the then shares of the Company. The Options are not transferable.

The Options may be exercised by notice in writing to the Company and payment of the relevant exercise price for each Option being exercised. The Company will not apply to ASX for quotation of the Options however it will apply to ASX for quotation of the Shares issued upon the exercise of the Options.

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders.

If the Company makes a bonus issue of Shares or other securities to Existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue.

If the Company makes an issue of Shares pro rata to Existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the ASX Listing Rules.

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

### Options not issued under the EIP

The Company has issued 2,819,920 Options to consultants which are fully vested and exercisable at $0.32, expiring on 30 November 2021.

Each Option entitles the holder (**Optionholder**) to subscribe for one Share upon exercise of the Option and is exercisable at any time on or prior to 30 November 2021. Shares issued on exercise of the Options will rank equally with the then shares of the Company. The Options are not transferable.

The Options may be exercised by notice in writing to the Company and payment of the relevant exercise price for each Option being exercised. The Company will not apply to ASX for quotation of the Options however it will apply to ASX for quotation of the Shares issued upon the exercise of the Options.

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders.

If the Company makes a bonus issue of Shares or other securities to Existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue.

If the Company makes an issue of Shares pro rata to Existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the exercise price of an Option will be reduced according to the ASX Listing Rules.

If there is any reconstruction of the issued share capital of the Company, the rights of the Optionholders may be varied to comply with the ASX Listing Rules which apply to the reconstruction at the time of the reconstruction.

Fair value of the options and milestones granted by the Company are calculated under the Black-Scholes method using the inputs as disclosed above.

### Historic Options

Options held by E Vik (500,000) and C Anderson (500,000) expired on 11 April 2021. New options were issued to E Vik and C Anderson as options issued on 20 May 2021 with an exercise price of $0.32 and an expiry date of 20 May 2026.

### 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 two tranches of warrants on the terms set out in the Deed Poll (convertible into common share) in the capital of the Company.

The first tranche of warrants had an original expiry date of 31 May 2020. 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 for the first tranche of warrants, with the revised expiry:

(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 shares. Of the warrants granted to Odeon, 171,330 were included in the first tranche and had an exercise price of US$0.1751 and had an expiry date of 31 December 2020. These warrants were exercised by Odeon on 31 December 2020. The remainder of the warrants were issued in the second tranche whose terms are included below.

(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 shares. Of the warrants granted to Eric Dyer, 231,296 were included in the

first tranche and had an exercise price of US$0.1751 these were exercised in the prior period. The remainder of the warrants were issued in the second tranche whose terms are included below.

(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 shares. Of the warrants granted to Edward Sugar, 1,079,385 were included in the first tranche and had an exercise price of US$0.1751 and had an expiry date of 31 December. These options were exercised on 31 December 2020. The remainder of the warrants were issued in the second tranche whose terms are included below.

(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 were included in the first tranche and had an exercise price of US$0.1751 and had an expiry date of 31 December 2020. These warrants were exercised by Matthew Bonner on 31 December 2020. The remainder of the warrants were issued in the second tranche whose terms are included below.

On 31 December 2021, the exercise of the 1,482,011 warrants above, resulted in a cash inflow and a corresponding increase in contributed equity of $335,875.

Under the terms of the Engagement and Deed Poll for the second tranche of warrants:

(1) Odeon were granted 307,545 warrants with an exercise price of US$0.234112 and an expiry date of 30 November 2021. These warrants were cancelled on 18 May 2021. New options were issued as detailed in the Share Based Payments section above.

(2) Eric Dyer was granted 415,186 warrants with an exercise price of US$0.234112 and an expiry date of 30 November 2021. The remaining 415,186 were cancelled on 15 April 2021 and were replaced by 207,593 fully paid ordinary shares.

(3) Edward Sugar was granted 1,937,535 warrants with an exercise price of US$0.234112. These warrants were cancelled on 18 May 2021. New options were issued as detailed in the Share Based Payments section above.

(4) Matthew Bonner was granted 415,186 warrants with an exercise price of US$0.234112. These warrants were cancelled on 18 May 2021. New options were issued as detailed in the Share Based Payments section above.

On 20 May 2021 the remaining warrant holders entered into a Cancellation of Warrants and Issue of Options Deed, whereby the warrants were cancelled and new options were issued. As a result of the cancellation and the new exercise price of $0.32 there was an uplift in the number of options issued.

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.

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 was not required at subsequent reporting dates.

## Note 16. Dividends

There were no dividends paid, recommended or declared during the current or previous financial period. There are no franking credits in 2021 and 2020.

## Note 17. Financial Instruments

Interest rate risk exposure

At 30 June 2021, the Company was exposed to a floating weighted average interest rate as follows:

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Weighted average rate of cash balances | 0.03% | 0.45% |
| Cash balances | 63,083,822 | 5,594,309 |

Bank negotiable certificates of deposit are invested between 30 days to 90 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 sheet 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.

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.

### Liquidity Risk

Liquidity risk is the risk that the Group will not have sufficient liquidity to meet its financial obligations as they fall due. The Group manages liquidity risk by continually monitoring forecast and actual cash flows. Short and long-term cash flow projections are prepared periodically and submitted to the Board.

| 30 June 2021 | Note | Less than 1 year | 1 – 2 Years | 2 – 5 Years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **Payables** | 12 | 5,715,286 | - | - | - | 5,715,286 |
| **Lease Liabilities** | 10 | 411,008 | 427,448 | 748,709 | - | 1,587,166 |
| **Total** | | 6,126,294 | 427,448 | 748,709 | - | 7,302,451 |

| 30 June 2020 | Note | Less than 1 year | 1 – 2 Years | 2 – 5 Years | More than 5 years | Total |
|---|---|---|---|---|---|---|
| **Payables** | 12 | 3,762,502 | - | - | - | 3,762,502 |
| **Lease Liabilities** | 10 | 390,000 | 390,000 | 1,560,000 | 650,000 | 2,990,000 |
| **Total** | | 4,152,502 | 390,000 | 1,560,000 | 650,000 | 6,752,502 |

### 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

Key management personnel (KMP) compensation comprised the following:

| | 30 Jun 2021 | 30 June 2020 |
|---|---|---|
| **Short-term employee benefits** | 3,810,039 | 2,260,067 |
| **Post-employment and medical benefits** | 206,069 | 111,174 |
| **Termination benefits** | - | - |
| **Share-based payment transactions** | 4,515,210 | 430,441 |
| **Total compensation paid to key management personnel** | **8,531,318** | 2,801,682 |

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

Generally, the non-executive directors do not receive pension entitlements from the Group. During 2021, an amount of $420,381 was paid for services to two previous directors who retired during the period.

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 | Retired |
|---|---|---|---|---|
| **Director** | | | | |
| **Patrick Elliott** | 68 | Non-Executive Director | 9 February 2009 | --- |
| **Fredrick Barrett** | 59 | Non-Executive Director | 5 April 2016 | --- |
| **David King** | 74 | Non-Executive Director | 9 May 2012 | 3 March 2021 |
| **Stuart Lake** | 59 | Non-Executive Director | 5 April 2016 | 3 March 2021 |
| **Richard Stoneburner** | 67 | Chairman | 5 April 2016 | --- |
| **Daniel Chandra** | 47 | Non-Executive Director | 21 March 2019 | --- |
| **Joel Riddle** | 47 | Managing Director | 12 December 2018 | --- |
| **Ann Diamant** | 60 | Non-Executive Director | 3 March 2021 | --- |
| **David Siegel** | | Non-Executive Director | 3 March 2021 | --- |
| **Chief Financial Officer** | | | | |
| **Eric Dyer** | 39 | Chief Financial Officer | 1 November 2019 | --- |
| **Chief Operating Officer** | | | | |
| **Faron Thibodeaux** | 62 | Chief Operating Officer | 6 August 2021 | --- |
| **Company Secretary** | | | | |
| **Joanna Morbey** | 61 | Company Secretary | 23 March 2016 | --- |

The following tables present the shareholdings of Directors and executives:

**DIRECTORS:**

| Ordinary shares | Balance as at 1 July 2020 | Issued (non-cash) | Purchases | Changes in Board | Balance as at 30 June 2021 |
|---|---|---|---|---|---|
| **R Stoneburner** | 765,947 | 551,198 | 798,957 | - | 2,116,102 |
| **F Barrett** | 1,204,860 | 703,021 | 281,834 | - | 2,189,715 |
| **D Chandra** | 665,575 | 940,161 | 312,500 | | 1,918,235 |
| **A Diamant** | - | 276,522 | 125,000 | - | 401,522 |
| **P Elliott** | 20,589,293 | 417,178 | 2,312,499 | - | 23,318,970 |
| **D Siegel** | - | 142,700,907 | 2,776,522 | - | 145,477,429 |
| **S Lake** | 555,555 | - | - | (555,555) | - |
| **D King** | 3,386,707 | 575,046 | - | (3,961,753) | - |
| **Totals** | **27,167,937** | **146,164,033** | **6,607,312** | **(4,517,308)** | **175,421,973** |

| Unlisted option | Balance as at 1 July 2020 | Cancelled Options | Issued (non-cash)[3] | Purchases | Balance as at 30 June 2021 |
|---|---|---|---|---|---|
| R Stoneburner | 500,000 | (500,000) | 483,393 | - | 483,393 |
| F Barrett | 500,000 | (500,000) | 733,393 | - | 733,393 |
| D Chandra | - | - | 233,393 | - | 233,393 |
| A Diamant | - | - | 233,393 | - | 233,393 |
| P Elliott | - | - | 233,393 | - | 233,393 |
| D Siegel | - | - | 233,393 | - | 233,393 |
| S Lake | 500,000 | (500,000) | 500,000 | - | 500,000 |
| D King | - | - | - | - | - |
| **Totals** | **1,500,000** | **(1,500,000)** | **2,650,358** | - | **2,650,358** |

## EXECUTIVES

| Securities held | Balance as at 1 July 2020 | Cancelled Options | Shares purchased / disposed | Options issued under EIP | Shares issued under EIP | Balance as at 30 June 2021 - options | Balance as at 30 June 2021 – milestone options | Balance as at 30 June 2021 shares |
|---|---|---|---|---|---|---|---|---|
| **J Riddle - CEO** | | | | | | | | |
| Ordinary shares | 1,460,111 | - | (250,000) | - | 2,600,000 | - | - | 3,810,111 |
| Treasury shares: | | | | | | | | |
| Issued at $0.2367 | 2,600,000 | (2,600,000) | - | - | - | - | - | - |
| Issued at $0.3200 | 1,000,000 | (1,000,000) | - | - | - | - | - | - |
| - Issued at $0.5000 | 2,267,500 | (2,267,500) | - | - | - | - | - | - |
| Milestone options | 5,500,000 | (5,500,000) | - | - | - | - | - | - |
| Options (expiry 20/5/2026) | - | - | - | - | - | - | - | - |
| - exercise price $0.2367 | - | - | - | 5,500,000 | - | 5,500,000 | - | - |
| - exercise price $0.3200 | - | - | - | 3,267,500 | - | 3,267,500 | - | - |
| Milestone options @$0.40 | - | - | - | 11,000,000 | - | - | 11,000,000 | - |
| **E Dyer - CFO** | | | | | | | | |
| Ordinary shares | 1,029,839 | - | 520,093 | - | 1,000,000 | - | - | 2,549,932 |
| Treasury shares: | | | | | | | | |
| - Issued at $0.3200 | 1,000,000 | (1,000,000) | - | - | - | - | - | - |
| - Issued at $1.0000 | 500,000 | (500,000) | - | - | - | - | - | - |
| - Issued at $1.5000 | 500,000 | (500,000) | - | - | - | - | - | - |
| - Issued at $2.0000 | 500,000 | (500,000) | - | - | - | - | - | - |
| Milestone options | 4,500,000 | (4,500,000) | - | - | - | - | - | - |
| Options (expiry 20/5/2026) | - | - | - | - | - | - | - | - |
| - exercise price $0.3200 | - | - | - | 3,000,000 | - | 3,000,000 | - | - |
| Milestone options | - | - | - | 5,000,000 | - | - | 5,000,000 | - |
| **J Morbey – Company Secretary** | | | | | | | | |
| Ordinary shares | 214,163 | - | 812,500 | - | - | - | - | 1,026,663 |
| Options (expiry 20/5/2026) | - | - | - | 233,393 | - | 233,393 | - | - |
| **Total** | **17,804,113** | **(18,367,500)** | **1,082,593** | **28,000,893** | **3,600,000** | **12,000,893** | **16,000,000** | **7,386,706** |

| Summary of options | Number options granted | Number options vested | Milestone options unvested | Fair value per option at grant date $ | Exercise Price $ | Amount Paid $ | Expiry Date | Grant Date |
|---|---|---|---|---|---|---|---|---|
| J Riddle | 5,500,000 | 5,500,000 | - | 0.2200 | 0.237 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 3,267,500 | 3,267,500 | - | 0.2000 | 0.320 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.1352 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.1208 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.1036 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Riddle | 2,750,000 | - | 2,750,000 | 0.0884 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 3,000,000 | 3,000,000 | - | 0.2000 | 0.320 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.1352 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.1208 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.1036 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| E Dyer | 1,250,000 | - | 1,250,000 | 0.0884 | 0.400 | - | 20/05/2026 | 20/05/2021 |
| J Morbey | 233,393 | 233,393 | - | 0.2000 | 0.320 | - | 20/05/2026 | 20/05/2021 |
| **Total on issue** | **28,000,893** | **12,000,893** | **16,000,000** | | | | | |

## 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

| | **Consolidated 2021 $** | Consolidated 2020 $ |
|---|---|---|
| Payable not later than one year | **1,500,000** | 2,993,222 |
| Payable later than one year but not later than two years | **-** | - |
| | **1,500,000** | 2,993,222 |

<u>Joint Venture obligations</u> - 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. The EP 161 JV may elect to drill two follow-up horizontal wells, Inacumba 1H and 2H in 2022. These two wells are dependent on the work

plan and budget that Santos provides to Tamboran and the outcome of the current operations underway in EP 161 including the drilling of the Tanumbirini 2H and Tanumbirini 3H wells.

Sweetpea Petroleum Pty Ltd – Sweetpea has minimum work requirements of 250km of 2D seismic acquisition for an estimated expenditure due on 28 August 2022 of $1.5 million to comply with the work program conditions of Year 4 of the EP 136 Exploration Permit. Sweetpea has minimum work requirements to drill and test one exploration well and assessment of petroleum resources potential for an estimated expenditure of $17 million due on 28 August 2023 to comply with the work program conditions of Year 5 of the EP 136 Exploration Permit.

## Note 23. Events After Reporting Date

No other matter or circumstance other than the matters detailed below, has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

On 6 August 2021, the Company announced the appointment of Mr Faron Thibodeaux as the Chief Operating Officer of Tamboran.

On 21 June 2021, the Company submitted three grant applications under Beetaloo Cooperative Drilling Program provided by the Commonwealth Minister for Resources and Water and administered by the Department of Industry, Science, Environment and Resources (DISER). The grant applications were submitted by Sweetpea Petroleum Pty Ltd ("Sweetpea"), a wholly owned subsidiary of Tamboran Resources Limited ("Tamboran"), and if awarded could provide up to 25% of the cost per well limited $7.5 million per grant for a total of $22.5 million. The grant applications for Sweetpea remain under review.

## Note 24. Statement of Cash Flows

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Reconciliation of net cash outflow from operation activities to operating loss after income tax | | |
| Operating (loss) after income tax | **(23,821,438)** | (14,503,934) |
| Depreciation and amortisation | **447,562** | 140,266 |
| Finance costs – redeemable preference shares | **7,825,459** | 2,108,315 |
| Share based payments | **4,438,597** | 495,261 |
| Rent paid | **-** | (119,516) |
| Unrealised currency fluctuations | **113,081** | (200,241) |
| Shares issued in lieu of cash | **2,260,200** | - |
| Change in assets and liabilities: | | |
| (Increase)/decrease in receivables | **(296,323)** | (438,611) |
| (Decrease)/increase in trade creditors | **399,278** | 3,529,065 |
| Net cash outflow from operating activities | **(8,633,584)** | (8,989,395) |

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

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| The balance at 30 June comprised: | | |
| Bank operating account | **63,083,822** | 5,594,309 |
| Cash | **63,083,822** | 5,594,309 |

## Note 25. Earnings per share

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Loss after income tax attributable to the owners of Tamboran Resources NL | **(23,821,438)** | (14,503,934) |
| Weighted average number of ordinary shares used in calculating basic earnings per share | **124,215,676** | 93,500,315 |
| Basic and diluted earnings per share | **(0.192)** | (0.155) |

Options may potentially dilute basic earnings per share in the future but were not included in the calculation of diluted earnings per share as they are anti-dilutive for the periods presented.

## Note 26. Information Relating to the Parent Entity

| | Consolidated 2021 $ | Consolidated 2020 $ |
|---|---|---|
| Current assets | **63,578,479** | 6,114,493 |
| Non-current assets | **48,989,138** | 18,970,138 |
| Total assets | **112,567,617** | 25,084,631 |
| Current liabilities | **6,983,974** | 4,535,835 |
| Non-current liabilities | **1,219,612** | 60,138,979 |
| Total Liabilities | **8,203,586** | 64,674,814 |
| Net assets | **104,364,031** | (39,590,183) |
| | | |
| Contributed equity | **183,855,350** | 20,518,295 |
| Reserves | **8,620,361** | 4,181,764 |
| Accumulated losses | **(88,111,680)** | (64,290,242) |
| Total shareholders’ equity | **104,364,031** | (39,590,183) |
| | | |
| Loss for the Parent Entity | **(23,821,438)** | (14,503,934) |
| Total comprehensive income of the Parent Entity | **(23,821,438)** | (14,503,934) |

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. Accounting policies of the Parent are consistent with those of its subsidiaries.

## 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 | |
|---|---|---|---|
| | | 2021 - % | 2020 - % |
| Tamboran (Services) Pty Ltd [1] | Australia | 100% | 100% |
| Tamboran (Beetaloo) Pty Ltd | Australia | 100% | 100% |
| Tamboran (Infrastructure) Pty Ltd [2] | Australia | 100% | 100% |
| Tamboran (McArthur) Pty Ltd | Australia | 100% | 100% |
| Tamboran (Sweetpea) Pty Limited | Australia | 100% | --- |
| Sweetpea Petroleum Pty Limited | Australia | 100% | --- |
| Tamboran Resources USA, LLC [3] | United States | 100% | --- |

[1] Tamboran (Ngalia) Pty Limited changed its name to Tamboran Services Pty Limited on 3 May 2021

[2] Tamboran (Pedirka) Pty Limited changed its name to Tamboran Infrastructure Pty Limited on 3 May 2021

[3] Tamboran Resources USA, LLC is incorporated in Delaware and received approval as a Foreign Limited Liability Company to transact business in the state of Texas on 14 April 2021

## Note 28. Interest in Joint Venture Operations

***Beetaloo Sub-Basin / 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.

Management has identified the joint arrangement as a joint operation, given the joint control between Santos and Tamboran and accordingly, has only recognised Tamboran's share of the joint operation's assets, liabilities and expenses under Australian Accounting Standards.

# Directors' Declaration

In the opinion of the directors of Tamboran Resources Limited (the Company):

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Dick Stoneburner
Chairman

30th September 2021

# Independent Auditor's Report

Ernst & Young
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## Independent auditor's report to the members of Tamboran Resources Limited

## Report on the audit of the financial report

### 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 2021, 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 2021 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.

### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

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### Carrying Value of Exploration and Evaluation Assets

| Why significant | How our audit addressed the key audit matter |
|---|---|
| The Group's exploration and evaluation assets of $46.6m at 30 June 2021 represent 41% of the total assets of the Group.<br><br>Exploration and evaluation assets are initially recognised at cost and any additional expenditure is capitalised to the exploration asset in accordance with the Group's accounting policy as outlined in Note 1.<br><br>At each reporting date the Directors assess the Group's exploration and evaluation assets for indicators of impairment. The decision as to whether there are indicators that require the Group's exploration assets to be assessed for impairment in accordance with Australian Accounting Standards involves judgment, including whether; the rights to tenure for the areas of interest are current; the Group's ability and intention to continue to evaluate and develop the area of interest and whether the results of the Group's exploration and evaluation work to date are sufficiently progressed for a decision to be made as to the commercial viability or otherwise of the area of interest.<br><br>Further, during the period the Group acquired Sweetpea Petroleum through a 100% equity transaction. The fair value of the exploration and evaluation asset related to the acquisition was determined based upon an independent expert valuation. Subsequent to the acquisition, the Group continued to capitalise expenditures to the exploration and evaluation asset.<br><br>We considered this to be a Key Audit Matter due to the value of the exploration and exploration assets relative to total assets and the significant judgments involved in the assessment of indicators of impairment. | Our procedures to address the Group's assessment of impairment indicators for exploration and evaluation assets included:<br>• Understanding the current exploration program and any associated risks.<br>• Considering the Group's right to explore in the relevant exploration area, which included obtaining and assessing supporting documentation such as license agreements.<br>• Considering the Group's intention to carry out significant exploration and evaluation activity in the relevant areas of interest, which included an assessment of the Group's cash-flow forecast models and discussions with management as to the intentions and strategy of the Group.<br>• Agreeing a sample of costs capitalised for the period to supporting documentation and considering whether these costs met the requirements of Australian Accounting Standards and the Group's accounting policy.<br>• Assessed whether exploration and evaluation data exist to indicate that the carrying value of capitalised exploration and evaluation is unlikely to be recovered through development or sale.<br>• Assessed whether the methodology used and outcomes reached by the Group to identify indicators of impairment met the requirements of Australian Accounting Standards.<br>• Assessed the value ascribed to the Sweetpea tenements by reviewing the independent valuation report.<br>• Evaluated the adequacy of the related disclosures in the financial report. |

### Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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.

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### 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.

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the audit of the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 36 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Tamboran Resources Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Ryan Fisk
Partner
Sydney
30 September 2021

# Schedule of Tenements

| Exploration Permit | Owner | Location | Working Interest |
|---|---|---|---|
| EP 161 | Tamboran Resources Limited | Beetaloo Sub-basin, Northern Territory | 25% |
| EP 136 | Sweetpea Petroleum Pty Ltd | Beetaloo Sub-basin, Northern Territory | 100% |
| EP 143 | Sweetpea Petroleum Pty Ltd | Beetaloo Sub-basin, Northern Territory | 100% |
| EP(A) 197 | Sweetpea Petroleum Pty Ltd | Beetaloo Sub-basin, Northern Territory | 100% |

# Australian Securities Exchange Additional Information

Year Ended 30 June 2021

The shareholder information set out below was applicable as at 27 September 2021.

**Issued Capital**

The Company has 652,860,557 fully paid shares on issue.

**Unlisted options on issue**

The company has 36,970,541 unlisted options on issue.

**ASX listing**

Listed on the Australian Securities Exchange
2 July 2021
ASX Code: TBN
ABN: 28 135 299 062

**Voting rights**
Voting rights are set out below:

**Ordinary shares** – on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

**Unlisted options** – all unlisted options do not carry any voting rights.

There are no other classes of equity securities.

**Distribution of equitable securities**
Analysis of number of equitable security holders by size of holding:

| | Ordinary shares | | | Unlisted options | | | |
|---|---|---|---|---|---|---|---|
| Range | Holders | Total Units | % of Total shares issued | Exercise price $0.32 Expiry 30/11/2021 | Exercise price $0.32 Expiry 20/05/2026 | Exercise price $0.2367 Expiry 20/05/2026 | Exercise price $0.40 Expiry 20/05/2026 |
| 1 to 1,000 | 7 | 856 | 0.00 | - | - | - | - |
| 1,001 to 5,000 | 130 | 536,731 | 0.08 | - | - | - | - |
| 5,001 to 10,000 | 77 | 633,686 | 0.10 | - | - | - | - |
| 10,001 to 100,000 | 307 | 11,712,362 | 1.79 | - | - | - | - |
| 100,001 and over | 212 | 639,976,922 | 98.03 | 3 | 13 | 3 | 2 |
| | **733** | **652,860,557** | **100** | **3** | **13** | **3** | **2** |

Unmarketable parcel – the minimum $500 parcel at $0.30 per security represents a minimum parcel size of 1,667 shares of which there are 14 shareholders.

## Equity security holders

Twenty largest quoted equity security holders at 27 September 2021:
The names of the twenty largest security holders of quoted equity securities are listed below:

| Registered Holder | Balance as at 27-09-2021 | % |
|---|---|---|
| LONGVIEW PETROLEUM LLC | 142,700,907 | 21.86% |
| BP-PE3 LLC | 122,000,789 | 18.69% |
| LION POINT MASTER LP | 64,752,626 | 9.92% |
| GEOTECH INVESTMENTS PTY LTD | 31,608,637 | 4.84% |
| UBS NOMINEES PTY LTD | 29,296,392 | 4.49% |
| VENTURE HOLDINGS SARL SPF | 24,167,920 | 3.70% |
| CS THIRD NOMINEES PTY LIMITED | 21,202,761 | 3.25% |
| YERONDA NOMINEES PTY LIMITED | 20,328,055 | 3.11% |
| CITICORP NOMINEES PTY LIMITED | 15,021,176 | 2.30% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 13,668,494 | 2.09% |
| MORGAN STANLEY AUSTRALIA SECURITIES (NOMINEE) PTY LTD | 11,718,838 | 1.80% |
| NATIONAL NOMINEES LIMITED | 11,327,247 | 1.74% |
| FALVEY & TIDEY SUPER FUND | 10,440,000 | 1.60% |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 6,410,750 | 0.98% |
| VENTURE HOLDINGS SARL SPF | 5,000,000 | 0.77% |
| TOP GUN NOMINEES PTY LIMITED | 3,810,111 | 0.58% |
| MST FINANCIAL SERVICES PTY LTD | 3,360,228 | 0.52% |
| SEISTEND (SUPER) PTY LTD | 3,108,929 | 0.48% |
| TERRITORY OIL & GAS LLC | 3,095,475 | 0.47% |
| EPSOM ESTATE SA SPF | 2,944,081 | 0.45% |
| | | |
| Total Securities of Top 20 Holdings | 545,963,416 | 83.63% |
| **Total of Securities** | **652,860,557** | |

## Substantial holders

Substantial holders in the company are set out below:

| Substantial Holder | Number Held | % |
|---|---|---|
| Longview Petroleum LLC | 142,700,907 | 21.86% |
| The Baupost Group LLC | 130,000,789 | 19.91% |
| Lion Point Capital LP | 69,752,626 | 10.68% |
| Regal Funds Management Pty Ltd | 38,750,000 | 5.94% |
| Venture Holdings SARL SPF | 34,167,920 | 5.23% |
| Geotech Investments Pty Limited | 33,408,637 | 5.12% |

The ordinary shares subject to restrictions are split up as follows:

| Restricted securities | Number of holders | Number of shares |
|---|---|---|
| Fully Paid Ordinary Shares ASX Escrowed 24 Months from Quotation | 22 | 212,321,234 |
| Fully Paid Ordinary Shares ASX Escrowed to 15 January 2022 | 1 | 110,926 |
| Fully Paid Ordinary Shares ASX Escrowed to 17 December 2021 | 3 | 15,000,000 |
| Fully Paid Ordinary Shares ASX Escrowed to 21 May 2022 | 1 | 3,095,475 |
| Fully Paid Ordinary Shares Vol Escrow to 2 January 2022 | 3 | 189,753,415 |
| | | **420,281,050** |

## Unquoted options

The registered holders of the unquoted equity holders as at 27 September 2021 are:

| Registered Holders | Balance as at 27-09-2021 | % |
|---|---|---|
| TOP GUN NOMINEES PTY LIMITED | 19,767,500 | 53.47% |
| NORTHERN WOODS AUSTRALIA PTY LTD | 8,000,000 | 21.64% |
| MR EDDIE SUGAR | 2,053,356 | 5.55% |
| 1573117 ALBERTA LTD | 2,000,000 | 5.41% |
| ERIK VIK | 1,250,000 | 3.38% |
| FREDRICK BARRETT | 733,393 | 1.98% |
| STUART LAKE | 500,000 | 1.35% |
| RICHARD STONEBURNER | 483,393 | 1.31% |
| MATT BONNER | 440,005 | 1.19% |
| ODEON CAPITAL GROUP LLC | 325,929 | 0.88% |
| TERRE STONEBURNER | 250,000 | 0.68% |
| ALONDRA LLC | 233,393 | 0.63% |
| PATRICK JAMES DYMOCK ELLIOTT | 233,393 | 0.63% |
| DAVID SIEGEL | 233,393 | 0.63% |
| WINWAGE PTY LIMITED <MORBEY FAMILY A/C> | 233,393 | 0.63% |
| ANN DIAMANT | 233,393 | 0.63% |
| Total Securities of Top 20 Holdings | 36,970,541 | 100.00% |
| **Total of Securities** | **36,970,541** | |

| Unquoted equity securities | Number on issue | Numbers of holders |
|---|---|---|
| Unlisted options exercise price $0.32, Expiry date 30/11/2021 | 2,819,290 | 3 |
| Unlisted options exercise price $0.2367, Expiry date 20/05/2026 | 7,416,667 | 3 |
| Unlisted options exercise price $0.32, Expiry date 20/05/2026 | 10,734,584 | 13 |
| Unlisted options exercise price $0.40, Expiry date 20/05/2026 | 16,000,000 | 2 |

The following persons holds 20% or more of the unquoted equity securities:

| Name | Class - unlisted options | Number held |
|---|---|---|
| Top Gun Nominees Pty Limited | Unlisted options at $0.2367, Expiry date 20/05/2026 | 5,500,000 |
| Top Gun Nominees Pty Limited | Unlisted options at $0.32, Expiry date 20/05/2026 | 3,267,500 |
| Top Gun Nominees Pty Limited | Unlisted options at $0.40, Expiry date 20/05/2026 | 11,000,000 |
| | | **19,767,500** |
| Northern Woods Australia Pty Ltd | Unlisted options at $0.32, Expiry date 20/05/2026 | 3,000,000 |
| Northern Woods Australia Pty Ltd | Unlisted options at $0.40, Expiry date 20/05/2026 | 5,000,000 |
| | | **8,000,000** |

The unlisted options subject to restrictions are split up as follows:

| Restricted securities | Number of holders | Number of options |
|---|---|---|
| Unlisted Options $0.2367 ASX Escrowed to 2 July 2023 | 2 | 6,166,667 |
| Unlisted Options $0.32 ASX Escrowed to 2 July 2022 | 3 | 2,819,290 |
| Unlisted Options $0.32 ASX Escrowed to 2 July 2023 | 12 | 9,984,584 |
| | | **18,970,541** |

## Information required under ASX Listing Rule 4.10.19

Between the date of listing on ASX and the date of this report, Tamboran has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives and as set out in its replacement prospectus dated 4 June 2021.

## Reserves and Resources Statement

As at 30 June 2021, Tamboran did not hold any booked Reserves.

(a) EP 161

In the technical report dated 13 May 2021 which was included in Tamboran's replacement prospectus dated 4 June 2021, Netherland, Sewell and Associates, Inc. (**NSAI**), has provided a best estimate of the Company's gross prospective and contingent gas and condensate resources relating to its 25% interest in the EP 161 unconventional gas prospects of approximately 12.3 Tcf and 29 Bcf respectively as follows (as of 31 January 2021):

| Un-risked Net to the Company | Prospective (Bcf) | | Contingent (Bcf) |
|---|---|---|---|
| Reservoir | Gas Resource | Condensate | Gas Resource |
| Velkerri C | 3,492 | 26 | 11 |
| Velkerri B | 6,526 | 34 | 18 |
| Velkerri A | 2,078 | 11 | - |
| Lower Kyalla | 217 | 5 | - |
| **TOTAL** | **12,313** | **76** | **29** |

The estimates of Tamboran's gross prospective gas and condensate resources relating to its 25% interest in EP 161 as provided by the Technical Expert ranges from 7.1 Tcf to 24.8 Tcf, reflecting asymmetrical risk to the upside relative to the 'best estimate' provided.

The prospective resources shown in this report have been estimated using probabilistic methods and are depending on an unconventional gas discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the un-risked estimate amounts is 90% for the low estimate, 50% for the best estimate and 10% for the high estimate.

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The estimates of contingent resources above are based on data from a vertical well for the Tanumbirini 1 discovery on EP 161. The Tanumbirini 2 horizontal well and the Tanumbirini 3 horizontal well may provide different estimates of contingent resources given the horizontal wells will cover a larger scale and surface area of the Velkerri shale.

Contingent resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by the application of development project(s) not currently considered to be commercial owing to one or more contingencies. The contingent resources shown in the Technical Expert's Reports are contingent upon (1) demonstration of the economic viability of project development, (2) successful completion of work commitments prior to expiration of the leases, (3) development of infrastructure, (4) a sales contract, and (5) commitment to develop the resources.

(b) EP 136

In its technical report dated 13 May 2021 which was included in the Prospectus, NSAI provided a best estimate of the Company's prospective gas and condensate resources relating to its 100% interest in the EP 136 unconventional gas prospect of approximately 19 Tcf as follows (as of 31 January 2021):

| Un-risked Gross | Prospective (Bcf) | |
|---|---|---|
| Reservoir | Gas Resource | Condensate |
| Velkerri C | 6,050 | 50 |
| Velkerri B | 9,698 | 49 |
| Velkerri A | 3,037 | 15 |
| Lower Kyalla | 232 | 5 |
| **TOTAL** | **19,017** | **119** |

The estimates of Tamboran's gross prospective gas and condensate resources relating to its 100% interest in EP 136 as provided by NSAI. ranged from 11.2 Tcf to 37.8 Tcf, reflecting asymmetrical risk to the upside relative to the 'best estimate' provided.

The prospective resources shown in this report have been estimated using probabilistic methods and are depending on an unconventional gas discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the unrisked estimate amounts is 90% for the low estimate, 50% for the best estimate and 10% for the high estimate.

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

(c) Competent Person's Statement

NSAI performs consulting petroleum engineering services under Texas Board of Professional Engineers Registration No. F-2699. NSAI provides a complete range of geological, geophysical, petrophysical, and engineering services, and NSAI have the technical expertise and ability to perform these services in any oil and gas producing area in the world. The staff is familiar with recognized industry reserves and resources definitions, specifically those promulgated by the U.S. Securities and Exchange Commission, The ASX, SPE, Society of Petroleum Evaluation Engineers, World Petroleum Council, and American Association of Petroleum Geologists. The technical persons primarily responsible for preparing the estimates presented herein meet the requirements regarding qualifications, independence, objectivity, and confidentiality set forth in the SPE Standards and the requirements listed in the ASX Rules. NSAI are independent petroleum engineers, geologists, geophysicists, and petrophysicists. NSAI does not own an interest in these properties nor are NSAI employed on a contingent basis.

NSAI are not officers or proposed officers of any group, holding, or associated company of Tamboran. Furthermore, none of our staff or associates own shares or equity in Tamboran.

NSAI has prepared thousands of independent technical reports for clients including small privately owned oil and gas companies, major and independent oil and gas companies, national oil and gas companies, financial institutions, and investors. The firm has performed field characterization and reserves assessments for properties that range from exploration and early appraisal drilling areas to fully developed fields. The staff has extensive worldwide experience in the geology and petrophysics of complex structural and stratigraphic fields and unconventional reservoirs such as fractured basement, tight gas, and coal seam gas.

Our reservoir engineering experience includes reserves determination, reservoir simulation, material balance, production analysis, well test analysis, wellbore inflow/outflow modeling, probabilistic modelling, fluid analysis, and economic evaluation. NSAI also have staff engineers who specialize in field operations, facilities planning and design and drilling. NSAI uses its in-house proprietary economics software along with other industry-standard software to estimate future producing rates, future net revenue, and the net present value of such future net revenue in accordance with industry standards and other applicable regulatory provisions.

The evaluation has been led by Mr. Joseph M. Wolfe and Mr. John G. Hattner.

Mr. Wolfe is a Vice President and team leader in the firm's Dallas office at 2100 Ross Avenue, Suite 2200, Dallas, Texas 75201. He has in excess of 12 years of experience in the petroleum industry with over 7 years at NSAI, is a registered Professional Engineer in the State of Texas (Texas Registration No. 116170) and is a member of the SPE.

Mr. Hattner is a Senior Vice President of NSAI and a team leader in the firm's Dallas office at 2100 Ross Avenue, Suite 2200, Dallas, Texas 75201. He has over 40 years of experience in the petroleum industry, with over 29 years at NSAI. He is a registered Professional Geophysicist in the State of Texas (Texas Registration No. 559), a certified petroleum geologist and geophysicist with the American Association of Petroleum Geologists, and a member of the Society of Exploration Geophysicists and SPE. Mr. Hattner has over 26 years of extensive experience in coal seam gas/coalbed methane evaluations, having evaluated numerous coalbed methane properties located in Australia, Botswana, Canada, China, Colombia, India, Indonesia, Israel, Mexico, Poland, South Africa, Switzerland, the United Kingdom, and the United States.

The estimates of prospective and contingent resources as set out in this report has been issued with the prior written consent of each of Mr. Joseph M. Wolfe and Mr. John G. Hattner in the form and context in which it appears.

## Business Risks

Tamboran has an Audit and Risk Management Committee, which identifies, monitors and manages material risks to the business. The risks faced by Tamboran may include regulatory and compliance risks, policy risks, legal risks, environmental risks, occupational health and safety risks, financial risks, reputation risks and operational and execution risks.

The Board is responsible for overseeing the establishment of and approving Tamboran's risk management framework including its strategy, policies, procedures and systems. The Audit and Risk Management Committee reviews and monitors the effectiveness of Tamboran's risk management framework to provide assurance that major business risks (including contemporary and emerging risks) are identified and to satisfy itself that Tamboran is operating with regard to the risk appetite set by the Board. Tamboran's management is responsible for establishing Tamboran's risk management framework, including identifying major risk areas and developing policies and procedures, which are designed effectively to identify, treat, monitor, report and manage key business risks.

A description of the nature of the risks and how such risks are managed is set out below. This list is neither exhaustive or in order of importance.

| Risk | Details of risk |
|---|---|
| Exploration Risk | Gas exploration is speculative in nature and requires substantial expenditure to de-risk the prospective resources. In particular, exploration is subject to technical risks and uncertainty of outcome. There is the risk that drilling will result in equipment failure, dry holes or not result in the discovery of commercially exploitable hydrocarbons. Wells may not be productive, or they may not provide sufficient revenues to return a profit after accounting for associated costs. The cost of drilling, completing, equipping and operating wells is subject to uncertainties.<br><br>Tamboran utilises multiple internal and external evaluation procedures including strategic planning, scoping, budgeting, forecasting and stakeholder engagement to evaluate exploration prospects as part of managing exploration risks. |
| Operational Risk | Gas exploration and development activities include numerous operational risks, including but not limited to, adverse weather conditions, environmental hazards, unforeseen increases in establishment costs, accidents (including, for example, fires, explosions, uncontrolled releases, spills and blowouts), equipment failure, industrial disputes, technical issues, supply chain failure, labour issues and other unexpected events. Drilling operations, in particular, carry inherent risk associated with, for example, unexpected geological conditions, mechanical failures or human error. The occurrence of an operational risk event could significantly disrupt the Company's operations, possibly restricting the Company's ability to advance its exploration programs. Tamboran mitigates these risks by employing various professionals with considerable experience related to gas exploration and development. The Company follows an extensive framework which includes procurement, production, operational and equipment management processes. |
| Reserves and Resources Estimate Risk | Estimating hydrocarbon reserves and resources is subject to significant uncertainties associated with technical data and interpretation of that data, analysis of drilling results, assumptions of future commodity prices and business assumptions regarding development and operating costs. Estimates may alter significantly or become more uncertain when new information becomes available due to, for example, additional drilling or production test over the life of the field. Downward |

| Risk | Details of risk |
|---|---|
| | revision of reserves and resources estimates may adversely affect the Company's operational and financial performance.<br><br>The estimates of Tamboran's gross prospective and contingent gas and condensate resources in relation to EP161 (25% working interest) and the gross prospective resources in relation to EP136 (100% working interest) are prepared by independent expert Netherland, Sewell and Associates, Inc. (NSAI). |
| Climate Change Risk | As a gas exploration company, Tamboran is exposed to both transition risks and physical risks associated with climate change. The global transition to a lower-carbon economy may entail extensive policy, legal, technology and market changes and, if demand for gas declines, Tamboran may encounter barriers to commercialise any resources it discovers. Physical risks resulting from climate change may have an acute or chronic impact the Company. Acute physical risks refer to those that are event-driven, including increased severity of extreme weather events, such as cyclones or floods. Chronic physical risks refer to longer term shifts in climate patterns (for example, sustained higher temperatures) that may cause sea level rises or chronic heat waves. Physical risks, depending on their severity, could delay or prevent Tamboran's ability to conduct exploration and development activities. The transition and physical risks associated with climate change (including also regulatory responses to such issues and associated costs) may significantly affect Tamboran's operating and financial performance.<br><br>Tamboran actively monitors current and potential areas of climate change risk and takes actions to prevent and/or mitigate any impacts on its objectives and activities. Tamboran's approach involves minimising carbon emissions related to the development of its resources further, by using advanced drilling and completion technologies and exploring options to integrate renewable energy, carbon capture and sequestration and carbon offsets. |
| Land Access Risk | Tamboran may be required to seek the consent of landholders or other persons (including government authorities) or groups with an interest in the real property encompassed by Tamboran's exploration permits and licenses. Compensation may be required to be paid by Tamboran to stakeholders to allow Tamboran to carry out activities. |
| Access to Infrastructure Risk | Tamboran will require access to infrastructure to sell the reserves it produces. There is no guarantee that Tamboran will be able to gain access to appropriate infrastructure on commercially viable terms. Failure to obtain access to infrastructure would adversely impact Tamboran's financial performance. Tamboran is working with Jemena Ltd on various infrastructure strategies and infrastructure solutions to provide access to market. |
| COVID-19 Impact Risk | The global economic outlook is facing uncertainty due to the current COVID-19 pandemic and its impacts on global capital markets, the gas price and foreign exchange rates. In addition, should any Company personnel or contractors be infected, it could result in the Company's operations being suspended or otherwise disrupted. Supply chain disruptions and measures to limit the transmission of the virus may also adversely impact the Company's operations, financial position and prospects. Tamboran will continue to monitor COVID-19 and government responses and will introduce measures as appropriate to respond to the effects of the pandemic. |

| Risk | Details of risk |
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| Development Risk | In the event that Tamboran is successful in locating commercial quantities of hydrocarbons through exploration, then that development could be delayed or unsuccessful for a number of reasons including extreme weather, unanticipated operational occurrences, failure to obtain necessary approvals, insufficient funds, a drop in commodity price, supply chain failure, unavailability of appropriate labour, or an increase in costs. To mitigate this risk, Tamboran conducts various risk assessments and scenario planning in relation to multiple development risks. |
| Permit Risk | The Company is required to comply with a range of laws to retain its permits and periodically renew them. Each permit also has its own specific exploration and expenditure requirements that the Company must satisfy. Tamboran manages its tenure processes and monitors the conditions attaching to each permit to ensure they are complied with, in order to reduce the risk of losing tenure. |
| Gas Price Risk | Future gas price may have a material effect on the financial performance of the Company including the carrying value of assets and viability of certain projects. Factors which may impact the gas price include, but are not limited to, global political institutions, military conflicts, technological changes, output controls and global energy consumption which are all outside the control of Tamboran. |
| Regulatory and Policy Risk | Tamboran's business is affected by government policy, which in turn may be influenced by international policies and laws. In particular, there is a risk that the Federal Government could shift its domestic or international policy away from being supportive of natural gas. Tamboran must comply with relevant laws and regulations in each jurisdiction in which it operates as it applies to the environment, tenure, land access, landholders and native title holders. A change in the regulatory regime or policy stance may significantly result in a material adverse impact on Tamboran's business and operations. Tamboran monitors changes in relevant regulations and engages with regulators and governments and seeks legal advice where required to ensure that policy and law changes are appropriately understood and followed. |
| Native Title and Aboriginal Land Rights and Cultural Heritage Laws | The Company's activities in Australia are subject to the Native Title Act 1993 (Cth) and the Aboriginal Land Rights (Northern Territory) Act 1976 (Cth). If a native title claim is registered or native title rights are determined over areas covered by the Company's tenement applications or tenements, exploration and production activities can be significantly delayed and made more costly. In addition, Commonwealth and State legislation obliges the Company to identify and protect sites that are sacred or otherwise of significance according to Aboriginal custom and tradition. Tamboran engages with stakeholders and monitors laws relating to Native Title and cultural heritage to ensure that it complies with all applicable regulations. |
| Environmental Risk | The Company is also subject to laws and regulations to minimise the environmental impact of its operations and rehabilitation of any areas affected by its operations. Penalties for failure to adhere to requirements and, in the event of environmental damage, remediation costs can be substantive. To mitigate this risk, the Company has in place a sustainability plan and has a designated sustainability committee to consider, monitor and manage its obligations (including potential areas of change) in respect of the environment. |
| Growth Strategy and Net Zero Emissions Risk | There is a risk that the Company may fail to execute its proposed growth strategy, which could be caused by legal, regulatory and policy developments, failure to discover and commercially extract resources. In particular, achievement of the Company's vision of becoming a net zero emissions producer of gas will depend on |

| Risk | Details of risk |
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| | the Company being able to economically manage its carbon emissions, which could for example be impacted by availability of future revenues to fund various carbon initiatives, market pricing of carbon offsets, technological developments affecting operations and costs of implementing sustainable practices. To mitigate this risk, the Company has in place a Sustainability Plan and has a designated Sustainability Committee to consider and manage any such risk that arises. |
| Access to Funding for Operations Risks | Tamboran has no operating revenue. As is typical for exploration companies that do not have cash generating businesses, Tamboran's ability to meet its on-going operating costs and capital expenditure requirements will ultimately involve expenditure that exceeds the estimated cash resources that Tamboran is expected to have. With future growth, the Company may require funding for future commitments. There can be no assurance that the Company will be able to obtain funding as and when required on commercially acceptable terms, or at all. To mitigate this risk Tamboran has internal controls in place to manage its cash flow and various commercial strategies to provide future access to funding. |
| Reliance on Personnel | The success of the Company is dependent on the continued efforts of its management team. The loss of key personnel could have a material adverse impact on the Company's operations because other (new) personnel may not have the experience and expertise to readily replace these individuals. To mitigate this risk Tamboran has hired additional staff and focuses on internal development of its team. |
| Counterparty Exposure and Joint Ventures | The financial performance of the Company is subject to its various counterparties or, in the case of EP 161, joint venture partner, Santos, to perform its obligations under the relevant contracts and the EP 161 joint venture. If one of its counterparties or Santos fails to perform their contractual obligations, it may result in loss of earnings, termination of other related contracts, disputes and/or litigation of which could impact on the Company's financial performance or reputation. To mitigate this risk, Tamboran works closely with its joint venture partners to and monitors its relationships with various joint venture partners frequently. |

tamboran
RESOURCES

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