

Drilling at EP161 on track

Tamboran (TBN) is a gas exploration company that aims to establish new 2P reserves and gas production out of the Beetaloo Basin (NT) to supply the Australian domestic and Asian LNG markets. We believe TBN’s key value driver will be to develop proven and probable reserves (2P) as quickly as possible and take advantage of its end-market options. With exploration kicking off for TBN’s two assets, we expect near-term news flow to benefit the share price.

Key takeaways from 4C

- Drilling at EP161 continues to be on track with flow test results from EP161 Tanumbirini #2H and #3H expected between 1 Sep and 31 Dec 2021. Unlike other drilling in the Basin, wells have not been shut-in, as TBN utilise local crews rather than interstate.
- Ended the quarter with cash of \$63.1m, after raising \$61m from their IPO. Existing funds should support their drilling programs for three initial wells and seismic, lasting 12-18mths on our estimates.
- Capex of \$2.9m was spent on EP161 (for their 25% interest), and \$2.4m at EP136, ahead of seismic later this CY and drilling of Maverick #1 in CY22.

Confirming our investment thesis

- **Quality resource** with high probability of discovery given early drilling indications at TBN’s EP161 (25% interest); the Beetaloo Basin having already been de-risked through an earlier drilling program; and the Federal Government incentivising the Basin.
- **Supportive macro picture** through targeting the undersupplied LNG markets and domestic gas markets by CY25.
- **Backing management/board experience**, along with knowledge sharing with Santos. Technical learnings, fixed cost leverage and scale should see well costs fall rapidly in the initial years of drilling.
- **Funding looks adequate for initial exploration.** We forecast TBN will be FCF positive by FY26.
- **Valuation:** Our base case 12 month forward discounted cash flow valuation by asset is \$0.61; giving upside of 85% from the current share price; potentially greater given we risk weight the assets by 10-15%. Comparing to peers on a 2P+2C basis, TBN is trading at \$0.04/GJ vs peers at \$0.84/GJ.
- Please see initiation for our more comprehensive view on the stock.

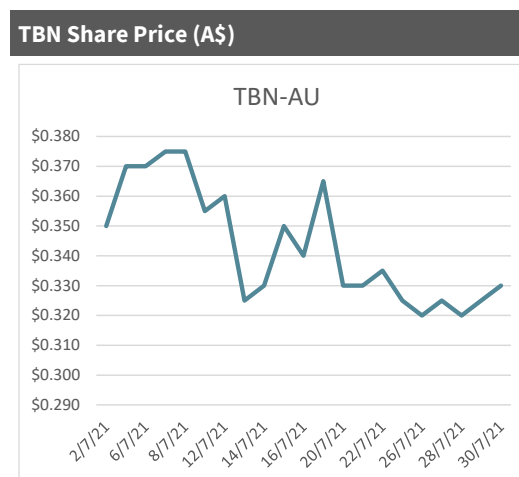


Tamboran Resources (TBN) is a gas exploration company that aims to prove up new 2P reserves and develop gas production out of the Beetaloo Basin in the Northern Territory in order to supply the Australian domestic market and LNG Asian market.

<http://www.tamboran.com/>

Stock	TBN.ASX
Price	A\$0.33
Market cap	A\$215m
Valuation (per share)	A\$0.61

News Flow and Catalysts	
3QCY21	EP161 Tanumbirini #2H and #3H flow test results
2HCY21	Seismic at EP136
CY22	Drilling EP136 Maverick #1
CY23	Sanction of EP136 pilot program and possibly 2P reserve booking



Source: FactSet

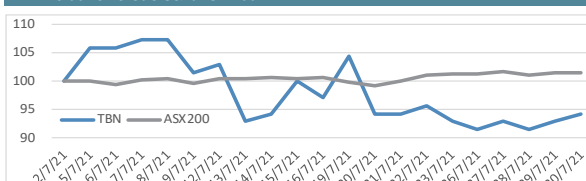
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Financial Forecasts

Tamboran Resources

TBN-AU
Year end 30 June
MARKET DATA

Price	\$	0.33
52 week high / low	A\$	0.29-0.40
Valuation	A\$	0.61
Total return - 12 month	%	84.6%
Market capitalisation	A\$m	215.4
Shares on issue (basic)	m	652.9
ESOP	m	37.0
Shares on issue (diluted)	m	689.8

TBN Relative versus S&P/ASX 200

INVESTMENT FUNDAMENTALS

	FY19A	FY20A	FY21E	FY22E	FY23E	
EPS reported	¢	-16.4	-15.5	-0.8	-1.0	2.5
EPS reported diluted	¢	-14.3	-12.9	-0.7	-0.9	2.4
EPS underlying	¢	-16.4	-15.5	-0.8	-1.0	2.5
EPS underlying diluted	¢	-14.3	-12.9	-0.7	-0.9	2.4
EPS diluted growth	%		-6%	-95%	30%	-353%

P/E reported	x	0.0	-2.1	-43.1	-33.2	13.1
P/E underlying	x	0.0	-2.1	-43.1	-33.2	13.1
P/E underlying (diluted)	x	0.0	-2.5	-45.5	-35.0	13.7

Dividend	¢	0.0	0.0	0.0	0.0	0.0
Payout ratio	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield (Y/E spot)	%	0.0%	0.0%	0.0%	0.0%	0.0%
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Gross Yield (Y/E spot)	%		0.0%	0.0%	0.0%	0.0%

Book value / share	¢	-27.4	-42.2	12.0	12.9	22.8
Price to book (NAV)	x	0.0	-0.8	2.8	2.6	1.4
NTA / share	¢	-27.4	-42.2	12.0	12.9	22.8
Price to NTA	x	0.0	-0.8	2.8	2.6	1.4

Year end shares	m	93	94	653	656	822
Average diluted shares	m	107	112	690	690	773
Year end share price	\$	0.00	0.32	0.33	0.33	0.33
Market cap (Y/E / Spot)	\$m	-	30	215	216	271
Net debt / (cash/funding)	\$m	-27	-6	-63	-38	-55
Enterprise value	\$m	-27	24	152	178	217

EVEBITDAX	x	7.4	-2.0	-33.3	-47.1	5.8
Gearing (net debt / EBITDAX)	x	7.4	0.5	13.8	10.0	-1.5

Free cash flow	\$m	-6.5	-20.9	-21.8	-68.5	-48.7
Free cash flow per share	¢	-6.9	-22.3	-3.3	-10.5	-6.6
Price to free cash flow	x	0.0	-1.4	-9.9	-3.2	-5.0
Free cash flow yield	%		-70%	-10%	-32%	-20%

ASSUMPTIONS

	FY19A	FY20A	FY21E	FY22E	FY23E
Domestic gas price - SE	\$/GJ			\$ 8.00	\$ 8.50
Domestic gas price - NT	\$/GJ			\$ 6.00	\$ 6.50

Gas Production

EP161	PJ	0	0	0	1	3
EP136	PJ	0	0	0	2	8
Total	PJ	0	0	0	3	11

VALUATION

	FY22	Low	Base	High
Discount rate used in NPV calculations		12.0%	9.6%	8.0%
EP161 25%, risked at 15%	\$m	156	225	287
EP136 100%, risked at 10%	\$m	138	180	212

Assets	\$m	294	404	499	
Site Restoration	\$m	-15	-15	-15	
Corporate Costs Allocation	\$m	-58	-70	-79	
Enterprise Value	\$m	221	320	404	
Net Debt / (Cash)	\$m	67	67	67	
Government Funding	\$m	21	21	21	
Options	\$m	12	12	12	
Equity	\$m	321	420	505	
Diluted Shares on Issue	m		690	690	690
Per Share	\$	0.47	0.61	0.73	

Share price return	%		41%	85%	122%
Dividend Yield	%		0%	0%	0%
Total Shareholder Return	%		41%	85%	122%
Peers EV/2P+2C	\$				0.84
Implied EV for TBN	\$m				2453
Implied Share Price for TBN	\$				\$ 3.70

Source: MST Access and TBN

PROFIT AND LOSS

	FY19A	FY20A	FY21E	FY22E	FY23E	
Product Sales	\$m	0.0	0.0	0.0	0.0	74.1
Other income	\$m	0.0	0.0	0.0	0.0	0.0
Total Income	\$m	0.0	0.0	0.0	0.0	74.1
Operating costs	\$m	-3.6	-12.4	-4.6	-3.8	-37.0
EBITDAX	\$m	-3.6	-12.4	-4.6	-3.8	37.1
Exploration expenditure	\$m	0.0	0.0	0.0	0.0	0.0
EBITDA	\$m	-3.6	-12.4	-4.6	-3.8	37.1
Depreciation & Amortisation	\$m	0.0	-0.1	-0.4	-2.7	-10.6
EBIT	\$m	-3.6	-12.5	-5.0	-6.5	26.5
Net interest	\$m	-11.8	-2.0	0.0	0.0	0.0
Pretax Profit	\$m	-15.4	-14.5	-5.0	-6.5	26.5
Tax expense (30%)	\$m	0.0	0.0	0.0	0.0	-8.0
NPAT (underlying)	\$m	-15.4	-14.5	-5.0	-6.5	18.6
Impairments / Other	\$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	\$m	-15.4	-14.5	-5.0	-6.5	18.6

EBITDA margin	%					50%
EBIT margin	%					36%
NPAT margin	%					25%
EBITDA growth	%		345%	37%	83%	-979%
EBIT growth	%		348%	40%	130%	-409%
NPAT growth	%		94%	34%	130%	-286%

BALANCE SHEET

	FY19A	FY20A	FY21E	FY22E	FY23E	
Cash	\$m	26.5	5.6	63.1	5.5	22.3
Receivables	\$m	0.1	0.5	1.5	1.6	1.7
Inventory	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.0	0.0	0.0	0.0	0.0
Current assets	\$m	26.6	6.1	64.6	7.1	24.0
Exploration phase expenditure	\$m	4.5	15.7	17.0	78.2	158.3
Oil and Gas assets	\$m	0.0	2.6	2.4	9.2	18.1
Other	\$m	0.0	0.7	0.3	0.0	0.0
Non current assets	\$m	4.5	19.0	19.7	87.4	176.4
Total Assets	\$m	31.1	25.1	84.3	94.5	200.4
Accounts Payable	\$m	0.6	4.1	2.9	6.3	9.6
Borrowings	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.4	0.5	1.1	1.1	1.1
Current liabilities	\$m	0.9	4.5	4.0	7.4	10.7
Borrowings	\$m	0.0	0.0	0.0	0.0	0.0
Provisions	\$m	0.0	2.3	0.0	0.0	0.0
Other	\$m	55.7	57.8	2.2	2.3	2.4
Non current liabilities	\$m	55.8	60.1	2.2	2.3	2.4
Total Liabilities	\$m	56.7	64.7	6.2	9.7	13.1
Equity	\$m	20.5	20.5	91.0	92.0	147.0
Retained earnings	\$m	-49.8	-64.3	-69.3	-75.8	-57.2
Reserves / Other	\$m	3.7	4.2	56.3	68.6	97.5
Total equity	\$m	-25.6	-39.6	78.1	84.8	187.3

CASH FLOW

	FY19A	FY20A	FY21E	FY22E	FY23E	
EBITDAX	\$m	-3.6	-12.4	-4.6	-3.8	37.1
Change in working capital	\$m	-11.6	1.4	-2.1	3.3	3.2
Net interest	\$m	11.8	2.1	0.0	0.0	0.0
Tax paid	\$m	0.0	0.0	0.0	0.0	0.0
Other	\$m	0.0	0.0	0.0	0.0	0.0
Operating cash flow	\$m	-3.4	-8.9	-6.7	-0.5	40.3
Capital expenditure - exploration	\$m	-3.1	-11.2	-1.3	-61.2	-80.1
Capital expenditure - assets	\$m	0.0	-0.8	-13.8	-6.8	-8.9
Net investment / Other	\$m	0.0	0.0	0.0	0.0	0.0
Investing cash flow	\$m	-3.1	-12.0	-15.1	-68.0	-89.0
Change in Equity	\$m	0.0	0.1	83.0	0.9	55.0
Increase / (decrease) in borrowings	\$m	0.0	0.0	0.0	0.0	0.0
Dividend / other	\$m	31.3	-0.1	-3.7	10.0	10.5
Financing cash flow	\$m	31.3	0.0	79.3	10.9	65.5
Change in Cash / FX	\$m	24.8	-20.9	57.5	-57.6	16.8
Cash year end	\$m	26.5	5.6	63.1	5.5	22.3

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