Tamboran Resources

A$20mm investment from US shale billionaire signals a strong vote of confidence in the strategy

Tamboran placing 14% new shares at a narrow 3% discount to 7-day VWAP

Tamboran has placed A$20mm of new shares to Bryan Sheffield and A$15mm to existing investors. We see this as a strong vote of confidence in Tamboran by another shale pioneer, coming in for a sizeable equity investment ahead of the well flow test results. Sheffield became one of the youngest billionaires in the energy business through his company Parsley Energy, which was founded in 2008 with shale assets in the core of the US Permian Basin and sold for a US$7bn valuation earlier this year. Sheffield has followed the public announcements, understands that Tamboran is in the "core" and "he has seen this story before". Tamboran already has two other major shale company founders in Dick Stoneburner and Fred Barrett on the board and large shareholders. Sheffield Holdings had already bought >1mm shares on market and Tamboran is the only ASX stock that he has ever bought. Sheffield will not be taking a board seat but we would expect that he would be able to offer advice in terms of strategy and there is the possibility of further equity investment in the future, if mutually beneficial. Also, we believe the fact that Sheffield has invested will mean that US investors that have profited from Parsley's success could take an interest in Tamboran.

Australian gas deals are positive for Tamboran

Over the last few weeks there have been several Australian gas deals announced, which demonstrates the considerable interest from infrastructure companies and gas buyers in accessing material gas resources or infrastructure in Australia. Australian listed Senex has received an offer of A$852mm (US$630mm), which implies an EV/2P reserves value of ~A$1.3/mcfe. Origin Energy announced the sale of 10% in its APLNG project for A$2.1bn (US$1.6bn) to EIG Partners and Woodside sold down 49% of its Pluto LNG Train 2 development to Global Infrastructure Partners.

Beetaloo: All the elements in place for a successful shale development

We believe that the Beetaloo is well positioned to be successful given the geology and other commercial considerations. As the source rocks are much thicker than comparable US shale plays, there is potential for world-class resources, and the Beetaloo is considered to be the most prospective shale play in the world. Although unconventional oil and gas plays exist in many regions globally, very few have all the elements in place, particularly from a commercialisation perspective. Tamboran has a Board of Directors, management team and shareholder base that is akin to a sizeable US shale E&P company with deep technical knowledge and track record in early-stage E&P success.

Use of funds: gives Tamboran optionality with its 2022 programme

Tamboran's latest reported cash position was A$49mm at the end of Q3'21. Following the raise we see Tamboran having a buffer of cash that would enable it to possibly accelerate its drilling plans on EP 136 or fund next year's operations with Santos. We see the key catalyst as the flow test results from the T2H and T3H wells in Q4'21. A commercial rate would not only de-risk the EP 161 block, in which Tamboran has a 25% JV interest, but also the adjacent, 100%-owned EP 136 block, where drilling is planned in 2022 with the Maverick #1H well.

Valuation: our risked NAV implies ~130% upside to the placing price

Our risked NAV has increased 6% to A$0.84/sh as we have updated our long-term Brent forecast to US$70/bbl (implied L.T. Asian LNG price of US$12.6/mcf at 13% of Brent) and USD/AUD exchange rate to 1.38, which more than offsets the dilution. On an unrisked basis we have a NAV of A$2.20/sh or 5x upside for the development of 3.5tcf net to Tamboran. At our NPV10 of ~A$0.4/mcf, TBN shares are pricing in a development of just 0.5tcf out of the 31tcf of prospective unrisked net gas resource.

GICS Sector	Energy
Ticker	ASX:TBN
Market cap 22-Nov-21 (US$mm)	200
Share price 22-Nov-21 (AUD $)	0.37

NAV summary (AUD c/sh)

Asset	Unrisked	Risked
Cash & other	10	10
EP 136	169	51
EP 161	42	23
Total NAV	**220**	**84**

Source: H&P estimates

31tcf

Tamboran's unrisked net prospective gas resource.

Net zero CO_2

Tamboran has committed to produce natural gas with zero Scope 1 and 2 emissions.

H&P Advisory Ltd is a Retained Advisor to Tamboran. The cost of producing this material has been covered by Tamboran as part of a contractual engagement with H&P; this report should therefore be considered an "acceptable minor non-monetary benefit" under the MiFID II Directive.

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Investment Case

Company overview – Tamboran Resources Limited (ASX: TBN) is an E&P company that is focused on unconventional gas in the Northern Territory, Australia. Tamboran's key assets are a 25% working interest in EP 161 and a 100% working interest in EP 136, which are in the Beetaloo Sub-basin and contain net unrisked prospective resources of ~31tcf of gas. Tamboran was founded in 2009 and listed on the ASX in July 2021. It has a focused strategy on accelerated commercialisation of clean, low cost, natural gas from the Beetaloo Basin. Once it builds up its proprietary knowledge of the basin it could expand further within the basin or to other areas, such as the Canning Basin in Australia.

Investment proposition – Tamboran offers exposure into the positive pricing dynamics of Australia's gas market. In turn, through Australia's LNG export capacity (largest globally), it offers exposure into global and especially Asian LNG markets, where prices are currently well above the expected full cycle break-even from the Beetaloo. Tamboran's exploration assets have huge gas potential (~31tcf of net recoverable prospective resources or >5bnboe) in one of the most promising shale gas basins globally, with the characteristics to match the best shale gas wells in the US. Given that this is a resource play with several wells drilled into it, there is very low risk in terms of there being large quantities of gas, but it is more a question of the economics and commerciality of producing the gas. The Beetaloo's properties and wells to date suggest excellent quality rock, allowing highly economic flow rates and recoveries per well with Tamboran's acreage located in the core of the basin. Crucially Tamboran has lined up multiple commercialisation pathways for the gas, which is key to value creation. It is partnered with Santos, a major global LNG player with its own operated LNG facilities within range of the basin and has signed an MOU with infrastructure company Jemena Ltd to bring the gas to market. Tamboran's team has deep technical knowledge of US shale plays and track record of early-stage E&P success. Tamboran could produce some of the lowest cost gas in Australia and monetise it at premium pricing into Asia, as net zero emission LNG.

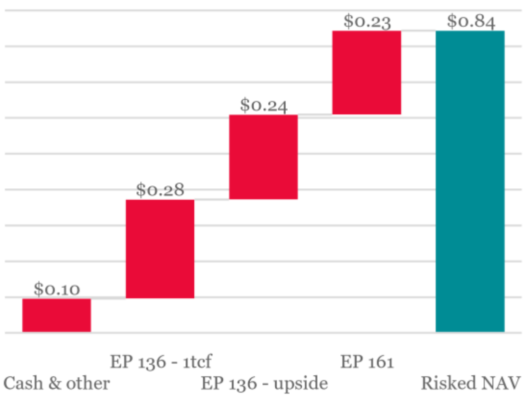
Valuation: ~130% upside to our risked NAV – Our risked NAV has increased 6% to A$0.84/sh as we have updated our long-term Brent forecast to US$70/bbl and USD/AUD exchange rate to 1.38, which more than offsets the dilution. On an unrisked basis we have a NAV of A$2.20/sh or 5x upside for the development of 3.5tcf net to Tamboran.

NAV A$/sh based on potential volume discovered & NPV of resource

		Net recoverable resource (tcf)				
		0.5	1.0	2.5	10.0	31.0
	$0.05	0.13	0.16	0.26	0.75	2.12
NPV	$0.25	0.26	0.42	0.91	3.36	10.22
$/mcf	$0.40	0.36	0.62	1.40	5.32	16.29
	$0.50	0.42	0.75	1.73	6.63	20.34
	$1.00	0.75	1.40	3.36	13.16	40.59

Source: H&P estimates

Waterfall Chart of Risked NAV breakdown by item (A$/sh)

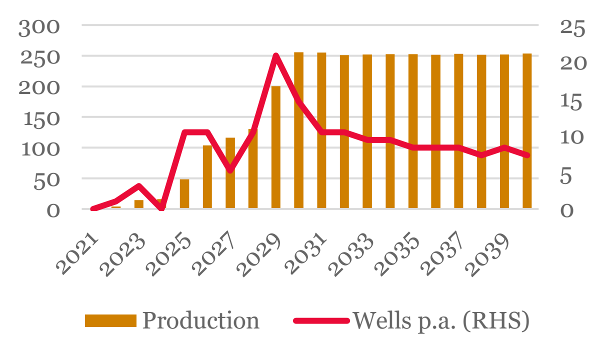


Source: Company reports, H&P estimates

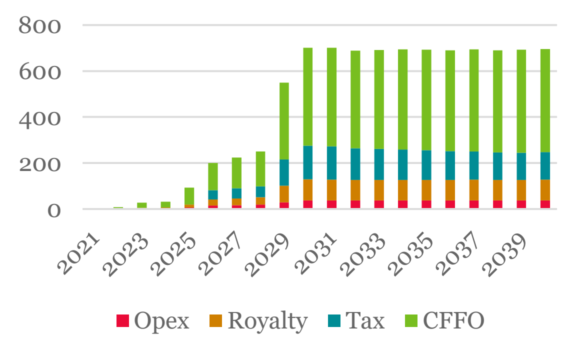
All the elements in place for a successful shale development - We believe that the Beetaloo is well positioned to be successful given the geology and other commercial considerations. As the source rocks are much thicker than comparable US shale plays, there is potential for world-class resources, and the Beetaloo is considered by many to be the most prospective shale play in the world. Although unconventional oil and gas plays exist in many regions globally, very few have all the elements in place, in particular from a commercialisation perspective. As a result, outside of North America, the only material play to have been realised is the Vaca Muerta in Argentina. A successful full scale shale development requires conducive geology, adequate economic incentives, a transparent and consistent regulatory regime, available service/equipment capacity, infrastructure (or the means to build it), market access (and adequate pricing), and, last but not least, access to capital. This is reflected in Tamboran honing in on the Northern Territory in Australia and relinquishing its assets in South Australia, Western Australia, Turkey, Myanmar, the UK, Northern Ireland and Botswana.

Beetaloo Play has been de-risked with Tamboran in the core - Tamboran was an early mover in the Beetaloo basin, spotting the opportunity over a decade ago and obtaining acreage in the core of the basin: positioned right in the depocenter. An independent reserve report has confirmed that the first vertical well on EP 161 has proved up 117bcf of recoverable gas (2C resource) with an upside case (3C) of 265bcf (~45mmboe). The first vertical well that was drilled and tested implies that, when converted to a reasonably sized lateral well, there could be 15-20mmcf/d potential per well. Also, a recent well test on the nearby Amungee-NW1H well by Origin/Falcon suggested a flow rate of 5.5mmcf/d per 1,000m of lateral. Our scoping economics suggest that a flow rate of around half this amount would still be economic. In our base case we assume 4.5mmcf/d per 1,000m and 12.5bcf recovery per well (EUR), which gives an NPV10 of ~A$0.4/mcf. Also the Amungee NW-1 well only had half the thickness of M Velkerri 'B' compared to Tanumbirini 1.

EP 136: 250mmcf/d production scenario and wells



Split of revenue (A$mm)



Source: H&P estimates

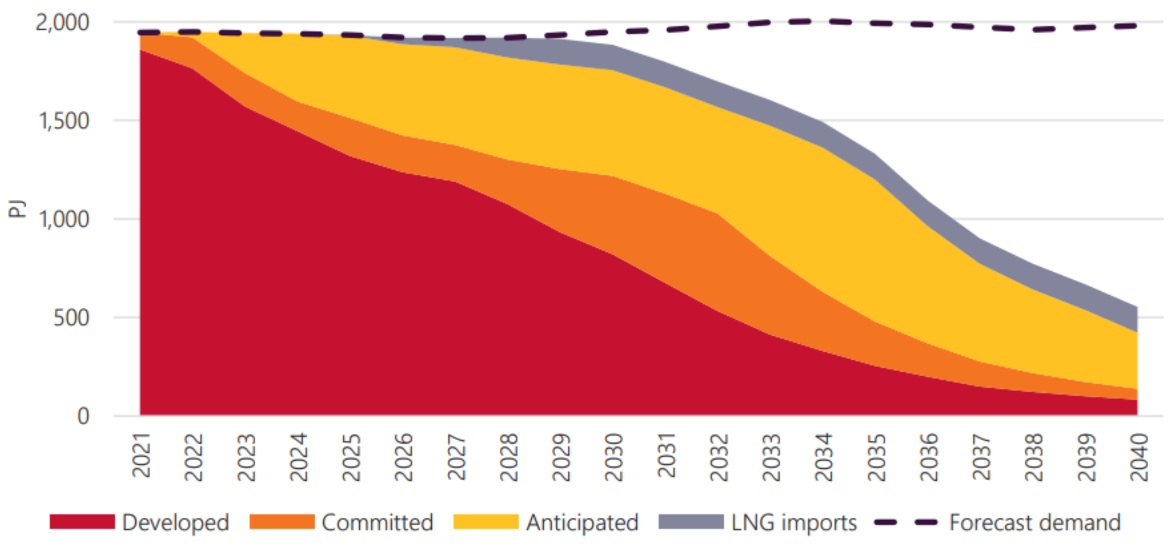
Strategic infrastructure potential supports growth to 500mcf/d – Tamboran has signed an important deal with infrastructure company Jemena to build a 1bcf/d pipeline from the Beetaloo to access the East coast domestic gas and LNG export market. This has two major implications, first it means that Tamboran as a partner with Jemena will have access to significant capacity of up to 500mmcf/d that it can send down the pipeline, de-risking its route to market. Secondly there is significant value in gas infrastructure assets in Australia demonstrated by several deals such as Shell selling a stake in its QCLNG common facilities and TOTAL announcing a US$750mm sale and lease back deal on its GLNG plant, both with GIP Australia on the East coast. There is the potential for

Tamboran to reach 100mmcf/d of net production in 2025 and 500mmcf/d by the end of the decade supplying either the East Coast or Darwin/Ichthys LNG

Low/zero net carbon emission gas production - ESG is an increasingly important issue for investors in the oil and gas industry. Natural gas is an essential fuel in the energy transition away from coal. The focus is on reducing the emissions and leakage in the production of gas. Gas in the Beetaloo has been shown to date to have a lower CO2 content than the average for fields in NW Australia. Tamboran has committed to produce gas with zero Scope 1 and 2 emissions and is exploring the use of renewable energy, carbon capture and sequestration and carbon offsets. We see Tamboran aiming to sell premium priced net zero LNG in the future.

Supportive local and national Government - A key element for success in the development of a shale play is to have a supportive Government and regulatory framework. An example of the support is that the Federal Government announced A$50mm in incentives for the Beetaloo Sub-basin in December 2020. The idea is to "unlock five key gas basins starting with the Beetaloo basin and the North Bowen and Galilee basin in Queensland", the government said last September. A recent Australian Competition and Consumer Commission (ACCC) report has identified the Beetaloo Basin as a priority development to address anticipated domestic gas shortfalls by 2024. Australia offers a unique combination of being a developed economy in the OECD with the ability to attract skilled labour and technology, alongside significant prospectivity. Fiscal terms are attractive on a global comparative basis: 10% royalty and 30% corporate tax rate.

Projected eastern and south-eastern Australia gas production (including export LNG), Central scenario, existing, committed, and anticipated developments, 2021-40 (PJ)



Source: AEMO

Australia becoming increasingly short gas - The growth in LNG exports has resulted in higher natural gas prices and concerns of domestic natural gas shortfalls, particularly on the east coast of Australia. The country's first LNG import facility has also been approved for NSW. The Government established the Australian Domestic Gas Security Mechanism (ADGSM) in response to fears of possible shortfalls. Development of new basins in the north, such as Beetaloo could provide the eastern and south-eastern gas systems access to large gas supplies that could produce cost-effective gas for many years. Australia's domestic gas demand has remained flat, with the only material variation being the consumption of gas in National Electricity Market gas-fired generation, which is heavily affected by both gas price and electricity conditions. Despite the lack of domestic demand growth, natural gas prices have remained high in Australia relative to other OECD countries. This indicates a lack of supply to meet local demand.

Positive outlook for global gas prices, in particular Asia – We expect global gas prices to remain at attractive levels in coming years as we see gas as a key transition fuel on the path to net zero. We expect continued strong gas demand growth globally on the back of economic growth in Asia and the substitution of coal. We see global gas and LNG supply stuttering on a lack of investment caused by the last 5 plus years of underinvestment by the oil and gas industry and more recently the delay of many planned LNG liquefaction facilities globally. The impact of this has been seen in 2021 with mid-year gas prices reaching record levels (e.g. European gas prices reaching >US$25/mcf and Asian LNG ~US$30/mcf) well before winter. Being close to high growth and high demand Asian markets such as Japan, Korea and China enables lower transport costs and therefore confers a unique benefit to the Australian LNG producers.

Management team are shale development specialists - Tamboran has a Board of Directors and management team that is akin to a sizeable US shale E&P company with deep technical knowledge and track record in early-stage E&P success. The Directors of Tamboran are recognized as pioneers in North American unconventional resources as well as unconventional (CBM) developments in Australia. Chairman Dick Stoneburner was the Founder of Petrohawk Energy, which developed one of the largest shale portfolios and was sold for US$12.1bn. Pat Elliot spotted the CBM play early in Queensland and sold Eastern Star Gas to Santos in 2011 for A$924mm. The Directors have led the initial development of multiple significant US oil and gas unconventional resource plays, including the Eagle Ford, Marcellus, Montney, Duvernay, Woodford, Fayetteville and Haynesville shales. Tamboran's operating team has been recruited from leading US E&P companies and has over 200 years of combined US unconventional experience. The team brings a wealth of knowledge to Tamboran, particularly relating to shale reservoir assessment and cutting-edge drilling and completion design technology.

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