

Tamboran Resources Limited (ASX: TBN): Formed a strategic alliance with Helmerich & Payne, Inc

BY ACE INVESTORS / 03 APRIL 2023



Reading Time: 5 Mins

By Team Ace Investors

Stock Code	ASX: TBN
Shares O/S	1.42 billion
Closing Price	AUD 0.200
Market Cap	261.96 million
52 W H/L	0.325/0.180
One Year Stock Performance	-26.92%
Avg. Volume	0.51 million
EPS(TTM)	-0.023
P/E	-
Annual Dividend Yield	0.00%
Franking	-
Last Dividend Ex-Date	-
Last Dividend Pay Date	-
DPS (AUD)	-
ROE (%)	-11.12%

(Source: ASX)

Company Overview

Tamboran Resources Limited is the largest acreage holder with ~1.9 million net prospective net acres in the Beetaloo Sub-basin within the Greater McArthur Basin in the Northern

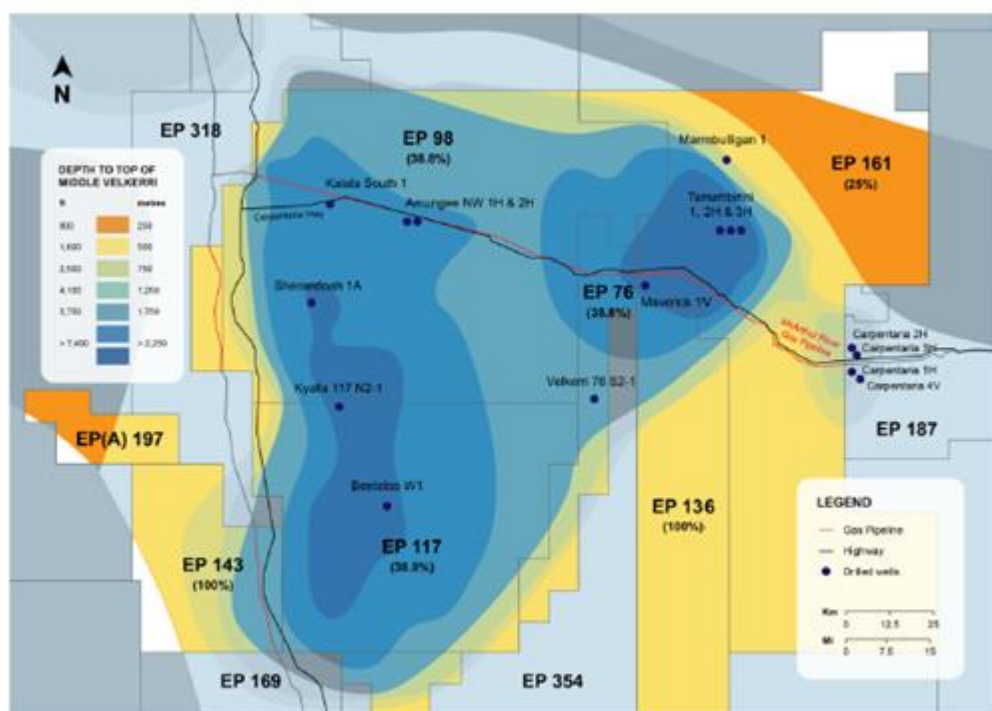
Territory of Australia. The Company is focused on playing a constructive role in the global energy transition towards a lower carbon future by developing the significant low CO₂ gas resource within the Basin. Tamboran's key assets include a 25% working interest in EP 161, a 100% working interest and operatorship in EP 136, EP 143, and EP(A) 197, and a 38.75% working interest and operatorship in EPs 98, 117, and 76. In Nov '22, Tamboran completed the acquisition of Beetaloo Sub-basin permits EP 76, 98, and 117 from Origin Energy. The acquisition consolidated Tamboran's position as the largest acreage holder in the Basin, with approximately 1.9 million net prospective acres and 147 trillion cubic feet (TCF) of net prospective gas resources. Tamboran's immediate focus is the development of a proposed Amungee Pilot Development within EP 98 and the first production by the end of the calendar year 2025.

Investment Rationale

The acquisition of Origin's 77.5% interest in three Beetaloo Basin permits consolidated Tamboran's position as the largest acreage holder in the Basin.

In Nov '22, Tamboran completed the acquisition of Beetaloo Sub-basin permits EP 76, 98, and 117 from Origin Energy. In Sep '22, TBN announced the acquisition of Origin Energy's (Origin) 77.5% interest in three Beetaloo Basin permits (EP 98, 117, and 76) through a joint venture entity with Bryan Sheffield (50:50) for an upfront cash consideration of \$60 million plus a future production royalty. Under the transaction, Sheffield and Tamboran each acquired 38.75% of permits EPs 76, 98, and 117, and the existing partner, Falcon Oil and Gas Australia Limited (Falcon), retained the remaining 22.5%. The acquisition consolidated Tamboran's position as the largest acreage holder in the Basin, with approximately 1.9 million net prospective acres and 147 trillion cubic feet (TCF) of net prospective gas resources. Tamboran now becomes the largest acreage holder in the Beetaloo Basin with ~1.9 million net prospective acres, which resulted in a ~270% increase in Tamboran's estimated net 2C contingent gas resources to ~1.5 trillion cubic feet (TCF). The JV also secured a binding Gas Sales Agreement (GSA) with Origin Energy aligned with the acquisition. Under the GSA, the JV will supply Origin with up to 36.5 PJ per annum (18.3 PJ per annum net to Tamboran) for ten years, providing the JV with a near-term pathway to cash flow. Alongside the recently announced MOU with Jemena, the Origin GSA is expected to support Tamboran's ambition to supply low-carbon dioxide gas to Australia's East Coast gas market. The Company raised approximately \$140 million to fund the acquisition.

Figure 1: Tamboran's Beetaloo Basin asset location map



(Source: Company reports)

Raised \$140 million in capital to fund the acquisition and exploration programs at the Beetaloo Sub-basin

In mid-September 2022, Tamboran announced the Company had raised approximately \$137 million (pre-costs) in equity at \$0.21 per share. The raise included a \$98 million Private Placement to strategic partners and US cornerstone investors, including equity investments of \$30 million by Sheffield, \$22 million by Helmerich & Payne, Inc. (H&P), (NYSE: HP), and \$46 million by several other US energy-focused institutional investors. An additional \$39 million was raised via a further placement to sophisticated and institutional investors outside the United States. Tamboran, in conjunction with the above private placement, also completed a Share Purchase Plan (SPP) of \$3 million. The funds raised under the Placement and SPP were used by Tamboran to fund an acquisition of an interest in and operatorship of natural gas assets in the Beetaloo Sub-basin and are being to fund its ongoing exploration and development programs in the Beetaloo Sub-basin.

Formed a strategic alliance with Helmerich & Payne, Inc

During the quarter, Tamboran entered into a strategic alliance and secured a \$22 million equity investment through the \$137 million placement detailed previously from a subsidiary of H&P, the largest drilling solutions provider in the US. Tamboran has finalized a drilling contract with H&P for a super-spec FlexRig® for a two-year term. The rig is planned to be mobilized into Australia for the Company's proposed 2023 drilling campaign. The drilling activity, if successful, is expected to position Tamboran for the sanctioning of a proposed Pilot Development by the end of 2023. Once imported into Australia, H&P's super-spec

FlexRig®, with more than 2,000 horsepower and a one-million-pound hook load, will be one of Australia's most powerful onshore drilling rigs capable of drilling more than 4,000-metre horizontal sections within the Mid-Velkerri "B Shale". The rig is expected to support a material reduction in cost per unit of recoverable gas and minimize the environmental footprint.

Dec' 22Q update: In Nov '22, Tamboran completed the acquisition of Beetaloo Sub-basin permits EP 76, 98, and 117. The acquisition positions Tamboran as the largest acreage holder in the Basin, with approximately 1.9 million net prospective acres and 147 trillion cubic feet (TCF) of net prospective gas resources. On 10 Nov '22, Tamboran also commenced drilling at the Amungee 2H (A2H) well, the first of two wells required to finalize the Falcon Oil & Gas (Falcon) farm-in obligations. The well was successfully drilled to a total depth (TD) of 3,883 meters in 38 days, including a 1,275-metre horizontal section, which was placed in the most prospective zone of the Mid-Velkerri "B Shale" formation. In early January 2023, Tamboran contracted Condor Energy Services (Condor) to undertake the stimulation program for the A2H well. Under the contract, Condor will provide stimulation and coiled tubing services to complete up to 24 stimulation stages within the Mid-Velkerri "B Shale". The stimulation program across a 1,200-metre horizontal section within the shale of A2H was commenced in Feb '23. Once the stimulation program is complete, the well is planned to be flowed back over four weeks before installation of production tubing, with IP30 rates planned to be announced during the second quarter of 2023. During the period, Tamboran commenced a comprehensive evaluation of the drilling area for the second and final well required to satisfy the Falcon farm-in obligations. On 22 Mar '22, the Company announced that it completed the 25-stage stimulation program at the Amungee 2H (A2H) well within its 38.75% owned and operated EP 98 permit of the Beetaloo Basin. Tamboran expects to announce 30-day initial production (IP30) flow rates during the second quarter of 2023.

ACE's Recommendation:

Tamboran's immediate focus is the development of a proposed Amungee Pilot Development within EP 98 and the first production by the end of CY25. In Nov '22, Tamboran completed the acquisition of Beetaloo Sub-basin permits EP 76, 98, and 117 from Origin Energy. The acquisition consolidated Tamboran's position as the largest acreage holder in the Basin, with approximately 1.9 million net prospective acres and 147 trillion cubic feet (TCF) of net prospective gas resources. The JV also secured a binding Gas Sales Agreement (GSA) with Origin Energy aligned with the acquisition. Under the GSA, the JV will supply Origin with up to 36.5 PJ per annum (18.3 PJ per annum net to Tamboran) for ten years, providing the JV with a near-term pathway to cash flow. Alongside the recently announced MOU with Jemena, the Origin GSA is expected to support Tamboran's ambition to supply low-carbon dioxide gas to Australia's East Coast gas market. During the quarter, Tamboran commenced drilling at the Amungee 2H (A2H) well, the first of two wells required to finalize the Falcon Oil & Gas (Falcon) farm-in obligations. The well was successfully drilled to a total depth (TD) of 3,883 meters in 38 days, including a 1,275-metre horizontal section, which was placed in the most prospective zone of the Mid-Velkerri "B Shale" formation. On 22 Mar '22, the Company announced that it completed the 25-stage stimulation program at the Amungee 2H (A2H) well within its 38.75% owned and operated EP 98 permit of the

Beetaloo Basin. Tamboran expects to announce 30-day initial production (IP30) flow rates during the second quarter of 2023. We believe that the successful 30-day initial production (IP30) flow test in Q2 CY23 is the key near-term catalyst for growth. We would like to recommend a **SPECULATIVE BUY** rating on the stock.

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