

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2020

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-5507



Tellurian Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

06-0842255

(I.R.S. Employer Identification No.)

1201 Louisiana Street, Suite 3100, Houston, TX

(Address of principal executive offices)

77002

(Zip Code)

(832) 962-4000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value \$0.01 per share	TELL	NASDAQ Capital Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 30, 2020, there were 330,464,366 shares of common stock, \$0.01 par value, issued and outstanding.

Tellurian Inc.
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Cautionary Information About Forward-Looking Statements

The information in this report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical facts, that address activity, events, or developments with respect to our financial condition, results of operations, or economic performance that we expect, believe or anticipate will or may occur in the future, or that address plans and objectives of management for future operations, are forward-looking statements. The words “anticipate,” “assume,” “believe,” “budget,” “continue,” “estimate,” “expect,” “forecast,” “initial,” “intend,” “likely,” “may,” “plan,” “potential,” “project,” “proposed,” “should,” “will,” “would” and similar expressions are intended to identify forward-looking statements. These forward-looking statements relate to, among other things:

- our businesses and prospects and our overall strategy;
- planned or estimated capital expenditures;
- availability of liquidity and capital resources;
- our ability to obtain additional financing as needed and the terms of financing transactions, including at Driftwood Holdings LP;
- revenues and expenses;
- progress in developing our projects and the timing of that progress;
- future values of the Company’s projects or other interests, operations or rights; and
- government regulations, including our ability to obtain, and the timing of, necessary governmental permits and approvals.

Our forward-looking statements are based on assumptions and analyses made by us in light of our experience and our perception of historical trends, current conditions, expected future developments and other factors that we believe are appropriate under the circumstances. These statements are subject to a number of known and unknown risks and uncertainties, which may cause our actual results and performance to be materially different from any future results or performance expressed or implied by the forward-looking statements. Factors that could cause actual results and performance to differ materially from any future results or performance expressed or implied by the forward-looking statements include, but are not limited to, the following:

- the uncertain nature of demand for and price of natural gas and LNG;
 - risks related to shortages of LNG vessels worldwide;
 - technological innovation which may render our anticipated competitive advantage obsolete;
 - risks related to a terrorist or military incident involving an LNG carrier;
 - changes in legislation and regulations relating to the LNG industry, including environmental laws and regulations that impose significant compliance costs and liabilities;
 - governmental interventions in the LNG industry, including increases in barriers to international trade;
 - uncertainties regarding our ability to maintain sufficient liquidity and attract sufficient capital resources to implement our projects;
 - our limited operating history;
 - our ability to attract and retain key personnel;
 - risks related to doing business in, and having counterparties in, foreign countries;
 - our reliance on the skill and expertise of third-party service providers;
 - the ability of our vendors to meet their contractual obligations;
 - risks and uncertainties inherent in management estimates of future operating results and cash flows;
 - our ability to maintain compliance with our debt arrangements and other agreements;
 - the potential discontinuation of the London Inter-Bank Offered Rate;
 - changes in competitive factors, including the development or expansion of LNG, pipeline and other projects that are competitive with ours;
 - development risks, operational hazards and regulatory approvals;
 - our ability to enter into and consummate planned financing and other transactions;
 - risks related to pandemics or disease outbreaks;
 - risks of potential impairment charges and reductions in our reserves; and
 - risks and uncertainties associated with litigation matters.
-

The forward-looking statements in this report speak as of the date hereof. Although we may from time to time voluntarily update our prior forward-looking statements, we disclaim any commitment to do so except as required by securities laws.

DEFINITIONS

To the extent applicable, and as used in this quarterly report, the terms listed below have the following meanings:

ASU	Accounting Standards Update
Bcf	Billion cubic feet of natural gas
Bcf/d	Bcf per day
DD&A	Depreciation, depletion and amortization
DES	Delivered ex-ship
DFC	Deferred financing costs
EPC	Engineering, procurement and construction
FASB	Financial Accounting Standards Board
FID	Final investment decision as it pertains to the Driftwood Project
GAAP	Generally accepted accounting principles in the U.S.
JKM	Platts Japan Korea Marker index price for LNG
LNG	Liquefied natural gas
LSTK	Lump sum turnkey
MMBtu	Million British thermal units
Mtpa	Million tonnes per annum
Nasdaq	Nasdaq Capital Market
OTC	Over-the-counter
SEC	U.S. Securities and Exchange Commission
Train	An industrial facility comprised of a series of refrigerant compressor loops used to cool natural gas into LNG
U.S.	United States
USACE	U.S. Army Corps of Engineers

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TELLURIAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts, unaudited)

	September 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 77,947	\$ 64,615
Accounts receivable	3,015	5,006
Accounts receivable due from related parties	1,316	1,316
Prepaid expenses and other current assets	1,182	11,298
Total current assets	<u>83,460</u>	<u>82,235</u>
Property, plant and equipment, net	62,932	153,040
Deferred engineering costs	110,499	106,425
Non-current restricted cash	3,441	3,867
Other non-current assets	32,980	36,755
Total assets	<u>\$ 293,312</u>	<u>\$ 382,322</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 24,617	\$ 21,048
Accounts payable due to related parties (Note 7)	1,360	—
Accrued and other liabilities	35,450	33,003
Borrowings	80,774	78,528
Total current liabilities	<u>142,201</u>	<u>132,579</u>
Long-term liabilities:		
Borrowings	37,659	58,121
Other non-current liabilities	26,811	25,337
Total long-term liabilities	<u>64,470</u>	<u>83,458</u>
Stockholders' equity:		
Preferred stock, \$0.01 par value, 100,000,000 authorized: 6,123,782 and 6,123,782 shares outstanding, respectively	61	61
Common stock, \$0.01 par value, 800,000,000 and 400,000,000 authorized, respectively: 326,131,890 and 242,207,522 shares outstanding, respectively	3,036	2,211
Additional paid-in capital	888,216	769,639
Accumulated deficit	(804,672)	(605,626)
Total stockholders' equity	<u>86,641</u>	<u>166,285</u>
Total liabilities and stockholders' equity	<u>\$ 293,312</u>	<u>\$ 382,322</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

TELLURIAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Natural gas sales	\$ 7,272	\$ 9,344	\$ 21,818	\$ 19,637
LNG sales	6,993	—	6,993	—
Total revenue	14,265	9,344	28,811	19,637
Operating costs and expenses:				
Cost of sales	9,241	2,241	14,529	4,594
Development expenses	5,799	15,685	26,105	46,238
Depreciation, depletion and amortization	3,474	7,409	14,301	13,988
General and administrative expenses	10,734	22,369	43,342	67,825
Impairment charges	—	—	81,065	—
Severance and reorganization charges	—	—	6,359	—
Related party charges (Note 7)	—	—	7,357	—
Total operating costs and expenses	29,248	47,704	193,058	132,645
Loss from operations	(14,983)	(38,360)	(164,247)	(113,008)
Interest expense, net	(15,973)	(6,079)	(33,564)	(10,065)
Other income (expense), net	1,490	4,832	(1,235)	8,847
Loss before income taxes	(29,466)	(39,607)	(199,046)	(114,226)
Income tax	—	—	—	—
Net loss	\$ (29,466)	\$ (39,607)	\$ (199,046)	\$ (114,226)
Net loss per common share ⁽¹⁾ :				
Basic and diluted	\$ (0.10)	\$ (0.18)	\$ (0.79)	\$ (0.52)
Weighted-average shares outstanding:				
Basic and diluted	291,409	218,780	252,825	218,457

(1) The numerator for both basic and diluted loss per share is net loss. The denominator for both basic and diluted loss per share is the weighted-average shares outstanding during the period.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

TELLURIAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total shareholders' equity, beginning balance	\$ 75,913	\$ 241,656	\$ 166,285	\$ 297,934
Preferred stock	61	61	61	61
Common stock:				
Beginning balance	2,627	2,210	2,211	2,195
Common stock issuance	371	—	567	—
Share-based compensation, net ⁽¹⁾	23	—	33	15
Severance and reorganization charges	15	—	22	—
Settlement of Final Payment Fee (Note 9)	—	—	110	—
Borrowings principal repayment (Note 9)	—	—	93	—
Ending balance	3,036	2,210	3,036	2,210
Additional paid-in capital:				
Beginning balance	848,431	767,863	769,639	749,537
Common stock issuance	34,483	—	70,327	—
Share-based compensation, net ⁽¹⁾	3,299	741	5,619	15,222
Severance and reorganization charges	1,890	—	2,667	—
Share-based payments	113	162	337	707
Settlement of Final Payment Fee (Note 9)	—	—	9,036	—
Warrants issued in connection with Borrowings (Note 11)	—	—	16,896	3,300
Borrowings principal repayment (Note 9)	—	—	13,695	—
Ending balance	888,216	768,766	888,216	768,766
Accumulated deficit:				
Beginning balance	(775,206)	(528,478)	(605,626)	(453,859)
Net loss	(29,466)	(39,607)	(199,046)	(114,226)
Ending balance	(804,672)	(568,085)	(804,672)	(568,085)
Total shareholders' equity, ending balance	\$ 86,641	\$ 202,952	\$ 86,641	\$ 202,952

⁽¹⁾ Includes settlement of 2019 and 2018 bonuses that were accrued for in 2019 and 2018, respectively.

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

TELLURIAN INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, unaudited)

	Nine Months Ended September 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (199,046)	\$ (114,226)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	14,301	13,988
Amortization of debt issuance costs, discounts and fees	22,467	6,674
Share-based compensation	2,184	3,526
Severance and reorganization charges	2,689	—
Share-based payments	338	707
Interest elected to be paid-in-kind	2,431	—
Gain on sale of assets	—	(2,831)
Gain on financial instruments not designated as hedges	4,624	(3,497)
Impairment charges	81,065	—
Other	485	(1,538)
Net changes in working capital (Note 16)	11,728	10,516
Net cash used in operating activities	<u>(56,734)</u>	<u>(86,681)</u>
Cash flows from investing activities:		
Development of natural gas properties	(389)	(45,046)
Proceeds from sale of assets	—	6,156
Deferred engineering costs	—	(25,997)
Purchase of property, plant and equipment	—	(2,732)
Net cash used in investing activities	<u>(389)</u>	<u>(67,619)</u>
Cash flows from financing activities:		
Proceeds from common stock issuances	73,986	—
Equity issuances cost	(3,091)	—
Borrowing proceeds	50,000	75,000
Borrowing issuance costs	(2,612)	(2,246)
Borrowing principal repayments	(45,600)	—
Tax payments for net share settlement of equity awards (Note 16)	(878)	(6,686)
Payments of finance lease principal	(1,776)	—
Net cash provided by financing activities	<u>70,029</u>	<u>66,068</u>
Net (decrease) increase in cash, cash equivalents and restricted cash	12,906	(88,232)
Cash, cash equivalents and restricted cash, beginning of period	68,482	183,589
Cash, cash equivalents and restricted cash, end of period	<u>\$ 81,388</u>	<u>\$ 95,357</u>
Supplementary disclosure of cash flow information:		
Interest paid	\$ 7,956	\$ 5,479

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Tellurian Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE 1 — GENERAL

The terms “we,” “our,” “us,” “Tellurian” and the “Company” as used in this report refer collectively to Tellurian Inc. and its subsidiaries unless the context suggests otherwise. These terms are used for convenience only and are not intended as a precise description of any separate legal entity associated with Tellurian Inc.

Nature of Operations

We plan to develop, own and operate a global natural gas business and to deliver natural gas to customers worldwide. Tellurian is developing a portfolio of natural gas production, LNG marketing, and infrastructure assets, including a LNG terminal facility (the “Driftwood terminal”) and an associated pipeline (the “Driftwood pipeline”) in southwest Louisiana. Tellurian plans to develop the Driftwood pipeline as part of what we refer to as the “Pipeline Network.” The Driftwood terminal, the Pipeline Network and certain natural gas production assets are collectively referred to as the “Driftwood Project”.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with GAAP for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain notes and other information have been condensed or omitted. The accompanying interim financial statements reflect all normal recurring adjustments that are, in the opinion of management, necessary for the fair presentation of our Condensed Consolidated Financial Statements. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2019.

Liquidity

Our Condensed Consolidated Financial Statements were prepared in accordance with GAAP, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business as well as the Company’s ability to continue as a going concern. As of the date of the Condensed Consolidated Financial Statements, we have generated losses and negative cash flows from operations, and have an accumulated deficit. We have not yet established an ongoing source of revenues or other sources of liquidity that are sufficient to cover our future operating costs and obligations as they become due during the twelve months following the issuance of the financial statements.

We are planning to generate proceeds from various potential financing transactions, such as utilizing our at-the-market program, equity issuances, equity-linked and debt securities or similar transactions, and have determined that it is probable that such proceeds will satisfy our obligations and fund our working capital needs for at least twelve months following the issuance of the financial statements.

Use of Estimates

To conform with GAAP, we make estimates and assumptions that affect the amounts reported in our Condensed Consolidated Financial Statements and the accompanying notes. Although these estimates and assumptions are based on our best available knowledge at the time, actual results may differ.

Recently Adopted Accounting Standards

Credit Losses

On January 1, 2020, we adopted ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, as issued by the FASB. This standard established the current expected credit loss model, a new impairment model for certain financial instruments, based on expected rather than incurred losses. Adoption of this standard had no impact on our financial statements.

NOTE 2 — PREPAID EXPENSES AND OTHER CURRENT ASSETS

The components of prepaid expenses and other current assets consist of the following (in thousands):

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Prepaid expenses	\$ 1,013	\$ 1,234
Deposits	111	364
Tradable equity securities	—	5,069
Derivative asset (Note 6)	—	3,121
Other current assets	58	1,510
Total prepaid expenses and other current assets	<u>\$ 1,182</u>	<u>\$ 11,298</u>

Tellurian Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE 3 — PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is comprised of fixed assets, proved oil and natural gas properties and finance leases, as shown below (in thousands):

	September 30, 2020	December 31, 2019
Land	\$ 13,808	\$ 13,808
Proved properties	61,384	142,494
Wells in progress	—	57
Corporate and other	3,477	5,285
Total property, plant and equipment at cost	78,669	161,644
Accumulated DD&A	(35,856)	(22,041)
Right of use asset — finance leases (Note 15)	20,119	13,437
Total property, plant and equipment, net	<u>\$ 62,932</u>	<u>\$ 153,040</u>

Land

We own land in Louisiana for the purpose of constructing the Driftwood Project.

Proved Properties Impairment

The carrying values of our proved natural gas properties are reviewed for impairment when events or circumstances indicate that the remaining carrying value may not be recoverable. During the second quarter of 2020, there were indicators that the carrying values of certain of our properties may be impaired as a result of depressed natural gas prices. We determined that these adverse market conditions represented a triggering event to perform an impairment assessment of our proved natural gas properties.

To determine whether impairment had occurred, we compared the estimated expected undiscounted future cash flows from our natural gas properties to the carrying values of those properties. The estimated future cash flows used in the recoverability test are based on proved and, if determined reasonable by management, risk-adjusted probable and possible reserves and assumptions generally consistent with those used by us for internal planning and budgeting purposes. These include, among other things, the intended use of the asset, anticipated production from reserves, future market prices of natural gas adjusted for basis differentials, and future operating costs. Proved properties that have carrying amounts in excess of estimated future undiscounted cash flows are written down to fair value.

During the second quarter of 2020, we recognized an impairment charge of approximately \$81.1 million primarily associated with our assets located in northern Louisiana. The impairment was recorded as a reduction to the assets' carrying values to their estimated fair values of approximately \$28.7 million. The estimated fair value of the impaired assets, as determined as of June 30, 2020, was based on significant inputs that are not observable in the market and, as such, are considered a Level 3 fair value measurement. Key assumptions included in the calculation of the fair value included values for the following: (i) reserves; (ii) future commodity prices and (iii) future operating and development costs.

NOTE 4 — DEFERRED ENGINEERING COSTS

As of September 30, 2020, the deferred engineering balance of approximately \$110.5 million represents detailed engineering services related to the planned construction of the Driftwood terminal. This balance will be transferred to construction in progress upon reaching FID.

NOTE 5 — OTHER NON-CURRENT ASSETS

Other non-current assets consist of the following (in thousands):

	September 30, 2020	December 31, 2019
Land lease and purchase options	\$ 3,656	\$ 4,320
Permitting costs	13,092	12,838
Right of use asset — operating leases (Note 15)	12,290	15,832
Other	3,942	3,765
Total other non-current assets	<u>\$ 32,980</u>	<u>\$ 36,755</u>

Tellurian Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Land Lease and Purchase Options

We hold lease and purchase option agreements (the “Options”) for certain tracts of land and associated river frontage. Upon exercise of the Options, the respective leases will be subject to maximum terms of 50 years, inclusive of various renewals which are at our sole discretion. Costs of the Options will be amortized over the life of the lease once obtained, or capitalized into the land if purchased.

Permitting Costs

Permitting costs primarily represent the purchase of wetland credits in connection with our permit application to the USACE in 2017 and 2018. These wetland credits will be applied to our permit in accordance with the Clean Water Act and the Rivers and Harbors Act, which require us to mitigate the potential impact to Louisiana wetlands that might be caused by the construction of the Driftwood Project. In May 2019, we received the USACE permit. The permitting costs will be transferred to construction in progress upon reaching FID.

NOTE 6 — FINANCIAL INSTRUMENTS

As discussed in Note 9, *Borrowings*, as part of entering into the senior secured term loan credit agreement in 2018, we are required to enter into and maintain certain hedging transactions. As a result, we use derivative financial instruments, namely OTC commodity swap instruments (“commodity swaps”), to maintain compliance with this covenant. We do not hold or issue derivative financial instruments for trading purposes.

Commodity swap agreements involve payments to or receipts from counterparties based on the differential between two prices for the commodity, and include basis swaps to protect earnings from undue exposure to the risk of geographic disparities in commodity prices, as required by the negative covenant of the senior secured term loan credit agreement. The fair value of our commodity swaps is classified as Level 2 in the fair value hierarchy and is based on standard industry income approach models that use significant observable inputs, including but not limited to New York Mercantile Exchange (NYMEX) natural gas forward curves and basis forward curves, all of which are validated against external sources at least monthly.

The Company recognizes all derivative instruments as either assets or liabilities at fair value on a net basis as they are with a single counterparty and subject to a master netting arrangement. The Company can net settle its derivative instruments at any time. As of September 30, 2020, we had a current liability of \$1.1 million, net, with respect to the fair value of the current portion of our commodity swaps. The current liability is classified within Accrued and other liabilities on the Condensed Consolidated Balance Sheets.

We do not apply hedge accounting for our commodity swaps; therefore, all changes in fair value of the Company’s derivative instruments are recognized within Other income, net, in the Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2020, we recognized a realized gain of \$1.0 million and \$4.8 million, respectively, as well as an unrealized loss of \$2.9 million and \$4.6 million, respectively, related to the changes in fair value of the commodity swaps in our Condensed Consolidated Statements of Operations. Derivative contracts which result in physical delivery of a commodity expected to be used or sold by the Company in the normal course of business are designated as normal purchases and sales and are exempt from derivative accounting. OTC arrangements require settlement in cash. Settlements of commodity derivative instruments are reported as a component of cash flows from operations in the Condensed Consolidated Statements of Cash Flows.

With respect to the commodity swaps, the Company hedged 4.8 Bcf of its fixed price and basis exposure, which represents a portion of its expected sales of equity production as of September 30, 2020. The open positions at September 30, 2020 had maturities extending through September 2021. For additional details, refer to Note 9, *Borrowings*.

NOTE 7 — RELATED PARTY TRANSACTIONS

In conjunction with the dismissal of the litigation disclosed in Part I, Item 3, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, we agreed to reimburse the Vice-Chairman of our Board of Directors, Martin Houston, for reasonable attorneys’ fees and expenses he incurred during the litigation. As of September 30, 2020, we have paid approximately \$5.1 million to third parties to settle outstanding amounts incurred by Mr. Houston for reasonable attorneys’ fees and expenses. We have also agreed to pay Mr. Houston approximately \$2.3 million for other expenses he incurred in connection with the litigation. As of September 30, 2020, a balance of approximately \$1.4 million remained owed to Mr. Houston and has been classified within Accounts payable due to related parties on the Condensed Consolidated Balance Sheets.

Tellurian Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

NOTE 8 — ACCRUED AND OTHER LIABILITIES

The components of accrued and other liabilities consist of the following (in thousands):

	September 30, 2020	December 31, 2019
Project development activities	\$ 2,411	\$ 3,851
Payroll and compensation	22,822	18,773
Accrued taxes	1,169	1,018
Professional services (e.g., legal, audit)	1,019	2,906
Warrant liabilities (Note 11)	3,333	—
Lease liabilities (Note 15)	1,902	3,729
Other	2,794	2,726
Total accrued and other liabilities	<u>\$ 35,450</u>	<u>\$ 33,003</u>

NOTE 9 — BORROWINGS

The following tables summarize the Company's borrowings as of September 30, 2020, and December 31, 2019 (in thousands):

	September 30, 2020		
	Principal repayment obligation ⁽¹⁾	Unamortized DFC and discounts	Carrying value
2020 Unsecured Note	\$ 29,500	\$ (7,652)	\$ 21,848
2019 Term Loan, due March 2022 ⁽²⁾	43,331	(5,672)	37,659
2018 Term Loan, due September 2021	60,000	(1,074)	58,926
Total borrowings	<u>\$ 132,831</u>	<u>\$ (14,398)</u>	<u>\$ 118,433</u>

	December 31, 2019		
	Principal repayment obligation and other fees ⁽³⁾	Unamortized DFC and discounts	Carrying value
2019 Term Loan, due March 2022 ⁽²⁾	\$ 84,955	\$ (6,427)	\$ 78,528
2018 Term Loan, due September 2021	60,000	(1,879)	58,121
Total borrowings	<u>\$ 144,955</u>	<u>\$ (8,306)</u>	<u>\$ 136,649</u>

(1) Includes paid-in-kind interest on the 2019 Term Loan of \$2.4 million.

(2) Maturity date amended as part of the Fourth Amendment to the 2019 Term Loan.

(3) Includes paid-in-kind interest on the 2019 Term Loan of \$1.8 million as well as a final payment fee equal to 20% of the principal amount less financing costs and cash interest amounts paid.

2020 Unsecured Note

On April 29, 2020, we issued a zero coupon \$56.0 million face amount senior unsecured note (the "2020 Unsecured Note") to an unrelated third party. Net proceeds raised from the 2020 Unsecured Note were approximately \$47.4 million, after deducting approximately \$2.6 million in fees and \$6.0 million in original issue discount. The 2020 Unsecured Note requires it to be repaid in installments on the first day of every month and these repayments began on June 1, 2020. As of September 30, 2020, we had repaid \$26.5 million of the 2020 Unsecured Note and the remaining repayments are scheduled as follows (in thousands):

Period	Periodic Amount	Total Amount
October 1, 2020	\$ 5,000	\$ 5,000
November 1, 2020	4,500	4,500
December 1, 2020 – April 1, 2021	4,000	20,000
Total remaining amortization payments		<u>\$ 29,500</u>

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The 2020 Unsecured Note contains certain cash sweep provisions requiring that a portion of the proceeds from certain of our equity offerings and convertible securities offerings be used to repay the outstanding principal balance through additional amortization payments. Due to the amount of proceeds generated from the sale of our common stock under our at-the-market program in June 2020, as well as the equity offering completed on July 24, 2020, these cash sweep provisions were triggered on July 1, 2020 and August 3, 2020, requiring us to make the maximum amount of additional amortization payments for a total of \$8.0 million in additional repayments of the outstanding principal balance. As a result of these additional repayments, the final payment associated with the 2020 Unsecured Note is scheduled to occur on April 1, 2021 instead of June 1, 2021 as originally scheduled. For more information about the transactions that triggered the cash sweep provisions, see Note 11, *Stockholders' Equity*.

In conjunction with the 2020 Unsecured Note, we issued to the lender a warrant to purchase 20.0 million shares of our common stock (the "Unsecured Warrant"). The fair value of the Unsecured Warrant of approximately \$16.1 million has been recognized as an original issue discount to the 2020 Unsecured Note. For more information about the Unsecured Warrant, see Note 11, *Stockholders' Equity*.

The lender may require us to repurchase the 2020 Unsecured Note upon a Fundamental Change (as defined in the 2020 Unsecured Note) or an event of default at 105% and 115%, respectively, of the remaining outstanding principal balance. If an event of default occurs which cannot be cured within certain time periods, we have the right to pay in cash. However, to the extent that we do not pay in cash, the lender will have the right to convert the outstanding face amount into shares of our common stock based on a formula defined in the 2020 Unsecured Note. We may prepay the 2020 Unsecured Note in whole or in part from time to time without premium or penalty.

2019 Term Loan

On May 23, 2019, Driftwood Holdings LP, a wholly owned subsidiary of the Company ("Driftwood Holdings"), entered into a senior secured term loan agreement (the "2019 Term Loan") to borrow an aggregate principal amount of \$60.0 million. Fees associated with entering into the 2019 Term Loan of approximately \$2.2 million have been capitalized as deferred financing costs. The 2019 Term Loan agreement provided Driftwood Holdings the right to borrow an additional \$15.0 million, which it did on July 16, 2019. The 2019 Term Loan bore a fixed annual interest rate of 12%, of which 4% Driftwood Holdings could add to the outstanding principal as paid-in-kind interest at the end of each reporting period. In addition to the fixed annual interest rate, upon maturity or early repayment of the 2019 Term Loan, Driftwood Holdings was also obligated to pay a final fee equal to 20% of the principal amount borrowed less financing costs and cash interest paid (the "Final Payment Fee") to the lender. On February 28, 2020, Driftwood Holdings entered into an amendment (the "First Amendment") to the 2019 Term Loan which allowed us to enter into a land lease for the Driftwood Project. The First Amendment had no financial statement impact in regard to accounting for our borrowings.

On March 23, 2020, Driftwood Holdings entered into a second amendment (the "Second Amendment") to the 2019 Term Loan. The outstanding principal balance as of the Second Amendment date was \$75.0 million. The Second Amendment, among other things, made the following changes to the 2019 Term Loan:

- Extended the maturity date from May 23, 2020 to November 23, 2021;
- Modified the frequency of interest payments from quarterly to monthly;
- Modified the interest rate from 12% per annum, with the ability to defer 4% per annum as paid-in-kind, to 16% per annum, with the ability to defer 8% per annum as paid-in-kind;
- Required a principal payment of \$3.0 million by April 22, 2020; and
- Reduced the required month-end collateral amount from \$30.0 million to \$12.0 million.

Upon entering into the Second Amendment, we repaid \$2.0 million of the outstanding principal balance and issued 11,019,298 shares of our common stock in exchange for cancellation of the Final Payment Fee and all accrued paid-in-kind interest through March 22, 2020.

The Second Amendment was accounted for as a debt modification with no gain or loss recognized, and differences in fair value for amounts settled or paid were capitalized as part of the 2019 Term Loan debt issuance discount. The Second Amendment resulted in an increase of approximately \$ 0.9 million in the debt issuance discount associated with the 2019 Term Loan.

Also, in conjunction with the Second Amendment, the Common Stock Purchase Warrant (the "Original Warrant") previously issued as part of the 2019 Term Loan was replaced with a new warrant (the "Replacement Warrant"). The difference in fair value between the Original Warrant and the Replacement Warrant was an increase of approximately \$0.3 million and has been recognized as a debt issuance discount to the 2019 Term Loan. Refer to Note 11, *Stockholders' Equity*, for further details.

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On April 28, 2020, Driftwood Holdings entered into a third amendment (the “Third Amendment”) to the 2019 Term Loan, which became effective on April 29, 2020. In conjunction with the Third Amendment, we repaid \$17.1 million of the outstanding principal balance. This principal repayment was made with the issuance of 9,348,706 shares of our common stock as well as a cash payment of \$2.1 million.

In conjunction with the Third Amendment, we issued to the lender a common stock purchase warrant (the “Third Amendment Warrant”). The fair value of the Third Amendment Warrant of approximately \$5.7 million was recognized as an original issue discount to the 2019 Term Loan.

On September 21, 2020, Driftwood Holdings entered into a fourth amendment (the “Fourth Amendment”) to the 2019 Term Loan. The Fourth Amendment extended the maturity date of the 2019 Term Loan from November 23, 2021 to March 23, 2022. In conjunction with the Fourth Amendment, we repaid \$12.0 million of the outstanding principal balance.

We may prepay the 2019 Term Loan in whole or in part from time to time without premium or penalty. Borrowings under the 2019 Term Loan are guaranteed by Tellurian Inc. and certain of its subsidiaries and are secured by substantially all of the assets of Tellurian Inc. and certain of its subsidiaries, other than Tellurian Production Holdings LLC (“Production Holdings”) and its subsidiaries, under one or more security agreements and pledge agreements.

2018 Term Loan

On September 28, 2018 (the “Closing Date”), Production Holdings entered into a three-year senior secured term loan credit agreement (the “2018 Term Loan”) in an aggregate principal amount of \$60.0 million.

Our use of proceeds from the 2018 Term Loan is predominantly restricted to capital expenditures associated with certain development and drilling activities and fees related to the transaction itself. At September 30, 2020, unused proceeds from the 2018 Term Loan totaled \$3.4 million and were classified as Non-current restricted cash on our Condensed Consolidated Balance Sheets.

We have the right, but not the obligation, to make voluntary principal repayments starting six months following the Closing Date in a minimum amount of \$5.0 million or any integral multiples of \$1.0 million in excess thereof. If no voluntary principal repayments are made, the principal amount, together with any accrued interest, is payable at the maturity date of September 28, 2021. The 2018 Term Loan can be terminated without penalty, with an early termination payment equal to the outstanding principal plus accrued interest.

Amounts borrowed under the 2018 Term Loan are guaranteed by Tellurian Inc. and each of Production Holdings’ subsidiaries. The 2018 Term Loan is collateralized by a first priority lien on all assets of Production Holdings and its subsidiaries, including our proved natural gas properties.

Covenant Compliance

As of September 30, 2020, the Company was in compliance with all covenants under its credit agreements. Refer to Note 6 *Financial Instruments*, for details of hedging transactions, as of and for the period ended September 30, 2020, entered into as required by the 2018 Term Loan described above.

Fair Value

As of September 30, 2020, the fair value of the 2020 Unsecured Note, on a discounted cash flow basis, was approximately \$28.7 million as the 2020 Unsecured Note effective interest rate was higher than current market levels. As of September 30, 2020, the fair value of the 2019 Term Loan, on a discounted cash flow basis, was approximately \$45.9 million as the 2019 Term Loan effective interest rate was higher than current market levels. As of September 30, 2020, the fair value of the 2018 Term Loan, on a discounted cash flow basis, was approximately \$58.4 million as the 2018 Term Loan effective interest rate was higher than current market levels. The 2020 Unsecured Note, 2019 Term Loan and 2018 Term Loan represent Level 3 instruments in the fair value hierarchy.

NOTE 10 — COMMITMENTS AND CONTINGENCIES

On April 23, 2019, we entered into a master LNG sale and purchase agreement and related confirmation notices (collectively, the “SPA”) with an unrelated third-party LNG merchant. Pursuant to the SPA, we committed to purchase one cargo of LNG per quarter through October 2022. The volume of each cargo is expected to range from 3.3 to 3.6 million MMBtu, and each cargo will be purchased under DES terms. The price of each cargo will be based on the JKM price in effect at the time of each purchase.

NOTE 11 — STOCKHOLDERS' EQUITY

Common Stock Issuances

On February 11, 2020, we sold 2,114,591 shares of our common stock in a registered direct offering at a price of \$3.36 per share. Net proceeds from this offering, after deducting fees and expenses, were approximately \$13.1 million. Additionally, on July 24, 2020, we completed a registered direct offering pursuant to which we sold 35,000,000 shares of our common stock at an offering price of \$1.00 per share. Net proceeds from this transaction were approximately \$32.8 million.

At-the-Market Program

We maintain an at-the-market equity offering program pursuant to which we may sell shares of our common stock from time to time on Nasdaq. For the nine months ended September 30, 2020, we issued 19,558,548 shares of our common stock under our at-the-market program for net proceeds of approximately \$25.0 million. As of September 30, 2020, we had remaining availability under the at-the-market program to raise aggregate gross sales proceeds of up to approximately \$363.5 million. See Note 17, *Subsequent Events*, for further information.

Common Stock Purchase Warrants

2020 Unsecured Note

As discussed in Note 9, *Borrowings*, on April 29, 2020 (the "Issuance Date"), in conjunction with the issuance of the 2020 Unsecured Note, we issued a warrant providing the lender with the right to purchase up to 20.0 million shares of our common stock at \$1.542 per share. The Unsecured Warrant, which vested on the Issuance Date, may not be exercised until October 29, 2020 and will expire five years after it becomes exercisable. The Unsecured Warrant was valued using a Black-Scholes option pricing model that resulted in a relative fair value of approximately \$16.1 million on the Issuance Date and is not subject to subsequent remeasurement. The Unsecured Warrant has been classified as equity and is recognized within Additional paid-in capital on our Condensed Consolidated Balance Sheets.

2019 Term Loan

As discussed in Note 9, *Borrowings*, we have entered into four amendments to the 2019 Term Loan. Pursuant to the Second Amendment, we replaced the previously issued Original Warrant, which provided the lender with the right to purchase up to 1.5 million shares of our common stock at \$1.00 per share with the Replacement Warrant, which provides the lender with the right to purchase 9.0 million shares of our common stock at \$1.00 per share. Pursuant to the Third Amendment, we issued the Third Amendment Warrant which provides the lender with the right to purchase approximately 4.7 million shares of our common stock at \$1.542 per share. The Third Amendment Warrant expires five years after the date of the Third Amendment. Half of the Third Amendment Warrant vested immediately, but may not be exercised until October 29, 2020, and the remaining half will vest, and become exercisable, on October 29, 2020.

The aggregate number of unvested shares of our common stock provided to the lender under the Replacement Warrant and the Third Amendment Warrant will be reduced proportionately as a result of any partial repayment of the 2019 Term Loan principal and, in the event the outstanding balance of the 2019 Term Loan is repaid in full, any unvested tranches will be canceled as of the date of such repayment. As of September 30, 2020, the aggregate number of unvested shares of our common stock provided to the lender under the Replacement Warrant and the Third Amendment Warrant has been reduced by approximately 2.0 million shares due to partial repayments of the outstanding principal balance.

The Replacement Warrant expires five years after the date of the Second Amendment and vests as follows (in thousands):

Vesting	Number of Shares
Immediately	3,000
March 23, 2021	1,924
June 23, 2021	1,924
Total	<u>6,848</u>

The Replacement Warrant was valued using a Black-Scholes option pricing model that resulted in a fair value of approximately \$6 million on the date of the Second Amendment. The difference between the fair values of the Original Warrant and the Replacement Warrant was an increase of approximately \$0.3 million and has been classified as equity and recognized within Additional paid-in capital on our Condensed Consolidated Balance Sheets. However, as the total number of warrants was no longer fixed, approximately \$2.4 million was recognized as a liability on the date of the Second Amendment. This liability is remeasured every period end while it remains unvested, and if the vesting event occurs, the applicable portion of the liability will be remeasured on said vesting date and reclassified to equity. As of September 30, 2020, we have

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recognized approximately \$2.3 million within Accrued and other liabilities on our Condensed Consolidated Balance Sheets associated with the Replacement Warrant.

The Third Amendment Warrant was valued using a Black-Scholes option pricing model that resulted in a fair value of approximately \$0.7 million on the date of the Third Amendment. As only half of the Third Amendment Warrant has vested, and is therefore fixed, approximately \$2.9 million has been classified as equity and recognized within Additional paid-in capital on our Condensed Consolidated Balance Sheets. The remaining approximately \$2.8 million did not meet the fixed for fixed criteria for equity classification, and was recognized as a liability on the date of the Third Amendment. This liability is remeasured every period end while it remains unvested and if the vesting event occurs, the applicable portion of the liability will be remeasured on said vesting date and reclassified to equity. As of September 30, 2020, we have recognized approximately \$1.1 million within Accrued and other liabilities on our Condensed Consolidated Balance Sheets associated with the Third Amendment Warrant.

For the three and nine months ended September 30, 2020, we recognized an unrealized gain of approximately \$0.7 million and \$1.7 million, respectively, within Other income, net, on our Condensed Consolidated Income Statement due to the remeasurement of the unvested portion of the Replacement Warrant and the Third Amendment Warrant.

Preferred Stock

In March 2018, we entered into a preferred stock purchase agreement with BDC Oil and Gas Holdings, LLC (“Bechtel Holdings”), a Delaware limited liability company and an affiliate of Bechtel Oil, Gas and Chemicals, Inc., a Delaware corporation, pursuant to which we sold to Bechtel Holdings approximately 6.1 million shares of our Series C convertible preferred stock (the “Preferred Stock”).

The holders of the Preferred Stock do not have dividend rights but do have a liquidation preference over holders of our common stock. The holders of the Preferred Stock may convert all or any portion of their shares into shares of our common stock on a one-for-one basis. At any time after “Substantial Completion” of “Project 1,” each as defined in and pursuant to the LSTK EPC Agreement for the Driftwood LNG Phase 1 Liquefaction Facility, dated as of November 10, 2017, or at any time after March 21, 2028, we have the right to cause all of the Preferred Stock to be converted into shares of our common stock on a one-for-one basis. The Preferred Stock has been excluded from the computation of diluted loss per share because including it in the computation would have been antidilutive for the periods presented.

NOTE 12 — SEVERANCE AND REORGANIZATION

We implemented a cost reduction and reorganization plan during the first quarter of 2020 due to the sharp decline in oil and natural gas prices as well as the negative economic effects of the COVID-19 pandemic. We have satisfied all amounts owed to former employees as of September 30, 2020 and incurred approximately \$6.4 million of severance and reorganization charges during the nine months ended September 30, 2020 due to reductions in workforce. The charges are presented within the caption Severance and reorganization charges on our Condensed Consolidated Statement of Operations.

NOTE 13 — SHARE-BASED COMPENSATION

We have granted restricted stock and restricted stock units (collectively, “Restricted Stock”), as well as unrestricted stock and stock options, to employees, directors and outside consultants (collectively, the “grantees”) under the Tellurian Inc. 2016 Omnibus Incentive Compensation Plan, as amended (the “2016 Plan”), and the Amended and Restated Tellurian Investments Inc. 2016 Omnibus Incentive Plan (the “Legacy Plan”). The maximum number of shares of Tellurian common stock authorized for issuance under the 2016 Plan is 40 million shares of common stock, and no further awards can be granted under the Legacy Plan.

Upon the vesting of restricted stock, shares of common stock will be released to the grantee. Upon the vesting of restricted stock units, the units will be converted into either cash, stock, or a combination thereof. As of September 30, 2020, there was no Restricted Stock that would be required to be settled in cash.

As of September 30, 2020, we had approximately 28.3 million shares of performance-based Restricted Stock outstanding, of which approximately 19.4 million shares will vest entirely at FID, as defined in the award agreements, and approximately 8.2 million shares will vest in one-third increments at FID and the first and second anniversaries of FID. The remaining shares of performance-based Restricted Stock, totaling approximately 0.7 million shares, will vest based on other criteria. As of September 30, 2020, no expense had been recognized in connection with performance-based Restricted Stock.

As of September 30, 2020, we had approximately 8.4 million shares of time-based Restricted Stock outstanding. They primarily represent the settlement of the 2019 employee bonuses, which were included in our accrued liabilities balance as of December 31, 2019, and will vest in their entirety during 2021.

For the three and nine months ended September 30, 2020, the recognized share-based compensation expenses related to all share-based awards totaled approximately \$0.9 million and \$2.2 million, respectively. As of September 30, 2020,

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Notes to Condensed Consolidated Financial Statements (unaudited)

unrecognized compensation expenses, based on the grant date fair value, for all share-based awards totaled approximately \$196.0 million. Further, the approximately 36.7 million shares of performance-based and time-based Restricted Stock, as well as approximately 1.4 million stock options outstanding, have been excluded from the computation of diluted loss per share because including them in the computation would have been antidilutive for the periods presented.

NOTE 14 — INCOME TAXES

Due to our cumulative loss position, historical net operating losses (“NOLs”), and other available evidence related to our ability to generate taxable income, we have recorded a full valuation allowance against our net deferred tax assets as of September 30, 2020 and December 31, 2019. Accordingly, we have not recorded a provision for federal, state or foreign income taxes during the three and nine months ended September 30, 2020.

We experienced ownership changes as defined by Internal Revenue Code (“IRC”) Section 382 in 2017, and an analysis of the annual limitation on the utilization of our NOLs was performed at that time. It was determined that IRC Section 382 will not limit the use of our NOLs over the carryover period. We will continue to monitor trading activity in our shares that may cause an additional ownership change, which may ultimately affect our ability to fully utilize our existing NOL carryforwards.

NOTE 15 — LEASES

Finance Leases

Our land leases are classified as financing leases and include one or more options to extend the lease term for up to 40 years, as well as to terminate the lease within five years, at our sole discretion. We are reasonably certain that those options will be exercised, and that our termination rights will not be exercised, and we have, therefore, included those assumptions within our right of use assets and corresponding lease liabilities. As of September 30, 2020, the weighted-average remaining lease term for our financing leases was approximately fifty years. As none of our finance leases provide an implicit rate, we have determined our own discount rate, which, on a weighted-average basis at September 30, 2020, was approximately 13%.

As of September 30, 2020, our financing leases had a corresponding right of use asset of approximately \$20.1 million, which is recognized within Property, plant and equipment, net, and a total lease liability of approximately \$13.5 million, which is recognized in Other non-current liabilities. For the three and nine months ended September 30, 2020, our finance lease costs, which are associated with the interest on our lease liabilities, were approximately \$0.5 million and \$1.2 million, respectively, of which approximately \$0.2 million has been paid as of September 30, 2020. For the three and nine months ended September 30, 2020, we paid approximately \$0.2 million and \$1.8 million, respectively, in cash for amounts included in the measurement of finance lease liabilities, all of which are presented within the finance section of our cash flows.

Operating Leases

Our office space leases are classified as operating leases and include one or more options to extend the lease term up to 10 years, at our sole discretion. As we are not reasonably certain that those options will be exercised, none are recognized as part of our right of use assets and lease liabilities. As of September 30, 2020, our weighted-average remaining lease term for our operating leases was approximately six years. As none of our operating leases provide an implicit rate, we have determined our own discount rate, which, on a weighted-average basis at September 30, 2020, was approximately 8%.

As of September 30, 2020, our operating leases had a corresponding right of use asset of approximately \$12.3 million which is recognized within Other non-current assets and a total lease liability of approximately \$14.1 million which is recognized within Accrued and other liabilities (approximately \$1.9 million) and Other non-current liabilities (approximately \$12.2 million). For the three and nine months ended September 30, 2020 and 2019, our operating lease costs were \$0.7 million and \$0.9 million, respectively, and \$2.1 million and \$2.7 million, respectively. For the three and nine months ended September 30, 2020 and 2019, we paid approximately \$0.7 million and \$0.9 million, respectively, and \$2.1 million, and \$2.3 million, respectively, in cash for amounts included in the measurement of operating lease liabilities, all of which are presented within operating cash flows.

The table below presents a maturity analysis of our lease liability on an undiscounted basis and reconciles those amounts to the present value of the lease liability as of September 30, 2020 (in thousands):

Tellurian Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Maturity of lease liability	Operating	Finance
2020	\$ 737	\$ 456
2021	2,969	1,826
2022	3,006	1,826
2023	3,044	1,826
2024	3,081	1,826
After 2024	4,980	84,193
Total lease payments	<u>\$ 17,817</u>	<u>\$ 91,953</u>
Less: discount	3,703	78,443
Present value of lease liability	<u>\$ 14,114</u>	<u>\$ 13,510</u>

NOTE 16 — ADDITIONAL CASH FLOW INFORMATION

The following table provides information regarding the net changes in working capital (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Accounts receivable	\$ 1,991	\$ (3,374)
Prepaid expenses and other current assets	6,995	1,653
Accounts payable	(25)	(4,192)
Accounts payable due to related parties (Note 7)	1,360	—
Accrued liabilities	3,155	18,379
Other, net	(1,748)	(1,950)
Net changes in working capital	<u>\$ 11,728</u>	<u>\$ 10,516</u>

The following table provides supplemental disclosure of cash flow information (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Non-cash accruals of property, plant and equipment and other non-current assets	\$ 7,955	\$ 7,875
Non-cash settlement of Final Payment Fee (Note 9)	8,539	—
Future proceeds from sale of Magellan Petroleum UK	—	4,940
Tradable equity securities	—	3,705
Non-cash settlement of withholding taxes associated with the 2019 and 2018 bonus and vesting of certain awards, respectively	878	6,686
Non-cash settlement of the 2019 and 2018 bonus, respectively	4,344	18,396

The statement of cash flows for the nine months ended September 30, 2020, reflects approximately \$7.5 million and \$2.1 million in non-cash movements related to the 2019 Term Loan and the Replacement Warrant, respectively.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the Condensed Consolidated Balance Sheets that sum to the total of such amounts shown in the Condensed Consolidated Statements of Cash Flows (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Cash and cash equivalents	\$ 77,947	\$ 91,057
Non-current restricted cash	3,441	4,300
Total cash, cash equivalents and restricted cash shown in the statements of cash flows	<u>\$ 81,388</u>	<u>\$ 95,357</u>

NOTE 17 — SUBSEQUENT EVENTS

At-the-Market Program

Tellurian Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements (unaudited)

Subsequent to September 30, 2020, and through the date of this filing, we issued 3,649,704 shares of common stock under our at-the-market equity offering program for total proceeds of approximately \$3.2 million, net of approximately \$0.1 million in fees and commissions. As of October 30, 2020, we have remaining capacity under our at-the-market program to raise aggregate gross sales proceeds of approximately \$360.2 million.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Introduction

The following discussion and analysis presents management's view of our business, financial condition and overall performance and should be read in conjunction with our Condensed Consolidated Financial Statements and the accompanying notes. This information is intended to provide investors with an understanding of our past development activities, current financial condition and outlook for the future organized as follows:

- Our Business
- Overview of Significant Events
- Liquidity and Capital Resources
- Capital Development Activities
- Results of Operations
- Off-Balance Sheet Arrangements
- Recent Accounting Standards

Our Business

Tellurian Inc. ("Tellurian," "we," "us," "our," or the "Company") intends to create value for shareholders by building a low-cost, global natural gas business, profitably delivering natural gas to customers worldwide (the "Business"). We are developing a portfolio of natural gas production, LNG marketing, and infrastructure assets that includes an LNG terminal facility (the "Driftwood terminal") and related pipelines (the "Pipeline Network"). We refer to the Driftwood terminal, the Pipeline Network and certain natural gas production assets collectively as the "Driftwood Project". Our upstream properties consist of 10,067 net acres and 71 producing wells located in the Haynesville Shale trend of northern Louisiana. Our Business may be developed in phases.

In connection with the implementation of our Business, we are offering limited partnership interests in a subsidiary, Driftwood Holdings LP ("Driftwood Holdings"), which will own the Driftwood Project. Partners will contribute cash in exchange for equity in Driftwood Holdings and will receive LNG volumes at the cost of production, including the cost of debt, for the life of the Driftwood terminal. We plan to retain a portion of the ownership in Driftwood Holdings and have engaged Goldman Sachs & Co. and Société Générale to serve as financial advisors for Driftwood Holdings.

We continue to evaluate, and discuss with potential partners, the scope and other aspects of the Driftwood Project in light of the evolving economic environment, investor needs and other factors. As a result of these discussions, we are evaluating certain potential changes to the project that, among other things, could significantly reduce the overall cost of Phase 1 of the project. Whether we implement changes to the project will be based on a variety of factors, including the results of our continuing analysis, changing business conditions and investor feedback.

Overview of Significant Events

Second, Third and Fourth Amendments to the 2019 Term Loan

On March 23, 2020, Driftwood Holdings LP (formerly known as Driftwood Holdings LLC), a Delaware limited partnership and an indirect wholly owned subsidiary of Tellurian Inc., entered into the second amendment (the "Second Amendment") to the 2019 Term Loan. The outstanding principal amount as of the Second Amendment date was \$75.0 million. The Second Amendment, among other things, made the following changes to the 2019 Term Loan:

- Extended the maturity date from May 23, 2020 to November 23, 2021;
- Modified the frequency of interest payments from quarterly to monthly;
- Modified the interest rate from 12%, with the ability to defer 4% per quarter as paid-in-kind, to 16%, with the ability to defer 8% per annum as paid-in-kind;
- Required a principal payment of \$3.0 million by April 22, 2020; and
- Reduced the required month-end collateral amount from \$30.0 million to \$12.0 million.

Upon entering into the Second Amendment, we repaid \$2.0 million of the outstanding principal balance and issued 11,019,298 shares of our common stock for relief of the Final Payment Fee (as defined in the 2019 Term Loan) and all accrued paid-in-kind interest through March 22, 2020.

On April 28, 2020, Driftwood Holdings entered into the third amendment (the "Third Amendment") to the 2019 Term Loan which became effective on April 29, 2020. In conjunction with the Third Amendment, we repaid \$17.1 million of the outstanding principal balance using approximately 9.3 million shares of our common stock and \$2.1 million in cash and a warrant to purchase approximately 4.7 million shares of our common stock at a strike price of \$1.542. The number of shares issuable under the warrant may be reduced if we make any partial cash repayment of the 2019 Term Loan principal prior to its vesting in full on October 29, 2020.

On September 21, 2020, Driftwood Holdings entered into a fourth amendment (the "Fourth Amendment") to the 2019 Term Loan. The Fourth Amendment extended the maturity date of the 2019 Term Loan from November 23, 2021 to March 23, 2022. In conjunction with the Fourth Amendment, we repaid \$12.0 million of the outstanding principal.

As a result of the principal repayments associated the Third and Fourth Amendments, the aggregate number of shares of our common stock issuable under the warrants held by the lender were reduced by approximately 2.0 million. For further information regarding the remaining warrants, see Note 11, *Stockholders' Equity*, of our Notes to the Condensed Consolidated Financial Statements.

2020 Unsecured Note

On April 29, 2020, we issued a zero coupon \$56.0 million senior unsecured note (the "2020 Unsecured Note") to a third party, raising proceeds of approximately \$47.4 million, net of approximately \$2.6 million in fees. We also issued the lender a warrant to purchase 20.0 million shares of our common stock at a strike price of \$1.542 per share. The 2020 Unsecured Note is subject to certain cash sweep provisions and a portion of the 2020 Unsecured Note must be paid on the first day of every month, beginning on June 1, 2020. Due to the amount of proceeds generated from the sale of our common stock under our at-the-market program in June 2020, as well as the equity offering completed on July 24, 2020, these cash sweep provisions were triggered on July 1, 2020 and August 3, 2020, requiring us to make a total of \$8.0 million in additional repayments of the outstanding principal balance. As a result of these additional repayments, the final payment associated with the 2020 Unsecured Note is scheduled to occur on April 1, 2021 instead of June 1, 2021 as originally scheduled.

Equity Offering

On July 24, 2020, we completed a registered direct offering pursuant to which we sold an aggregate of 35,000,000 million shares of our common stock at an offering price of \$1.00 per share. Net proceeds from the transaction were approximately \$32.8 million.

LNG Marketing

In July 2020, we purchased the first cargo of LNG pursuant to the master LNG sale and purchase agreement entered into on April 23, 2019. This cargo was subsequently sold to an unrelated third party resulting in revenue of approximately \$7.0 million.

Tellurian Inc. and Subsidiaries
Management's Discussion and Analysis of Financial Condition and Results of Operations

Restructuring

In March 2020, we implemented a cost reduction and reorganization plan (the "Reorganization Plan") and incurred approximately \$6.4 million of severance and reorganization charges due to a reduction in workforce. The Reorganization Plan has been implemented due to the sharp decline in oil and natural gas prices as well as the growing negative economic effects of the COVID-19 pandemic. We have satisfied all amounts owed to former employees.

Liquidity and Capital Resources

Capital Resources

We consider all highly liquid investments with an original maturity of three months or less to be cash equivalents. We are currently funding our operations, development activities and general working capital needs through our cash on hand as well as proceeds from various potential financing transactions, such as utilizing our at-the-market program, equity issuances, equity-linked and debt securities or similar transactions. Our current capital resources consist of approximately \$77.9 million of cash and cash equivalents as of September 30, 2020, on a consolidated basis, of which approximately \$44.6 million is maintained at a wholly owned subsidiary of Tellurian Production Holdings LLC. We have the ability to raise funds through common or preferred stock issuances, debt financings, an at-the-market equity offering program or the sale of assets. We currently maintain our at-the-market equity offering program under which, as of the date of this filing, we have remaining availability to raise aggregate gross sales proceeds of approximately \$360.2 million. Since January 1, 2020, and through the date of this filing, we have sold approximately 23.2 million shares of common stock under our at-the-market program for total proceeds of approximately \$28.2 million, net of approximately \$0.9 million in fees and commissions.

Sources and Uses of Cash

The following table summarizes the sources and uses of our cash and cash equivalents and costs and expenses for the periods presented (in thousands):

	Nine Months Ended September 30,	
	2020	2019
Cash used in operating activities	\$ (56,734)	\$ (86,681)
Cash used in investing activities	(389)	(67,619)
Cash provided by financing activities	70,029	66,068
Net increase (decrease) in cash, cash equivalents and restricted cash	12,906	(88,232)
Cash, cash equivalents and restricted cash, beginning of the period	68,482	183,589
Cash, cash equivalents and restricted cash, end of the period	<u>\$ 81,388</u>	<u>\$ 95,357</u>
Net working (deficit) capital	<u>\$ (58,741)</u>	<u>\$ (5,047)</u>

Cash used in operating activities for the nine months ended September 30, 2020 decreased by approximately \$29.9 million compared to the same period in 2019 due to an overall decrease in disbursements in the normal course of business.

Cash used in investing activities for the nine months ended September 30, 2020 decreased by approximately \$67.2 million compared to the same period in 2019. This decrease is predominantly driven by decreased natural gas development activities.

Cash provided by financing activities for the nine months ended September 30, 2020 increased by approximately \$4.0 million compared to the same period in 2019. This increase primarily relates to common stock issuances that raised net proceeds of approximately \$70.9 million and the absence of approximately \$5.8 million in net settlement transactions on employee equity awards. These increases were primarily offset by approximately \$45.6 million in principal repayments of our borrowings as well as an overall decrease in borrowings of \$25.0 million. See Note 9, *Borrowings*, of our Notes to the Condensed Consolidated Financial Statements for further information.

Borrowings

As of September 30, 2020, we had total indebtedness of approximately \$132.8 million, of which approximately \$103.3 million was secured indebtedness, and we were in compliance with the covenants under all of our credit agreements. For additional details regarding our borrowing activity, refer to Note 9, *Borrowings*, of our Notes to the Condensed Consolidated Financial Statements.

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Capital Development Activities

The activities we have proposed will require significant amounts of capital and are subject to risks and delays in completion. We have received all regulatory approvals and, as a result, our business success will depend to a significant extent upon our ability to obtain the funding necessary to construct assets on a commercially viable basis and to finance the costs of staffing, operating and expanding our company during that process.

We currently estimate the total cost of the Driftwood Project to be approximately \$28.9 billion, including owners' costs, transaction costs and contingencies but excluding interest costs incurred during construction of the Driftwood terminal and other financing costs. We have entered into four LSTK EPC agreements totaling \$15.5 billion, or \$561 per tonne, with Bechtel Oil, Gas and Chemicals, Inc. ("Bechtel") for construction of the Driftwood terminal. The proposed Driftwood terminal will have a liquefaction capacity of approximately 27.6 Mtpa and will be situated on approximately 1,000 acres in Calcasieu Parish, Louisiana. The proposed Driftwood terminal will include up to 20 liquefaction Trains, three full containment LNG storage tanks and three marine berths. In addition, the natural gas production activities we are pursuing will require considerable capital resources.

We anticipate funding our more immediate liquidity requirements relative to the detailed engineering work and other developmental and general and administrative costs through the use of cash on hand and proceeds from completed and future issuances of securities by us. Consistent with our overall financing strategy, the Company has considered, and in some cases discussed with investors, various potential financing transactions, including issuances of debt, equity and equity-linked securities or similar transactions, to support its short- and medium-term capital requirements. The Company will continue to evaluate its cash needs and business outlook, and it may execute one or more transactions of this type in the future.

We currently expect that our long-term capital requirements will be financed by proceeds from future debt, equity and/or equity-linked transactions. In addition, part of our financing strategy is expected to involve seeking equity investments by LNG customers at a subsidiary level. If the types of financing we expect to pursue are not available, we will be required to seek alternative sources of financing, which may not be available on acceptable terms, if at all.

Results of Operations

The following table summarizes revenue, costs and expenses for the periods presented (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Total revenue	\$ 14,265	\$ 9,344	\$ 28,811	\$ 19,637
Cost of sales	9,241	2,241	14,529	4,594
Development expenses	5,799	15,685	26,105	46,238
Depreciation, depletion and amortization	3,474	7,409	14,301	13,988
General and administrative expenses	10,734	22,369	43,342	67,825
Impairment charge	—	—	81,065	—
Severance and reorganization charges	—	—	6,359	—
Related party charges	—	—	7,357	—
Loss from operations	(14,983)	(38,360)	(164,247)	(113,008)
Interest expense, net	(15,973)	(6,079)	(33,564)	(10,065)
Other income (expense), net	1,490	4,832	(1,235)	8,847
Income tax benefit	—	—	—	—
Net loss	\$ (29,466)	\$ (39,607)	\$ (199,046)	\$ (114,226)

Our consolidated net loss was approximately \$29.5 million for the three months ended September 30, 2020, compared to a net loss of approximately \$39.6 million during the same period in 2019. The decrease in net loss of approximately \$10.1 million is primarily a result of the following:

- Increase of approximately \$4.9 million in total revenue, which is primarily attributable to the sale of an LNG cargo in the current period compared to no sales in the prior period.
- Increase of approximately \$7.0 million in cost of sales, which is attributable to the costs associated with the sale of an LNG cargo.
- Decreases of approximately \$11.6 million and approximately \$9.9 million in general and administrative expenses and development expenses, respectively, due to an overall decrease in business activities during the quarter.

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- Decrease of approximately \$3.9 million in DD&A due to the lower net book value utilized in the calculation when compared to the prior period.
- Increase of approximately \$9.9 million in interest expense, net, which is primarily attributable to the amortization of the discount associated with the 2020 Unsecured Note which was absent in the prior period.

Our consolidated net loss was approximately \$199.0 million for the nine months ended September 30, 2020, compared to a net loss of approximately \$114.2 million during the same period in 2019. The increase in net loss of approximately \$84.8 million is primarily a result of the following:

- A one-time impairment charge of \$81.1 million related to our proved natural gas properties. This impairment charge was a result of depressed natural gas prices caused by the combined impact of increased production and falling demand brought about by current economic conditions. For further information regarding this impairment charge, see Note 3, *Property, Plant and Equipment*, of our Notes to the Condensed Consolidated Financial Statements.
- Increase of approximately \$9.9 million in cost of sales primarily attributable to the costs associated with the sale of an LNG cargo.
- Charges of approximately \$7.4 million in connection with related party transactions compared to zero in the prior period. For further information regarding these related party charges, see Note 7, *Related Party Transactions*, of our Notes to the Condensed Consolidated Financial Statements.
- Severance and reorganization charges of approximately \$6.4 million were incurred during the period in connection with the Reorganization Plan. For further information regarding the Reorganization Plan, see Note 12, *Severance and Reorganization*, of our Notes to the Condensed Consolidated Financial Statements.
- Increase of approximately \$23.5 million in interest expense, net, which is primarily attributable to both the 2019 Term Loan and 2020 Unsecured Note incurring interest charges during the current period compared to only a portion of the 2019 Term Loan incurring charges during the prior period.

The increase in expenses above was partially offset by an increase in total revenue of approximately \$9.2 million due primarily to the sale of an LNG cargo and a decrease in general and administrative expenses of approximately \$24.5 million as well as an approximate \$20.1 million decrease in development expenses due to an overall decrease in business activities during the period.

Off-Balance Sheet Arrangements

None.

Recent Accounting Standards

For descriptions of recently issued accounting standards, see Note 1, *General*, of our Notes to the Condensed Consolidated Financial Statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We do not believe that we hold, or are party to, instruments that are subject to market risks that are material to our Business.

ITEM 4. CONTROLS AND PROCEDURES

As indicated in the certifications in Exhibits 31.1 and 31.2 to this report, our Chief Executive Officer and Chief Financial Officer have evaluated our disclosure controls and procedures as of September 30, 2020. Based on that evaluation, these officers have concluded that our disclosure controls and procedures are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to them in a manner that allows for timely decisions regarding required disclosures and are effective in ensuring that such information is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. There were no changes during our last fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, as amended, except for the risk factors discussed below.

Pandemics or disease outbreaks, such as the currently ongoing COVID-19 outbreak, may adversely affect our efforts to reach a final investment decision with respect to the Driftwood Project.

Pandemics or disease outbreaks such as the currently ongoing COVID-19 outbreak may have a variety of adverse effects on our business, including by depressing commodity prices and the market value of our securities and limiting the ability of our management to travel to meet with partners and potential partners. Prospects for the development and financing of the Driftwood Project are based in part on factors including global economic conditions that have been, and are likely to continue to be, adversely affected by the COVID-19 pandemic. Additional effects of the pandemic on our business may include limits on the ability of our employees, or those of partners or vendors, to provide necessary services due to illness or quarantines and governmental restrictions on travel, imports or exports or financial transactions.

The ultimate impact of the COVID-19 pandemic on our business, results of operations, financial condition and cash flows is dependent on future developments, including the severity and duration of the pandemic, actions that have been and may be taken by governmental authorities, the impact on the businesses of our customers, and the duration of the resulting macroeconomic conditions, all of which are uncertain and are difficult to predict at this time.

Declines in the prices we receive for our natural gas production may result in reductions in our reserves.

The quantity and value of our natural gas reserves depend in significant part on the prices we receive for our natural gas production. Absent a significant increase in those prices, the proved undeveloped reserves reflected in the December 31, 2020 annual reserve report may be substantially reduced relative to the proved undeveloped reserves included in our December 31, 2019 reserve report, and the PV-10 and standardized measure value of our reserves may decline accordingly.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Securities

None that occurred during the three months ended September 30, 2020 that have not already been reported in a Current Report on Form 8-K.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None that occurred during the three months ended September 30, 2020.

ITEM 5. OTHER INFORMATION

Compliance Disclosure

Pursuant to Section 13(r) of the Exchange Act, if during the quarter ended September 30, 2020, we or any of our affiliates had engaged in certain transactions with Iran or with persons or entities designated under certain executive orders, we would be required to disclose information regarding such transactions in our quarterly report on Form 10-Q as required under Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (the "ITRSHRA"). Disclosure is generally required even if the activities were conducted outside the United States by non-U.S. entities in compliance with applicable law. During the quarter ended September 30, 2020, we did not engage in any transactions with Iran or with persons or entities related to Iran.

Total Delaware, Inc. and TOTAL S.A. have beneficial ownership of approximately 14% of the outstanding Tellurian common stock. Total Delaware, Inc. has the right to designate for election one member of Tellurian's Board of Directors. Total Delaware, Inc. will retain this right for so long as its percentage ownership of Tellurian voting stock is at least 10%. On March 20, 2020, TOTAL S.A. included information in its Annual Report on Form 20-F for the year ended December 31, 2019 (the "Total 2019 Annual Report") regarding activities during 2019 that require disclosure under the ITRSHRA. The relevant disclosures were reproduced in Exhibit 99.1 to our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, filed with the SEC on May 4, 2020 and are incorporated by reference herein. We have no involvement in or control over such activities, and we have not independently verified or participated in the preparation of the disclosures made in the Total 2019 Annual Report.

ITEM 6. EXHIBITS

Exhibit No.	Description
1.1	Placement Agency Agreement, dated as of July 22, 2020, by and between Tellurian Inc. and Roth Capital, LLC (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed on July 22, 2020)
4.1	Second Amended and Restated Common Stock Purchase Warrant, dated as of September 21, 2020, issued to Nineteen77 Capital Solutions A LP (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K filed on September 21, 2020)
4.2	Amended and Restated Warrant to Purchase Common Stock, dated as of September 21, 2020, issued to Nineteen77 Capital Solutions A LP (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K filed on September 21, 2020)
10.1	Form of Securities Purchase Agreement, dated as of July 22, 2020, by and between Tellurian Inc. and the purchasers named therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 22, 2020)
10.2	Fourth Amendment to Credit and Guaranty Agreement, dated as of September 21, 2020, by and among Driftwood Holdings LP, as borrower, each of the guarantors party thereto, the lenders party thereto, and Wilmington Trust, National Association, as administrative agent and collateral agent (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 21, 2020)
31.1*	Certification by Chief Executive Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
31.2*	Certification by Chief Financial Officer required by Rule 13a-14(a) and 15d-14(a) under the Exchange Act
32.1**	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
99.1	Section 13(r) Disclosure (incorporated by reference to Exhibit 99.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2020)
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL

* Filed herewith.

** Furnished herewith.

† Management contract or compensatory plan or arrangement.

‡ Certain schedules or similar attachments to this exhibit have been omitted in accordance with Item 601(a)(5) of Regulation S-K. The registrant hereby agrees to furnish supplementally to the Securities and Exchange Commission upon request a copy of any omitted schedule or attachment to this exhibit.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TELLURIAN INC.

Date: November 6, 2020 By: /s/ Kian Granmayeh
Kian Granmayeh
Executive Vice President & Chief Financial Officer
(as Principal Financial Officer)
Tellurian Inc.

Date: November 6, 2020 By: /s/ Khaled A. Sharafeldin
Khaled A. Sharafeldin
Chief Accounting Officer
(as Principal Accounting Officer)
Tellurian Inc.

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, Meg A. Gentle, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tellurian Inc.:
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ Meg A. Gentle

Meg A. Gentle
Chief Executive Officer
(as Principal Executive Officer)
Tellurian Inc.

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO RULE 13a-14(a) AND 15d-14(a) UNDER THE EXCHANGE ACT**

I, Kian Granmayeh, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tellurian Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2020

/s/ Kian Granmayeh

Kian Granmayeh

Executive Vice President & Chief Financial Officer

(as Principal Financial Officer)

Tellurian Inc.

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Tellurian Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Meg A. Gentle, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ Meg A. Gentle

Meg A. Gentle
Chief Executive Officer
(as Principal Executive Officer)
Tellurian Inc.

**CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Tellurian Inc. (the "Company") on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kian Granmayeh, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 6, 2020

/s/ Kian Granmayeh

Kian Granmayeh

Executive Vice President & Chief Financial Officer

(as Principal Financial Officer)

Tellurian Inc.