

20<sup>th</sup> October 2021

## Empire Energy Group Limited

### Field, flows and flares – horizontal drilling good-to-go

Empire Energy Group Limited (ASX:EEG) is a junior oil and gas producer/explorer, with onshore Northern Territory (NT) and US oil/gas assets. EEG has the largest tenement position (28.9m acres) in the highly-prospective Greater McArthur Basin, which includes the Beetaloo Sub-basin. With the purchase of the Pangaea-EMG JV Beetaloo sub-basin acreage, there is a material uplift in the stated 2C contingent resources to 199Bcf gas/3.5mmbbls liquids, with significant upside potential. The NT energy basins are fast developing as a strategic source of liquids-rich gas to meet east coast Australia's future energy needs and potential supply for Darwin's expanding LNG export terminals, amid strong policy/funding support from territory and federal governments. Positive look-through data from other regional operators, including Origin Energy/Falcon and Santos/Tamboran, adds more grist to the emerging Beetaloo Sub-basin commercialisation model. EEG is well funded for its next phase of drilling works, with \$19mn of federal government grants across 3 H-wells in the 100% owned EP187 tenement. EEG's economic case could materially progress over the next 12 months, as more findings and offtake options take shape.

### Business model

Empire Energy Group (EEG) is a junior oil and gas producer/exploration company, focused on maturing its portfolio of onshore, long-life oil and gas fields. The company holds substantial exploration acreage (28.9m acres) in the world-class McArthur-Beetaloo basins in the Northern Territory and is actively progressing evaluation activity to support reserve bookings and underpin early gas development opportunities. Success could see first cash flow within 24-36 months (RaaS estimate), assisted by LPG liquid "credits". Look-through results from horizontal drilling in adjacent tenements will help define the development model. EEG's business case will also benefit from up to \$19.3mn in funding under the federal government's Beetaloo Strategic Basin Plan to develop infrastructure and drilling programs; plus an additional \$5.37mn in R&D funds.

### EEG scores on multiple fronts

EEG continues to score on multiple fronts, as highlighted in its latest update, and is on track to meet our expectations. 1) Carpentaria-1 vertical Extended Production Testing restarted on 28 September, with flow rates lifting ~45% from 0.25mmcf/day prior to shut-in, to average 0.364mmcf/day over the first 10 days of recommenced gas production. 2) The NT government has approved EEG's application to drill up to 7 horizontal wells and acquire a 2D in-fill seismic survey on EP187, with federal government funds of c.\$19mn likely supporting up to 25% of the cost of 3 wells. 3) Preparation of the Carpentaria-2H well-pad has begun, c.11km north of and targeting Velkerri shales more than 200m deeper than the C-1 well. Operations should commence by month-end. The preferred horizontal target will be determined after considering the results from both vertical sections, with the 'B' Shale being the strongest zonal contributor to date. 4) The EP187 in-fill 2D seismic survey will begin in the first week of November and together with the specific EEG data and regional results, should underpin the re-evaluation of attributable resources before mid-2022. The expanded data set should also support the definition of a well development model as a precursor to the economic/commercial phase.

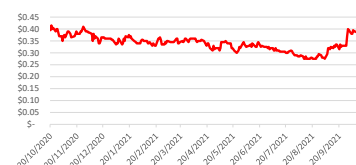
### Our mid-point valuation is \$1.04/share (\$622mn)

Our valuation range for EEG is \$400-\$738mn (\$0.64-\$1.19/share), with \$622mn or \$1.04/share at the mid-point. There are further look-through results to come and the next phase of EEG drilling and seismic is expected to provide potential to increase 2P+2C volumes, as well as better define and crystallise our asset valuation.

#### Share details

ASX code	EEG
Share price (19 Oct)	\$0.365
Market capitalisation	\$221M
Shares on issue	597M
Net cash (30 June)	~\$20M
Gross cash (30 June)	~\$28M

#### Share price performance (12-months)



#### Upside Case

- EP187 programs accelerate and underpin a substantial Beetaloo business case
- Look-through success provides independent validation of the commercial model and crystallising of value
- EEG drilling success generates high-value, long-term strategic partnerships and funding options

#### Downside Case

- Gas rates are sub-commercial, negatively impacting regional permit values
- Additional equity financing becomes highly dilutive to per share growth opportunities
- Gas success in NT/Qld puts downward pressure on domestic gas prices, raising the commercialisation threshold

#### Board of Directors

Alex Underwood	Managing Director/CEO
Paul Espie AO	Non-Executive Chairman
Dr John Warburton	Non-Executive Director
Peter Cleary	Non-Executive Director
Louis Rozman	Non-Executive Director
Paul Fudge	Non-Executive Director

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## FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 6<sup>th</sup> May 2021

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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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  - Securities
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  - Securities

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In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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