

25th November 2021

Empire Energy Group Limited

Excitement growing for Beetaloo programmes

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 holds the largest tenement position (28.9mn acres) in the highly-prospective Greater McArthur Basin, which includes the Beetaloo Sub-basin. The NT energy basins are fast developing as strategic sources of liquids-rich gas to meet east coast Australia's future energy needs and supply for Darwin's expanding LNG export terminals and future backfill gas for Gladstone LNG terminals. The recent Tamboran capital raise has positive implications for the Beetaloo gas story, demonstrating continuing investor interest to complement strong policy/funding support from territory and federal governments. Positive look-through data from regional operators, including Origin/Falcon and Santos/Tamboran, add more grist to the emerging Beetaloo Sub-basin commercialisation model. EEG is well funded for its next drilling phase, with \$19mn in federal government grants pending and gross cash of ~A\$30mn in hand. EEG's business case could materially progress over the next 12 months.

Business model

Empire Energy Group (EEG), as a junior oil and gas producer/exploration company, is focused on maturing its portfolio of onshore, long-life oil and gas fields. The company holds substantial exploration acreage (28.9mn 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. Downstream infrastructure and sales deals are designed to speed-up EEG's access to markets, which appear increasingly supply-constrained.

EEG's continues to be the leveraged play

The recent Tamboran equity raise highlights the continuing interest in the Beetaloo gas developments, including growing interest from experienced US capital, attracted by the scale and scope of the investment opportunity. We retain our view that EEG represents the strongest direct exposure to the Beetaloo, with the largest acreage to exploit; better capital cost value (cheaper wells); strong gas-liquids upside potential, and a first-mover advantage in place to leverage downstream commercial considerations. These were highlighted recently with the execution of a transmission/processing MOU with APA Group and a transmission/sales deal with NT Power and Water Corporation, providing a clear pathway to market ([Empire Energy Group RaaS Flash Comment 28 October 2021](#) and [Empire Energy Group RaaS Update 3 November 2021](#)). The next six to seven months will see EEG exposed to a number of potentially significant re-rating events. These include fresh seismic data and completion of the Carpentaria-2 horizontal programme. Read-throughs from flow and production testing results from the Santos operated Tanumbirini-2H and 3H wells may also support the share price. The success case could underpin a material increase in 2C resources by mid-2022 and define the field development model. The company is well financed to complete its work programmes, with some \$30mn in cash as at October end.

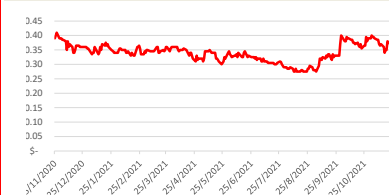
Our mid-point valuation is \$1.04/share (\$622mn)

Our valuation range for EEG is \$400-\$738mn (\$0.64-\$1.19/share), with \$622mn or \$1.04/share at the mid-point. Further look-through results from regional works are to come by end-2021, while EEG's next phase of drilling and seismic have the potential to materially increase 2P+2C volumes and better define recovery economics to crystallise our asset valuation range.

Share Details

ASX code	EEG
Share price (24 Nov)	\$0.365
Market capitalisation	\$219M
Shares on issue	600.1M
Net cash (at 27-Oct)	~A\$22M
Gross cash (at 27-Oct)	~A\$30M

Share Price Performance (12-months)



Upside Case

- EP187 programmes accelerate and underpin a substantial Beetaloo business case
- Look-through success provides independent validation of the commercial model
- 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
Jacqui Clarke	Alternate Director

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FINANCIAL SERVICES GUIDE

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of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 6th 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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