

28th October 2021

Empire Energy Group Limited

To market, to market: EEG secures pipeline MOU

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 (28.9m acres) in the highly-prospective Greater McArthur Basin, which includes the Beetaloo Sub-basin. With 2Q21's purchase of the Pangaea-EMG Beetaloo sub-basin acreage, EEG generated a material uplift in its stated 2C contingent resources to 199Bcf gas/3.5mmbbls liquids, with significant upside potential still to tap across all tenements. The NT energy basins are fast developing as strategic sources of liquids-rich gas to meet future east coast Australia's 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 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 supporting 3 H-wells in the 100%-owned EP187 tenement. EEG's business case could materially progress over the next 12 months, as more recovery findings and pipeline-carrier/end-user offtake deals take shape, including supporting APA Group's Amadeus pipeline expansion and proposed Mt Isa new-build pipeline.

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. 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's APA MOU delivers downstream market access comfort

EEG has signed a transmission and processing MOU with APA Group (ASX:AUD), an ASX-listed infrastructure company. APA operates the 1,658km 120TJ/day Amadeus Gas Pipeline (AGP), from the Amadeus Basin near Alice Springs, north to Darwin, primarily feeding local electricity generation. The MOU delivers EEG market access comfort as its upstream business model evolves, while helping support the federal and state policy efforts to develop a gas-based manufacturing hub in Darwin and expanded LNG exports into Asia. APA is separately investigating building fresh "common-user" transmission lines to service east coast markets from the NT to Mt Isa, while expanding the AGP to support new Beetaloo flows. The AGP already connects with Jemena's 622km 106TJ/day, Northern Gas Pipeline (NGP) at Tennant Creek into Mt Isa, which in turn connects into APA's east coast transmission grid. The APA MOU deal terms do not preclude EEG from seeking pipeline user agreements with the 330km/16 TJ/day Daly-Waters (McArthur River) Gas Pipeline, owned by Power & Water Corporation, which connects into the Amadeus line at Daly Waters. EEG is continuing production testing at Carpentaria-1, preparing for drilling the Carpentaria-2H well and will begin shooting an in-fill 2D seismic survey next week. All activity is targeting a re-evaluation of current resource estimates.

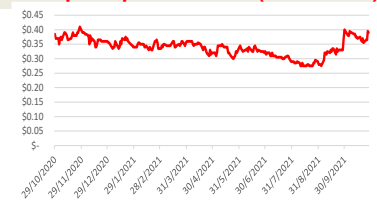
Our mid-point valuation is \$1.04/share (\$622mn)

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, while EEG's next phase of drilling and seismic have potential to increase 2P+2C volumes and better define recovery economics to crystallise our asset valuation range.

Share Details

ASX code	EEG
Share price (Intraday)	\$0.39
Market capitalisation	\$233.8M
Shares on issue	599.5M
Net cash (27 Oct)	~\$22M
Gross cash (27 Oct)	~\$30M

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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*The analysts hold shares

Exhibit 1: APA Group's Northern Territory pipeline network



Source: Company data

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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