



**EMPIRE ENERGY GROUP LIMITED**

Level 7, 151 Macquarie Street  
Sydney NSW 2000

T: 02 9251 1846

F: 02 9251 0244

(ASX: EEG)

## ASX Announcement

**31 MARCH 2020**

### **OPERATIONAL UPDATE AND COVID-19 POLICY**

Empire Energy Group Limited (“Empire” or “the Company”) is pleased to provide the following operational update to shareholders.

#### **NORTHERN TERRITORY OPERATIONS UPDATE**

Empire recently announced to shareholders that it has received Ministerial consent to drill its first well in EP187, Carpentaria-1. Those approvals are valid for two years.

The Chief Minister of the Northern Territory Government, Michael Gunner MLA, recently announced border restrictions preventing non-essential travel to remote Indigenous communities and a 14-day isolation period for people entering the Northern Territory.

The Northern Territory Department of Health has released guidelines which provide for exemptions to the border restrictions for classes of persons (such as Empire employees and contractors) governed by a COVID-19 management plan to prevent the risk of transmission of COVID-19.

Empire is developing a COVID-19 management plan to ensure that it can continue to operate in the Northern Territory while minimising the risk of COVID-19 transmission amongst its workforce, contractors and Northern Territory communities.

Due to these developments and in light of current market conditions, the timing of the drilling of Carpentaria-1, targeting the Velkerri and Kyalla Shales in EP187, has yet to be determined.

## **APPALACHIA USA OPERATIONS UPDATE**

The Governor of New York, Andrew Cuomo, recently announced an Executive Order requiring all businesses providing non-essential services to temporarily cease trading. New York State has issued a stay at home order for the entire workforce (excluding essential services) and temporarily banned all non-essential gatherings.

Under the terms of the Executive Order, Empire's New York State gas production operations are an essential service, being the production of natural gas for power generation, and are therefore exempt from the Executive Order.

Empire is the second largest producer of natural gas in New York State, accounting for approximately 18% of total New York State gas production.

Empire is continuing operations in New York State and Pennsylvania under its recently enacted COVID-19 policy. The policy requires all employees to abide by strict measures including remote working, social distancing, hygiene practices and self-isolation and testing for suspected COVID-19 cases.

The health and safety of Empire's people and local communities is the highest priority of senior management.

## **BALANCE SHEET AND LIQUIDITY**

Empire currently has A\$11.2 million cash at bank.

Empire has reduced total debt from US\$38 million to US\$7.5 million over the last 2 years.

Empire's debt facility with Macquarie Bank Limited, which matures in September 2024, is supported by its gas production assets in the USA. Empire has minimal direct exposure to oil prices (less than 1% of total production).

US gas prices (benchmarked against Henry Hub) have experienced significant downward pressure in early 2020, reaching a multi-year low of US\$1.60 / mcf in March. This compares to average prices of US\$3.72 / mcf in Q4 2018 and US\$2.87 / mcf in Q1 2019.

Empire has over 80% of its 2020 gas production hedged with floor prices of US\$2.50 / mcf. Empire's hedges allow it to benefit from prices higher than US\$2.50 / mcf. Hedges are in place until the end of 2023.

Despite Empire's hedging program, low market gas prices caused a breach of the Adjusted PV Ratio covenant as at 31 December 2019, which requires the net present value of the Proved reserves to exceed 1.5 times the net debt of the Borrower (Empire Energy USA, LLC).

There is also a risk that Empire could breach financial covenants in the coming quarters if low market gas prices persist.

Empire has sought, and Macquarie has agreed to, a waiver of existing and potential breaches to the financial covenants under the debt facility for all quarterly covenant tests until 31<sup>st</sup> December 2020 (inclusive).

In consideration for Macquarie granting these waivers, Empire has made principal prepayments totalling US\$687,500, in addition to a scheduled repayment of US\$137,500 which otherwise would have been due on 31 March 2020. All of these principal payments have been funded from existing US dollar denominated cash balances, and the remaining balance of the debt has been reduced to US\$6,675,000.

Empire's Managing Director, Alex Underwood, commenting on these developments, said:

*"Over the last 2 years Empire's Board and management team has been executing a strategy for value creation focused on building the team, strengthening the balance sheet and adding value to our world class Northern Territory properties.*

*We are ensuring that the balance sheet remains strong and we are focused on preserving cash and minimising non-essential expenditure.*

*The amendments to the Macquarie facility will reduce remaining debt while mitigating balance sheet risks associated with current US gas market conditions.*

*We continue to build momentum and add value to our Northern Territory properties.*

*The Board will make its investment decision regarding the drilling of Carpentaria-1 in EP187 once we are confident that we can carry out the drilling program in a safe, responsible and cost-effective manner."*

This ASX release has been approved by the Board of Directors.

For queries about this release, please contact:

Alex Underwood, Managing Director

Ph: (02) 9251 1846

[info@empiregp.net](mailto:info@empiregp.net)

## **ABOUT EMPIRE ENERGY GROUP LIMITED**

Empire Energy holds over 14.5 million acres of highly prospective exploration tenements in the McArthur and Beetaloo Basins, Northern Territory. Work undertaken by the Company since 2010 demonstrates that the Eastern depositional Trough of the McArthur Basin, of which the Company holds around 80% has enormous conventional and unconventional hydrocarbon potential. The Beetaloo sub-Basin, in which Empire holds a substantial position, has world-class hydrocarbon volumes in place and a ramp up in industry activity to appraise substantial discoveries already made by major Australian oil and gas operators has recommenced.

Empire Energy is an experienced conventional oil and natural gas producer with operations in the Appalachia region of the USA (New York and Pennsylvania). Empire has been successfully developing and producing oil and gas since 2006.