

10 September 2021

Empire Energy Group - up to \$19m in federal grants approved to seek 2C resources in EP187

Empire Energy (EEG) – SPECULATIVE BUY, TP \$1.14

Federal grants and NT work program approval

EEG has announced that the federal government has approved grants of up to \$19.3m and its work program has been approved by the Northern Territory government. The work program is intended to increase contingent resources in EP187 which could lead towards a small scale commercial agreement in the medium term. EEG is planning on drilling and fracing three horizontal appraisal wells as well as acquiring more 2D seismic data. The grants cover up to 25% of the potential cost of the work but each work package is capped (details below). If the spend on each package reached the grant cap then the total would come to \$77m (\$58m less the maximum grant) but we understand the company will be aiming to complete the program for less than the figure implied by the grant cap. EEG held \$41.9m in cash at the end of FY21 so we expect some additional funding will be needed to complete the full work program.

We maintain our SPECULATIVE BUY rating and our financial forecasts are under review.

Work program details:

- \$6.5m maximum grant (\$26m total spend at maximum grant) for 2D seismic, development of the Carpentaria-2 well as well as the associated well pad, evaporation pond, and other costs. The drilling of the horizontal Carpentaria-2 from the Carpentaria-1 vertical well and its first 12 frac stages are covered by another work program.
- \$6.8m maximum grant (\$27.2m total spend at maximum grant) for drilling, fracture stimulation and testing of Carpentaria-3.
- \$6.0m maximum grant (\$24m total spend at maximum grant) for drilling, fracture stimulation and testing of Carpentaria-4.

Disclosures

Analyst(s) own shares in the following stock(s) mentioned in this report: EEG.

Corporate disclosure: Morgans Corporate Limited was Joint Lead Manager to the Placement of Shares in Empire Energy Group Limited and received fees in this regard.