

27 October 2021

Empire Energy Group - APA and EEG enter MOU on Beetaloo gas transport.

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

MOU signed with APA for gas transport from the Beetaloo

APA and EEG are proposing a “common user” model for development of gas transportation infrastructure including compression and pipelines. Two different strategies have been outlined: a northern strategy that bolsters gas compression on APA’s existing infrastructure to move gas towards Darwin, and a potentially much larger strategy to build a new pipeline to move gas east to the existing Carpentaria pipeline running through Mt Isa. Our view is that these are complimentary approaches and are likely to operate sequentially. The incremental approach also allows other participants in the basin some flexibility with the timing of their development decisions.

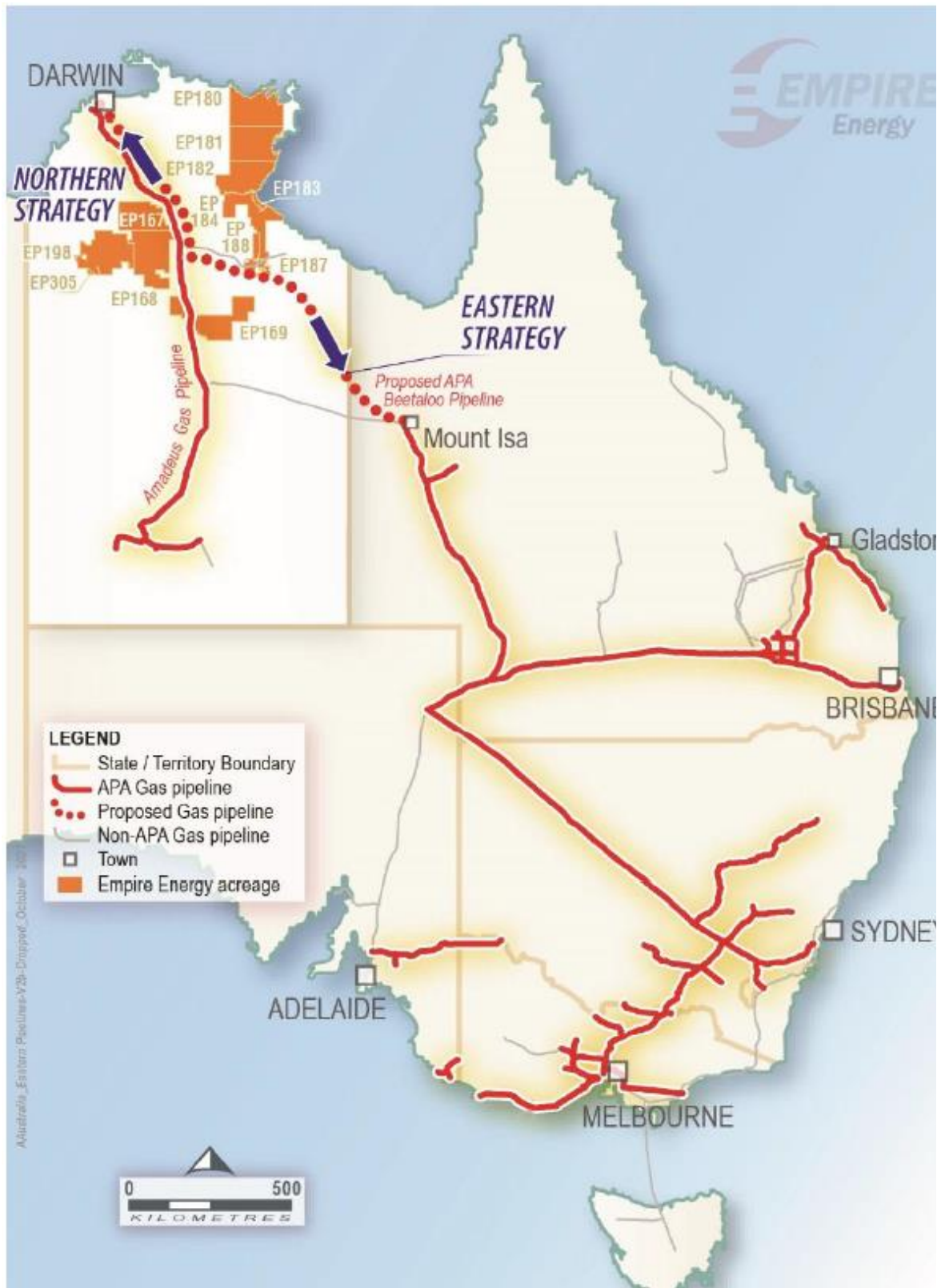
Beetaloo Basin is the largest undeveloped gas resources in Australia

EEG estimates that there is 500Tcf of gas-in-place in just one of the Velkerri shale formations. International investors appear to be paying attention to Australia with POSCO intending to acquire Senex and EIG buying a 10% stake in APLNG. We think that the energy price shock being experienced in international markets will likely spur interest in developing additional gas supplies. With an export path via Darwin we think international capital is increasingly likely to help develop the basin.

Sticking with SPECULATIVE BUY rating on EEG

For now we are maintaining our financial forecasts, SPECULATIVE BUY rating and price target of \$1.14ps. We will look to the 3Q21 report for an updated financial position as the recently announced appraisal well is drilled. We also anticipate that higher US gas prices will help to reduce the outstanding debt on the remaining US assets.

Beetaloo gas export options



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.