

6th September 2021

Empire Energy Group Limited

Origin/Falcon's Amungee success bodes well for EEG

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 has the largest tenement position (28.9m acres) in the highly prospective Greater McArthur Basin, which includes the Beetaloo Sub-basin. The material uplift in EEG's 2C/2U gas/liquids resource base, after the purchase of the Pangaea-EMG JV Beetaloo Sub-Basin acreage lifts stated 2C Contingent Resources to 199Bcf gas/3.5mmbbls liquids, with significant upside potential. The NT energy basins are fast developing as liquids rich gas, strategic bolsters for east coast Australia's future energy needs, and potential supply for Darwin's expanding LNG export terminals, amid strong policy/funding support from Territory and Federal governments. Look-through data from the Origin Energy/Falcon O&G Amungee NW-1H well complements the company's strong, above expected testing results from Carpentaria-1 and adds more grist to the emerging Beetaloo Basin commercialisation model. EEG is well funded for its next phase drilling works, with up to \$21m in Federal grants additional to tap, supporting up to three horizontal appraisal wells. The economic case could materially progress over the next 12 months, as more results emerge.

Business model

Empire Energy Group (EEG) is a junior oil and gas producer/exploration company, focused on maturing its portfolio of onshore, long-life oil and gas fields. The company holds substantial exploration acreage (28.9m acres) in the world-class, McArthur-Beetaloo basins, Northern Territory, and 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 and potentially underpin capital and operational parameters. The business case will benefit from the Federal government "Strategic Plan" infrastructure funds and EEG drilling grants of up to \$21m.

EEG benefits from sharing the heavy lifting

Beetaloo neighbour, Falcon Oil & Gas has released an update on the testing of its Origin JV Amungee NW 1-H well, achieving flow rates normalising to 5.2-5.8 MMscf/day/1000m of horizontal section on a multi-stage EPT across the Mid-Velkerri B shale. Amungee is the first horizontally drilled and fracked well in the Beetaloo, with a 1,100m lateral and 11 frack stages. The well was calculated to be delivering 85-95% of the recovered gas from only 4 stages across a 200m section. The company expects a producing well could have a horizontal completion up to 3kms in length. These flow rates have direct positive implications for EEG which recently announced above-expectation vertical test results across the Velkerri at its Carpentaria-1 well (refer RaaS Flash Note 28-Aug). Given the high level of confidence underpinning the regional, geological correlations across the Beetaloo from a number of vertical wells drilled to date (spanning over 300km), we believe it is not unreasonable to extrapolate results in an indicative sense, from adjacent tenements into the EEG areas. EEG expects to begin its own horizontal appraisal program later this year, with final approvals expected shortly.

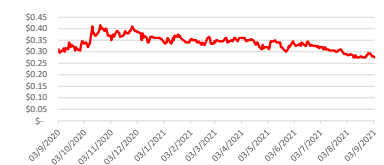
Our mid-point valuation is \$1.04/share (\$622mn)

Our valuation range for EEG is \$400m-\$738m (\$0.64-\$1.19/share), with \$622m or \$1.04/share at the mid-point. There are further look-through results to come and the next phase of EEG drilling to provide the potential to increase 2P+2C volumes and; better define and crystallise our asset valuation.

Share details

ASX Code	EEG
Share Price	\$0.275
Market Capitalisation	\$164M
Shares on issue	597M
Net cash	\$20M
Gross cash	\$28M

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.

Catalysts

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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FINANCIAL SERVICES GUIDE

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AFSL 456663

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- how we transact with you
- how we are paid, and
- complaint processes

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 - Securities

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