

Empire Energy (EEG) – SPECULATIVE BUY, 64cps TP

Prospective and contingent resource base builds following acquisition

EEG's prospective resources have almost trebled to 41TCFe following the acquisition of Pangaea's interests in the Beetaloo basin. Pangaea's joint venture partner, Energy Minerals Group, has also agreed to sell its 15% interest to EEG for a combination of scrip, cash and options (29.7m EEG shares / \$1.1m cash / 1.7m EEG options @ 70cps strike price). With the additional cash and new acreage we think it's likely that EEG will target one to two horizontal development wells in the near term. If EEG can achieve commercial flow rates and begin selling gas in the NT we think this could be transformational for the company and lead to a rerate of the share price.

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

1Q summary:

- Prospective resources now ~41TCFe (37TCF gas, 657MMbbls of liquids).
- 2C contingent resource now 171BCF of gas and 2.9MMbbls of liquids.
- \$30m new equity raised in a two tranche deal at 30cps and an ongoing SPP to potentially raise another \$3m.

- Cash balance at end of March quarter was \$11.4m but current cash balance is \$22.4m following settlement of the first tranche of new equity.
- An environmental management plan for a seven well program has been accepted by the NT government for final assessment.
- US operations delivered a lift in EBITDA (USD61k in 1Q21, up USD18k on previous quarter).

EEG's total Contingent and Prospective Resource estimate

Zone	Unrisked Net Contingent Resources Oil (MMBBL)			Unrisked Net Contingent Resources Sales Gas (BCF)			Unrisked Net Prospective Resources Oil (MMBBL)			Unrisked Net Prospective Resources Gas (BCF)		
	Estimate			Estimate			Estimate			Estimate		
	Low (1C)	Best (2C)	High (3C)	Low (1C)	Best (2C)	High (3C)	Low (1U)	Best (2U)	High (3U)	Low (1U)	Best (2U)	High (3U)
Kyalla*	0.7	2.5	9.2	0.7	3.7	22.9	72.8	311.5	1,296	152	707	4,035
Velkerri*	0.1	0.4	2.5	47.2	167.2	406.2	66.7	345.5	1,698	8,732	25,530	73,620
Barney Creek*	-	-	-	-	-	-	-	-	-	1,633	11,053	45,380
Total*	0.7	2.9	11.6	47.9	170.9	429.0	139.5	657.1	2,994	10,517	37,290	123,035

*Empire derived arithmetic summation of NSAI probabilistic resource estimations. Note: enlarged Empire net NSAI contingent and prospective resource position is subject to change pursuant to the EMG transaction (see below)

Source: EEG

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.