

Empire Energy Group Ltd: Research Report - Corporate Connect

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Sydney, Australia - [Empire Energy Group Ltd.](#) (ASX:EEG) (OTCMKTS:EEGUF) is in a position to see significant uplift in valuation driven by the development of the Carpentaria Project in EP 187, located in the Northern Territory's Beetaloo Basin. We believe the company is significantly undervalued given the status of their flagship Carpentaria Project, the size of their Contingent Resource and the potential for international interest in the supply of LNG into Asian markets.

Carpentaria 25TJ/day Pilot Plant: a \$120-140million revenue pa project.

The Carpentaria Project is progressing in line with company expectations. Four wells have now been completed in the Carpentaria Project with all wells intersecting the Velkerri B Shale. Results have shown conclusively consistent reservoir quality across the Velkerri B shales and the broader stacked play. Corporate Connect believes the consistency and continuity of the stacked play is conducive to an Unconventional shale gas development like those seen in the USA with the stacked shale play having significant similarities to the productive zones of the Marcellus Basin.

Commercial flow rates have been achieved in the earliest stages of well development. IP30 flow rates have been in excess of the 3000mcf/day which is considered a likely minimum rate needed for commercial development in the 'Shallower Beetaloo'. Further studies on the two horizontal wells (Carpentaria 2H & 3H) have shown that improved flow rates can be achieved through "soaking".

Corporate Connect believes that flow rates will continue to improve as the knowledge base on the Velkerri B's production characteristics increases. This will follow into the strong potential for increased gas recovery over the average well life.

Front End Engineering and Design (FEED) activity is currently being undertaken to estimate capex and opex requirements for a 25TJ/day Pilot Plant development at the Carpentaria Project. Final Investment Decision (FID) for the Carpentaria 25TJ/day Pilot Plant is expected by the end of 2023.

Our analysis indicates that the Pilot Plant could generate \$120-140million in revenue (p.16*) at a \$12.50/GJ gas price with early operating margins in excess of \$40-45million pa. Given this analysis, we believe FID approval is likely within the next few months, in which case development drilling and construction of the Pilot Plant would begin in 2024 with "first gas" going to market in 2025 (subject to requisite regulatory approvals).

1.5TCF 2C Resource - Conversion to Reserves.

For investors it is important to recognise that the development of the Pilot Plant would trigger the conversion of 2C Contingent Resources in EP187 to 2P reserves which, in turn, would likely drive a significant uplift in valuation (see "Resource to Reserves - Mind the Gap!", p.21*).

Empire has adopted a "low overheads" strategy to developing the Carpentaria Project through the use of external consultants for much of their Well engineering and Well Completion work. This has enabled the company to progress to this stage with minimal calls for capital. Financially the company is in a sound position to progress to FID with a Macquarie Debt Facility in place, \$29million in cash on hand and the potential for the sale of non-core US assets. The requirement to fill a funding gap by raising equity is minimal.

Markets need Beetaloo gas.

Macro conditions for the Unconventional players in the Beetaloo Basin are also aligning. With a deficit in NT gas supply that is continuing to deteriorate, gas from the Beetaloo Basin is desperately needed to support the needs of NT's Power & Water Corporation as supply from ENI's Blacktip continues to decline. Our recent conversations with NT gas buyers would suggest that there are a very strong price incentives for the delivery of Beetaloo gas into the NT market. In addition, the much vaunted gas supply deficit on the East Coast of Australia continues to draw closer.

The US Industry can't be ignored any longer.

Finally Australian investors cannot continue to ignore what is happening globally. Exxon's recent acquisition of Pioneer Natural Resources shows that the world's largest energy companies see Unconventional gas as a necessary part of their resource portfolio. As they search globally, the Beetaloo's acreage will seem very cheap - especially given its proximity to Asian LNG markets.

To view the complete Research Report by Corporate Connect, please visit:
<https://abnnewswire.net/Ink/TUD7JQ69>

About Empire Energy Group Ltd:

Empire Energy (ASX:EEG) (OTCMKTS:EEGUF) 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 80% has very considerable conventional and unconventional hydrocarbon potential. The Beetaloo sub-Basin, in which Empire holds a substantial position, has independently assessed world class hydrocarbon volumes in place with a major ramp up in industry activity underway to appraise substantial discoveries already made by major Australian oil and gas operators.

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

Source:

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