

12 APRIL 2024

EMPIRE DIVESTS ITS USA OIL & GAS ASSETS

- Empire has entered into an unconditional agreement to sell its US oil & gas assets located in the Appalachian region for up to US\$9.1 million, comprising: Upfront Cash Payment: US\$5.9 million and Contingent and Solar Deferred Payments: US\$3.2 million
- Upon completion, Empire's US Macquarie Bank credit facility will be repaid in full
- Post-completion, US\$2.2 million in cash will be available to support the development of Empire's Beetaloo Basin assets
- Empire will retain a 3.75% carried working interest over shale formations with negligible holding costs
- There are no conditions precedent to completion and completion is expected to occur by 5pm US Eastern Time on Friday, 12 April 2024
- Following completion, Empire will be a 'pure-play' Beetaloo / McArthur Basin player listed on the ASX

Comments from Managing Director Alex Underwood:

"The Empire team is delighted to have successfully executed its US asset divestment program. Empire will be a pure-play Beetaloo / McArthur Basin focused developer while retaining a free-carried interest in shale rights in the United States at little to no cost to shareholders.

In 2018, Empire was carrying US\$38 million of debt against its US assets, supported by only US\$4 million of EBITDA to service that debt. Empire sold its Kansas assets in 2019 which reduced the US debt, and this transaction results in full repayment of the US debt and return of over US\$2 million in cash to support Empire's Beetaloo-focused strategy.

Empire's Board and management thank our US employees for their loyal service over the years and we wish them the best.

Empire can now focus its full attention on the development of the world class Beetaloo Basin, which in the success case will provide the people of the Northern Territory with sorely needed energy security and employment, royalty income to the Northern Territory Government, deliver large volumes of gas into the chronically undersupplied Australian East Coast market, and provide energy security for the broader Asian region via LNG export."

Sale of Empire US Assets

Empire Energy Group Limited (“Empire”) has entered into an unconditional agreement to sell Empire Energy E&P LLC (“Empire E&P”) to PPP Future Development, Inc (“PPP”) for up to US\$9.1 million. Empire E&P is the operating entity for all of Empire’s US oil & gas assets. PPP is a privately owned, existing producer of oil & gas in New York State.

There are no conditions precedent to completion and completion is expected to occur by 5pm US Eastern Time today.

The total sale proceeds, payable in cash, are comprised of:

- **Upfront Cash Payment:** US\$5.9 million (received by Empire);
- **Contingent Deferred Payments:** Up to US\$2.3 million depending on future gas prices as described in Appendix A; and
- **Deferred Solar Payments:** US\$0.9 million.

Upfront Cash Sources and Uses Table

A Sources and Uses table following receipt of the Upfront Cash Payment is set out below:

	US\$'M
Sources of Upfront Cash	
Existing Empire E&P Cash at Bank	\$2.8
Upfront Cash Payment	\$5.9
Total Sources	\$8.7
Uses of Upfront Cash	
Full repayment of US Macquarie Bank Credit Facility	\$(4.6)
Sale Costs including provision for royalty payments to mineral owners, accounts payable, accrued expenses, legal costs, employee benefits and other	\$(1.9)
Total Uses	\$(6.5)
Upfront Cash Available to Empire	\$2.2

Deferred Cash Sources and Uses Table

A Sources and Uses table following receipt of the deferred payments is set out below:

	US\$'M
Sources of Deferred Cash	
Contingent Deferred Payments	\$2.3
Deferred Solar Payments	\$0.9
Total Sources	\$3.2
Uses of Deferred Cash	
N/A	-
Total Uses	Nil
Deferred Cash Available to Empire	\$3.2

Deferred Solar Payments

On 28 November 2022, Empire executed a Mutual Use Agreement (“MUA”) with Connect Gen, a developer and operator of renewable energy projects across the United States, for the use of surface rights over 2,056 acres of land which Empire holds oil & gas leases in Chautauqua County, New York State (the South Ripley Solar Project). Consideration payable by Connect Gen included deferred payments. Empire will continue to receive the outstanding cash payments under the MUA as follows:

- US\$200,000 on the earlier of commencement of construction or June 2024;
- US\$200,000 on the earlier of commencement of construction or September 2024; and
- US\$500,000 on the earlier of commencement of commercial operations or June 2026.

Retained Carried Working Interest

Empire will retain an economic interest in the shale formations sitting below Empire E&P’s New York State conventional producing oil & gas wells via the retention of a 3.75% free carried working interest on all formations below the base of the Medina Sandstone formation. The retained interest will be held at negligible cost to Empire’s shareholders.

APPENDIX A KEY TRANSACTION TERMS

Purchaser	PPP Future Development, Inc
Seller	Empire Energy USA LLC, the direct parent entity of Empire Energy E&P LLC
Total Sale Consideration	<p>Upfront Cash Payment: US\$5,900,000</p> <p>Deferred Contingent Payments: Up to US\$2,300,000, determined monthly by the second preceding month's Henry Hub settlement price as follows:</p> <ul style="list-style-type: none"> • If the settlement price is between US\$3.50 per mcf and US\$3.99 per mcf the payment shall be US\$25,000; • If the settlement price is between US\$4.00 per mcf and US\$4.49 per mcf the payment shall be US\$50,000; • If the settlement price is between US\$4.50 per mcf and US\$4.99 per mcf the payment shall be US\$75,000; • If the settlement price is between US\$5.00 per mcf and US\$5.49 per mcf the payment shall be US\$100,000; • If the settlement price is between US\$5.50 per mcf and US\$5.99 per mcf the payment shall be US\$125,000; • If the settlement price is between US\$6.00 per mcf or greater the payment shall be US\$150,000; or • If the settlement price is less than US\$3.50 per mcf no payment is payable in that month. <p>Deferred Solar Payments: US\$0.9 million</p> <p>Overriding Royalty Interest: Empire will retain a 3.75% carried working interest on all formations below the base of the Medina Sandstone formation</p>
Assets	Empire E&P owns and operates oil and gas related assets in New York and Pennsylvania, which assets include, without limitation, wells and related equipment, pipelines and related equipment, oil & gas leases, and rights of way, and also owns an office and related building in Mayville, New York
Expected Completion Date	By 5pm US Eastern Time on Friday, 12 April 2024

This ASX release has been authorised by the Managing Director

For queries about this release, please contact:

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