



EMPIRE ENERGY GROUP LIMITED
A.B.N 29 002 148 361
Level 5, 6-10 O'Connell Street
Sydney, NSW 2000 Australia
T: +61 2 9251 1846
F: +61 2 9251 0244
E: info@empiregp.net

Australian Energy Regulator (**AER**)
Gas Networks
Ring-Fencing

13 August 2024

Dear AER,

Re: Draft decision on ring fencing exemption application for Power and Water Corporation (PWC) 18 July 2024

Background

Empire Energy Group Limited (**Empire Energy**) holds petroleum exploration acreage in the Beetaloo Basin and is in the advanced stages of planning to develop the potentially substantial Beetaloo Basin shale gas resource. The first step in Empire Energy's plan is to develop the Carpentaria Pilot Project (**CPP**), which is located immediately adjacent to the McArthur River Lateral Pipeline (**MRLP**) and approximately 130 kms west of the Mt Isa Mines Ltd McArthur River Mine (**MRM**).

On 26 July Empire Energy announced the execution of a 10-year Gas Sale Agreement (**GSA**) with the Northern Territory Government (**NT Government**). A copy of the announcement is attached to this letter. The CPP is expected to deliver the first gas from the Beetaloo Basin into local markets.

The Delivery Point for the sale of gas under the GSA is at the exit from the proposed Empire Energy CPP gas plant into the MRLP. The GSA contemplates the delivery of up to 25 TJ of gas per day (or more with exercise of options) for most of the GSA Term and, as advised by PWC to the AER, contemplates additional MRLP metering, and capacity expansion works.

Empire Energy is also in discussions with the NT Government and PWC to facilitate the execution of a gas storage and gas transport (to Daly Waters) arrangement on the MRLP to facilitate gas supply management and the sale of CPP gas which is surplus to the GSA daily delivery obligation.

Discussion

Empire Energy understands the nature of the AER's evaluation of the PWC request for a ring-fencing exemption but is concerned that this evaluation is based upon the conclusion that the MRLP is not a significant part of the pipeline system. We note that the AER evaluation is based upon the presumption that the pipeline services only a single customer, Mt Isa Mines Limited, and that it is not a significant transporter of gas and [the MRLP] does not on-sell gas to other customers. The AER seems to accept that the remote location of the MRLP means that it is unlikely to attract additional customers unless new mines are established in the McArthur River area.

On the basis of this analysis, we understand why the AER has indicated that it is satisfied that MRLP is not a significant part of the pipeline system in Northern Territory.

However, Empire Energy is concerned that the Draft Decision may not reflect the most up to date information (including events which became public after the release of the Draft Decision) and suggests that:

- the MRLP will play an integral (albeit modest by transport volumes) role in the initial development of the Beetaloo Basin and the development of a critical component of the east coast energy market's supply future;
- with the execution of the GSA there will be other parties (including Empire Energy) requiring access to MRLP services; and
- PWC may be a competitor with other MRLP users in the Northern Territory commodity gas market.

Empire Energy requests that the AER consider this new information and the competition policy implications of the proposed ring-fencing exemption before finalising its decision. Empire Energy would be pleased to provide a briefing to the AER outlining its current commitments and plans in the Beetaloo Basin.

Yours sincerely,

Empire Energy Group Limited

Empire Energy signs 10-year binding Gas Sales Agreement with the Northern Territory Government to supply 25 TJ per day from Carpentaria Pilot Project

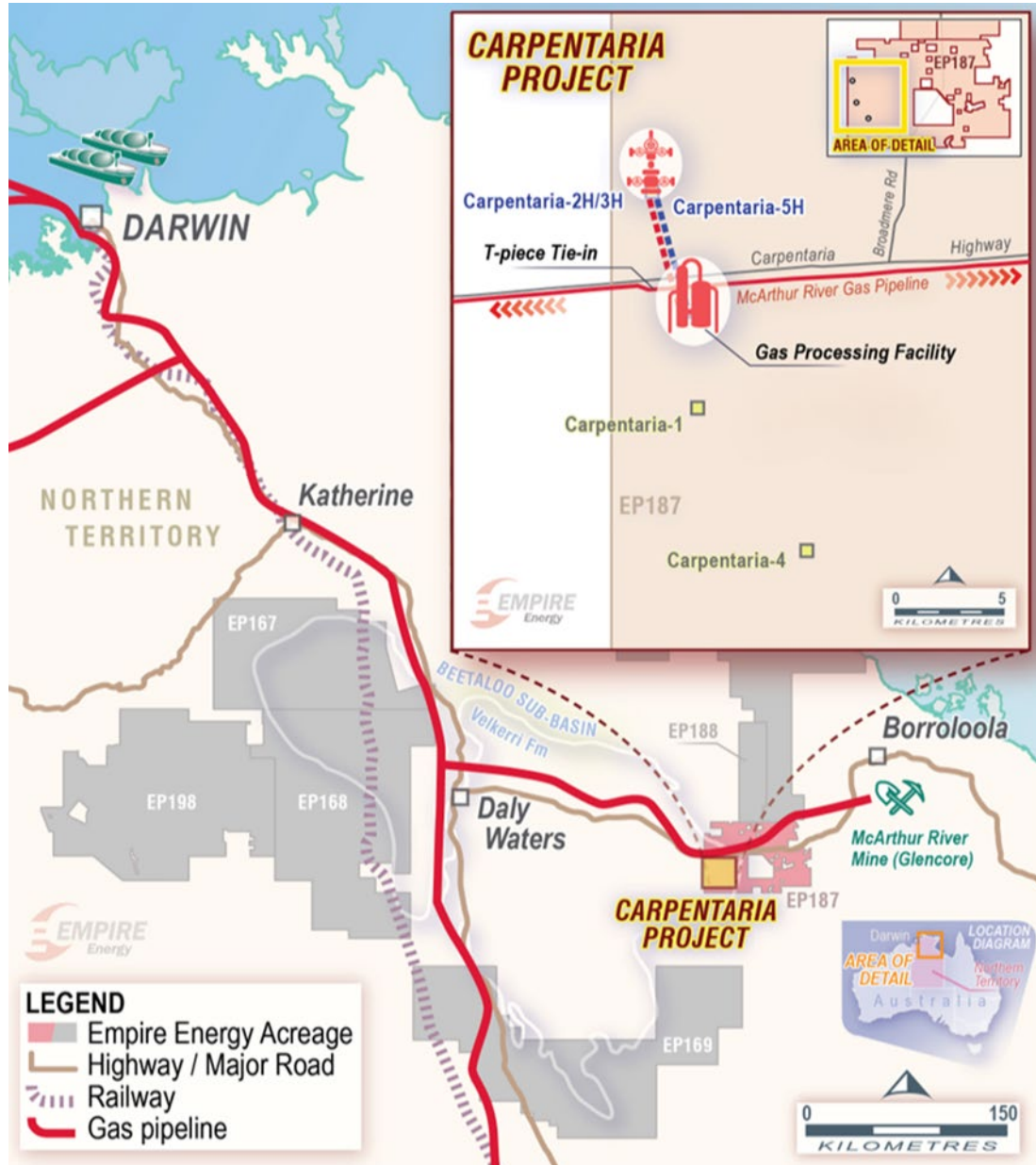
- Empire Energy Group Limited (“Empire”) has signed a binding long-term Gas Sales Agreement (“GSA”) to supply the Northern Territory Government (“Buyer”):
 - up to 25 Terajoules (TJ) of gas per day for 10-years (~75 Petajoules total, 100% Empire) from Empire’s Beetaloo Basin properties commencing in 2025 (“Initial Supply”); and
 - an additional 10 TJ+ per day for up to 10 years at the option of the Buyer to be made available by Empire if production levels from the Carpentaria project exceed 100 TJ per day (“Option Supply”)
- The volume under the Option Supply is limited to 10% of production from the Carpentaria Project if production reaches 100 TJ / day. This would require additional pipeline capacity to be developed to facilitate increased supply to Australia’s East Coast and / or Darwin
- Gas will be delivered to the Power and Water Corporation (“PWC”) operated McArthur River Gas pipeline (“MRP”) on an ex-field take-or-pay basis at market-competitive gas prices, escalating at 100% of the Consumer Price Index. The Option Supply would be at a slightly lower price than the Initial Supply, providing the potential for long-term affordable energy supply for the people of the Northern Territory if larger scale development occurs
- A T-piece connection has already been installed into the MRP by PWC at the proposed location of the Carpentaria Gas Plant (“CGP”) to allow for delivery of gas from the CPP into the MRP
- The binding GSA is conditional on customary conditions for an agreement of this nature including Empire reaching a final investment decision for the Carpentaria Pilot Project, NT regulatory approvals for the installation of the CGP and sale of gas under the *Beneficial Use of Test Gas* provisions of the NT Petroleum Act. These regulatory approval processes are well advanced
- Empire holds a 100% interest in EP187 in which the Carpentaria Pilot Project will be located
- Empire is targeting commencement of gas sales from the Carpentaria Pilot Project in mid-2025

Comments from Managing Director Alex Underwood:

"Empire has been actively pursuing production from the Beetaloo Basin since 2011, with strong support from the NT Government for this objective since 2018. Subject to final approvals, we anticipate being the first company to provide gas supply from the Beetaloo, commencing next year.

This agreement comes at a critical time for the energy security of the NT. It demonstrates our commitment to providing energy for Territorians and will facilitate hundreds of millions of dollars of investment into the NT economy. The project will provide local jobs, support NT businesses, and create direct revenue streams for traditional owners and the NT Government.

We look forward to working with traditional owners, local communities and all Territorians to deliver this exciting project."



This ASX release has been authorised by the Managing Director

For queries about this release, please contact:

Alex Underwood, Managing Director

Ph: (02) 9251 1846

E: info@empiregp.net