Level 7, 151 Macquarie Street
Sydney NSW 2000
Ph: 9251 1846
Fax: 9251 0244
(ASX: EEG)
(OTCQX: EEGNY)
www.empireenergygroup.net

Quarterly Report – For the period ending 31 March 2013

30 April 2013

HIGHLIGHTS FOR 1st QUARTER

- Est. oil & gas net revenue for the period US$6.4 million (4Q2012: US$6.6 million).
- Unaudited Field EBITDAX of US$4.4 million (4Q2012: US$4.2 million).
- Gross production
    - Oil: 67,567 Bbls (4Q2012: 68,420) -1.2%.
    - Gas: 603,936 Mcf (4Q2012: 627,917) -3.8%
- Including Northern Territory exploration expenses of US$377,580 estimated group EBITDAX was US$2.48 million (4Q2012: US$3.3 million)
- Cash on hand US$5.72 million.
- Northern Territory:
    - Agreement has been completed for EPA 184, with an expected signing with the Traditional Owners towards the end of May 2013.
    - Significant progress has been made in 3-D geo-modeling for the East Arnhem Land tenements. A number of significant conventional hydrocarbon targets have been identified in addition to developing a structural model for unconventional targets within the Basin.
    - An agreement for the seismic program of over 200km of 2-D seismic has been completed and approved, subject to the finalization of Exploration Agreements with the Traditional Owners.

OPERATING REVIEW

A. EMPIRE ENERGY GROUP LIMITED

Extension of Credit Facility

The Company has extended its US$150 million Credit Facility with Macquarie Bank for a further 3 years through to February 28, 2016. The extension of the facility will enable the Company to continue to target the acquisition of oil and gas assets in the USA.

B. EMPIRE ENERGY USA, LLC (95%)

The Company's operations are in the Central Kansas (oil) and in the Appalachian Basin (gas).

Operations

Estimates have been made for the last 2 production months of the quarter under review due to customer payment/invoice cycles. As such, there may be changes to production, revenues and operating ratios for the previous quarter as final production statements are received.

Estimated Production

Qtr	Net Bbl	Av Price $/bbl	Net Mcf	Av Price $/mmBtu	Net Boe	Net Boe/d
Jun-12	44,205	$80.75	455,513	$6.13	120,124	1,335
Sep-12	46,203	$84.47	467,352	$5.82	124,095	1,379
Dec-12	43,903	$83.29	501,499	$5.63	127,486	1,417
Mar-13	43,179	$84.68	440,088	$5.59	116,527	1,295
Year	177,490	$83.30	1,864,452	$5.79	488,232	1,338

- Kansas – production lower than forecast due to:
  - Continuing well work overs and some well closures during winter conditions.
- Appalachia – gas production was below forecast due to:
  - Restrictions on major trunk lines.
  - Continued gas line shrinkage over the winter period. The Company completed negotiations for the acquisition of approximately 600 miles of pipeline from the local utility, the transfer of these pipelines is currently being processed by New York State Department. Once this transfer is completed shrinkage should be reduced by around 50%.

Estimated Field Operating Revenues

Qtr	Net Revenue US$M	LOE US$M	Prod. Taxes US$M	Field EBITDAX US$M	Leases US$M	N/recurr. Expenses US$M	F&A Costs US$M	Field G&A US$M	G&A (1)	Other (2) US$M	EBITDAX US$M
Jun-12	$6,300	$1,920	$309	$4,071	$258	$694	$156	$117	$402	$61	$2,383
Sep-12	$6,710	$1,974	$315	$4,421	$109	$243	$150	$136	$312	$374	$3,097
Dec-12	$6,552	$1,679	$340	$4,533	$27	$460	$196	$150	$306	$132	$3,262
Mar-13	$6,373	$1,691	$306	$4,376	$78	$377	$192	$214	$411	$31	$3,073
Year	$25,935	$7,264	$1,270	$17,401	$472	$1,774	$694	$617	$1,431	$598	$11,815

(1) Corporate/G&A costs for US operations

(2) Major expenses include movement in inventory, acquisition costs & land/leasing costs:

- *Change in inventory decrease of US$3,000 (4Q2012: $37,000)*
- *Costs relating to potential acquisitions US$21,000 (4Q2012: $90,000)*

Estimated Key Operating Ratios:

Qtr	Av Price $/Bbl	LOE $/Bbl	Non-recurr $/Bbl	Taxes $/Bbl	Net Other $/Bbl	Av Price $/Mcf	LOE $/Mcf	Non-recur $/Mcf	Taxes (1) $/Mcf	Net Other $/Mcf
Jun-12	$80.75	-$23.34	-$13.71	-$4.08	$1.69	$6.13	-$1.60	-$0.22	-$0.30	-$0.45
Sep-12	$84.47	-$23.20	-$3.33	-$3.07	$0.00	$5.82	-$1.93	-$0.19	-$0.37	$0.22
Dec-12	$83.29	-$19.70	-$8.31	-$3.87	$0.09	$5.63	-$1.68	-$0.10	-$0.34	$0.20
Mar-13	$84.68	-$20.75	-$6.21	-$3.54	$2.69	$5.59	-$1.58	-$0.22	-$0.31	$0.18
Av Year	$83.30	-$21.75	-$7.89	-$3.64	$1.12	$5.79	-$1.70	-$0.18	-$0.33	$0.04

(1) - Taxes include severance, ad valorum and production taxes

Estimated Netbacks:

- Kansas -oil
  - Netback Mid-Con oil: $56.87/Bbl (4Q2012 $51.49/Bbl).
- Appalachia – gas
  - Netback Appalachia gas: $3.66/Mcf (4Q2012 $3.71/Mcf).

CAPEX:

Capital expenditure incurred for the period was:

- Kansas: $242,293 (4Q2012 $141,000) development.
- Appalachia/Kansas: $123,684 (4Q2012 $168,000) additional leases.

Credit Facilities:

Interest expenses accrued over the quarter were $753,000 (4Q2012: $615,000). Net debt repaid over the quarter was US$1.62 million (4Q2012: $2.8 million). In addition the Company paid US$500,000 for the extension of its US$150 million credit facility through to February 28, 2016.

At the end of the quarter the Company had US$47.8 million drawn at an average cost of LIBOR + 4.35%. Empire Energy retains Credit Facility availability of ~US$102 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

	Drawdown End of Qtr US$M	Interest Rate LIBOR+	Interest Qtr US$M	Interest YTD US$M
Term	$44,304	4.50%		
Revolver	$3,500	2.50%		
	$47,804	4.35%	$753	$753

Hedging:

A hedging policy has been implemented by the Company with the underlying objective to ensure the cash flows are protected over the period the Credit Facility is drawn for the funding of a defined set of assets. Hedge contracts are a component of Empire's Credit Facility and no cash margins are required if contracts are outside the marked to market price for each commodity hedged.

The following table summarizes current hedging in place based on NYMEX – Henry Hub and WTI Contracts:

Year	Est. Net Mcf	Hedged Mcf	%	Average $/Mcf	Est. Net Bbl	Hedged Bbl	%	Average $/Bbl
2013	2,000,000	1,407,720	70.4%	$5.97	149,298	113,160	75.8%	$90.00
2014	1,850,000	1,335,488	72.2%	$5.91	141,058	105,120	74.5%	$90.00
2015	1,650,000	1,166,000	70.7%	$5.45	133,280	98,160	73.6%	$90.00
2016	1,440,000	1,200,000	83.3%	$4.43	126,616	42,000	33.2%	$85.67
2017	1,300,000	570,000	43.8%	$4.57	120,285	39,600	32.9%	$85.23
2018	1,200,000	510,000	42.5%	$4.75				
Total	9,440,000	6,189,208	65.6%	$5.33	670,537	398,040	59.4%	$89.07

C. IMPERIAL OIL & GAS PTY LTD (100%):

The Company's wholly owned subsidiary, Imperial Oil & Gas P/L continues to progress Traditional Owner negotiations and to undertake the necessary archaeological, work program and policy submissions in preparation for commencement of exploration within its 7 exploration licence areas (14,600,000 acres or 59,172km^2). These cover around 75% of the petroleum-prospective central trough of the onshore McArthur Basin in the Northern Territory, Australia.

McArthur Basin Expenditure:

Current quarter accrued: US$377,580 (4Q2012 US$397,900). Until actual exploration licences are granted the Company will expense all costs in the year they occur.

McArthur Basin Project Progress:

Action over the last quarter:

- The terms of the Exploration Agreement for area EP(A) 184 have been concluded with on-site signings with the traditional owners expected to take place in late May 2013. EP(A) 184 occupies 2.77 million acres (11,220 km^2).

- The Company continues to receive strong support from the Traditional Owners in East Arnhem Land for areas EP(A) 180, 181, 182 & 183. On several of the leases the Company is moving into final stages of negotiations for these tenements.

- Imperial has received Departmental approval for its proposed seismic program in EP(A)'s 180, 182 & 184 subject to final agreement with the Traditional Owners for each of the individual leases.

- Imperial is in the final stages of appointing a company to undertake a 200km, 2-D seismic program immediately leases have been granted.

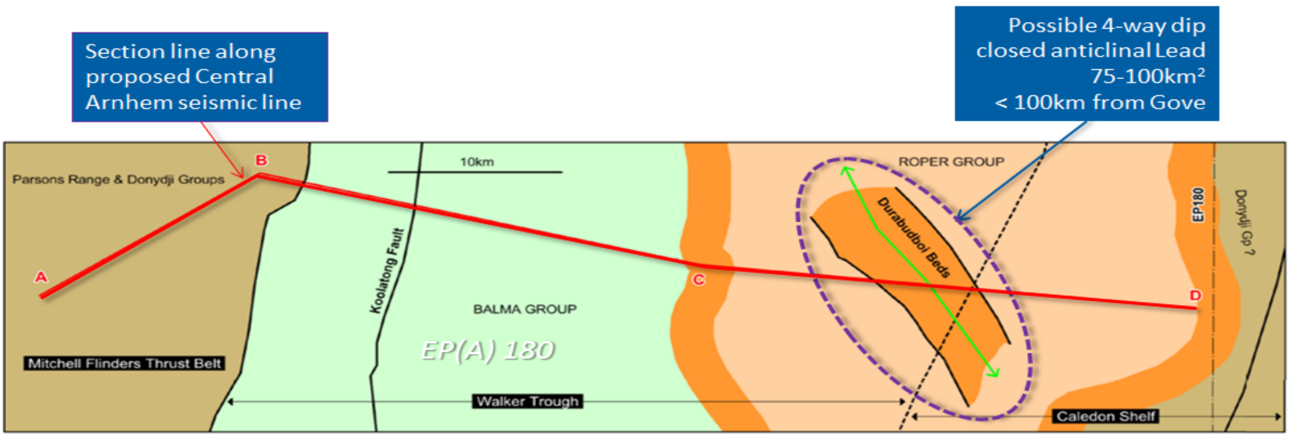
- Geochemical analysis on the 650 samples collected from relevant existing cores from the prospective McArthur Basin black shale formations is continuing. This data will constrain the organic geochemistry, carbonate & clay content of the target shales and help to understand their diagenetic history and petroleum potential. Further analysis continues.

- Structural & burial history analysis, determination of lithofacies associations and predictive gross depositional environment modelling of the target shale intervals commenced during the period. The results of these studies, when integrated with the emerging geochemical results, will provide a sophisticated predictive petroleum geological framework for the McArthur Basin. The integrated model will characterize the nature and distribution of hydrocarbons in the prospective shales within the license areas and help high rank particular areas for shale oil and gas drilling.

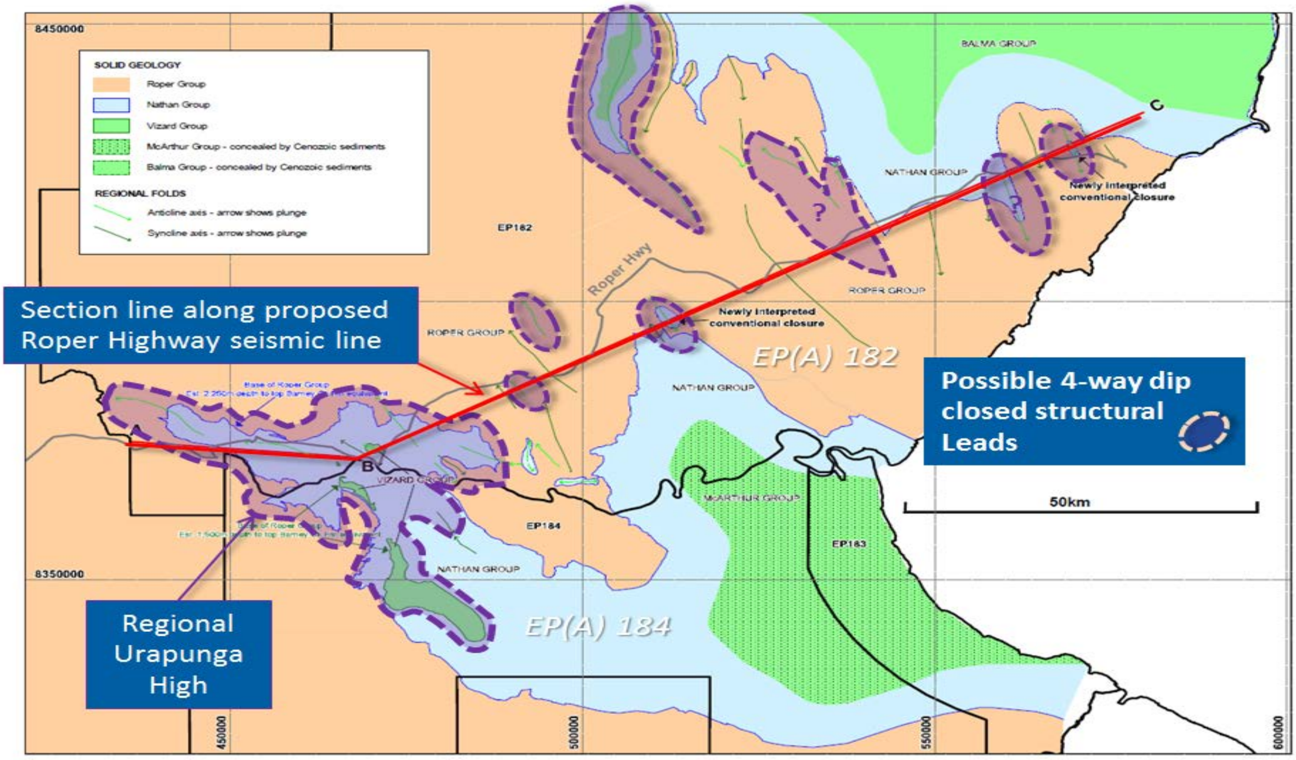
- Significant progress has been made in 3-D geo-modeling for the East Arnhem Land tenements. While unconventional shales provide the primary oil & gas target, there are associated carbonate and clastic formations that offer incremental conventional resource potential. Imperial's primary objective for the initial seismic and drilling campaign is to constrain the potential for commercially viable shale petroleum resources.

- In addition, the structural modelling work has identified a number of potentially large four-way dip-closed traps in the areas targeted for initial exploration. These targets will be evaluated for potential conventional reservoirs in such structures while maintaining a direct focus on shale targets. The two maps below show both the proposed seismic lines to be undertaken in 2013 (when agreements with Traditional Owners are completed). The potential conventional traps will be targeted as initial exploration well locations, with the shale horizons being targeted beneath the four-way dip-closed traps.

EPA 180



EPA 182



D. EMPIRE ENERGY GROUP LIMITED OPERATING COSTS

Empire Energy Group Limited's head office is located in Sydney, Australia. Operating costs cover all Group overhead, including the costs of listing on both the Australian Securities Exchange and the OTCQX Exchange, New York, USA.

- Net Operating Profit/Expense: US$(207,428) (4Q2012: $82,080), consisting of:
  - *Revenues US$174,860 (4Q2012: $345,500)*
  - *Directors/Consultants: US$121,640 (4Q2012: $90,860)*
  - *Employment Costs: US$82,270 (4Q2012: $65,500)*
  - *Listing Expenses: US$37,120 (4Q2012: $30,900)*
  - *G&A: US$141,260 (4Q2012: $76,140) major increase due to year end audit fees*

ABOUT EMPIRE ENERGY GROUP LIMITED

Empire Energy USA is an oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas). Empire Energy implemented a US$150 million credit facility with Macquarie Bank Limited for the sole purpose of acquiring and developing oil and gas assets in the USA.

For more information:

Bruce McLeod
Executive Chairman
Empire Energy Group Limited
+61 2 9251 1846

Financial Terminology

Statements in this announcement may make reference to the terms “EBITDAX”, Field EBITDAX, “field netback” or “netback”, “cash flow” and “payout ratio”, which are non-IFRS financial measures that do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Investors should be cautioned that these measures should not be construed as an alternative to net income calculated in accordance with IFRS. Management believes that these measures provide useful information to investors and management since these terms reflect the quality of production, the level of profitability, the ability to drive growth through the funding of future capital expenditures and sustainability of either debt repayment programs or distribution to shareholders. However, management have attempted to ensure these non-IFRS measures are consistent with reporting by other similar E&P companies so useful production and financial comparisons can be made.

Note regarding Barrel of Oil Equivalent

Empire Energy has adopted the standard of 6 Mcf to 1 Bbl when converting natural gas to Boe. Boe may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf to 1 Bbl is based on energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a Boe conversion ratio of 6 Mcf to 1 Bbl would be misleading as an indication of value.

Note Regarding Forward- Looking Statements

Certain statements made and information contained in this press release are forward-looking statements and forward looking information (collectively referred to as “forward-looking statements”) within the meaning of Australian securities laws. All statements other than statements of historic fact are forward-looking statements.

Glossary

Bbl	-	One barrel of crude oil, 42 US gallons liquid volume
Boe	-	Barrel of oil equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids
Delay Rentals	-	Payments made to Lessor to maintain leases
GIP	-	Gas in place
HBP	-	Held by production
Mcf		One thousand cubic feet (natural gas volumetric measurement)
M or MM		M = Thousand, MM = Million
NRI	-	Net revenue interest
PDNP	-	Proved developed non producing
PDP	-	Proved, developed producing well
PV10	-	Pre-tax value of a cash flow stream, over a defined time period, discounted at 10%
Royalty	-	Funds received by the landowner for the production of oil or gas, free of costs, except taxes
Tcf	-	Trillion cubic feet
TOC	-	Total organic content
WI	-	Working interest