



EMPIRE ENERGY GROUP LIMITED

Australian Office

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29 April 2014

Company Announcements Office
Australian Securities Exchange Limited
20 Bridge Street
Sydney NSW 2000

RE: ANNUAL GENERAL MEETING

Please be advised that the Annual General Meeting of Empire Energy Group Limited will be held at the office of Nexia Court & Co., Level 16, 1 Market Street Sydney on Friday 30 May 2014 at 10.00am.

A copy of the Notice of Annual General Meeting together with an Explanatory Statement and proxy form as despatched to shareholders is attached.

In addition we confirm that the year 2013 Annual Report of the Company comprises only those documents previously provided to the ASX.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R Ryan', with a long horizontal flourish extending to the right.

R Ryan
Company Secretary



NOTICE OF ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT

*The Annual General Meeting of
Empire Energy Group Limited
ABN 29 002 148 361
will be held at
Level 16, 1 Market Street,
Sydney NSW 2000
On Friday, 30 May 2014 at 10.00am*

IMPORTANT INFORMATION

This document is important. Please read it carefully and if you require assistance, consult your legal or financial adviser.

NOTICE OF ANNUAL GENERAL MEETING

Notice ("**Notice**" or "**Notice of Meeting**") is hereby given that the 2014 annual general meeting ("**Meeting**" or "**AGM**") of Empire Energy Group Limited ("**Company**") will be held at the offices of Nexia Court & Co., Level 16, 1 Market Street Sydney NSW at 10.00am on Friday 30 May 2014.

1. ORDINARY BUSINESS:

1.1 Financial Statements and reports

To receive and consider the financial statements of the Company and the consolidated group of which the Company is the ultimate holding company for the year ended 31 December 2013 and the reports of the directors and auditors thereon.

1.2 Resolution 1: Adoption of remuneration report

To consider and, if thought fit, to pass with or without amendment the following resolution as a non-binding resolution:

"That for the purposes of section 250R(2) of the Corporations Act 2001 (Cth) and for all other purposes approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 31 December 2013."

The vote on Resolution 1 is advisory only and does not bind the directors' of the Company.

Note: The remuneration report, which forms part of the directors' report is set out in the Company's 2013 annual report.

Voting exclusion statement

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) any member of the key management personnel, details of whose remuneration are included in the remuneration report (**Key Management Personnel**); and
- (b) a closely related party of Key Management Personnel.

However, a person (the voter) described above may cast a vote on the resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- (b) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - a. Does not specify the way the proxy is to vote on the resolution; and
 - b. Expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

1.3 Resolution 2: Re-election of K Torpey as a director

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That Kevin Torpey, having retired from office as a director of the Company in accordance with article 50.1 of the Company's constitution and, being eligible, having offered himself for re-election, be re-elected as a Director of the Company."

1.4 Resolution 3: Ratify past issue of securities

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 7.4 and all other purposes, shareholders approve and ratify the past issue of 4 million fully paid ordinary shares in the Company to Commonwealth Energy Assets LLC as part consideration for the purchase by the Company of 40,000 units in Empire Energy USA LLC, as set out in the explanatory statement accompanying this notice."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 3 by any person who participated in the issue and any of their associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the direction on the proxy form to vote as the proxy decides.

1.5 Resolution 4: Ratify past issue of performance rights

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.4 and all other purposes, shareholders approve and ratify the past issue of 2,500,000 performance rights to Commonwealth Energy Assets LLC as part consideration for the purchase by the Company of 40,000 units in Empire Energy USA LLC, as set out in the explanatory statement accompanying this notice."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue and any of their associates.

However, the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

1.6 Resolution 5: Ratify past issue of options

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That for the purposes of ASX Listing Rule 7.4 and all other purposes, shareholders approve and ratify the past issue of 4,250,000 options to Macquarie Bank Limited on the terms set out in the explanatory statement accompanying this notice."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 5 by Macquarie Bank Limited and any associate of Macquarie Bank Limited.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

2. SPECIAL BUSINESS

2.1 Resolution 6: Approval of Employee Share Option Plan

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That pursuant to and in accordance with Listing Rule 7.2 exception 9(b) and for all other purposes, the Company approves the issue of securities under the employee incentive share option scheme for employees and Directors known as "Empire Energy Group Limited Employee Share Option Plan", the rules of which are annexed as Annexure A to the explanatory statement accompanying this notice of meeting."

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 6 by any directors of the Company and any associates of those persons (except one who is ineligible to participate in any employee incentive scheme in relation to the entity (within the meaning of the Corporations Act 2001 (Cth))).

However, the Company need not disregard a vote if:

- (c) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (d) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

2.2 Resolution 7: Approve the participation of Mr B W McLeod in the Employee Share Option Plan.

To consider and, if thought fit, to pass with or without amendment the following resolution as an ordinary resolution:

"That, for the purposes of Listing Rule 10.14 of the ASX Listing Rules and all other purposes, shareholders approve the granting of 3,000,000 options on the terms outlined in the attaching explanatory statement, subject to the terms and conditions of the Empire Energy Group Limited Employee Share Option Plan 2014 to Mr Bruce W McLeod, a director of the Company be approved."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 7 by any directors of the Company and any associates of those persons (except one who is ineligible to participate in any employee incentive scheme in relation to the entity (within the meaning of the Corporations Act 2001 (Cth))).

However, the Company need not disregard a vote if:

- (e) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (f) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

2.3 Resolution 8: Approval of 10% Placement Facility

To consider and, if thought fit, to pass with or without amendment the following resolution as a special resolution:

"That for the purposes of Listing Rule 7.1A and for all other purposes, Shareholders approve the issue of equity securities totalling up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the accompanying explanatory statement."

Voting exclusion statement

The Company will disregard any votes cast on Resolution 8 by a person who may participate in the issue of 10% placement facility the subject of Resolution 8 and any person who might obtain a benefit if Resolution 8 is passed, except a benefit solely in the capacity of a holder of shares, together with votes cast by any of their respective associates.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

In accordance with Listing Rule 14.11.1 and the relevant note under that rule concerning Listing Rule 7.1A, as at the date of this Notice of Meeting it is not known who may participate in the proposed issue (if any). On that basis, no security holders are currently excluded from voting.

3. OTHER BUSINESS

To transact any other business which, in accordance with the Company's constitution and the Corporations Act 2001 (Cth), may be legally brought before an Annual General Meeting.

By Order of the Board of Directors



R Ryan
Secretary
DATED 25 April 2014

This Notice of Meeting is accompanied by an explanatory statement to shareholders which explains the purpose of the Meeting and the resolutions to be considered at the Meeting.

EXPLANATORY STATEMENT

This explanatory statement ("**Explanatory Statement**") is intended to provide shareholders of Empire Energy Group Limited ("**Company**") with sufficient information to assess the merits of the resolutions contained in the accompanying Notice of Meeting relating to the AGM of the Company.

Capitalised terms which are not otherwise defined in this Explanatory Statement have the meanings given to them in the accompanying Notice of Meeting. References in this Explanatory Statement and the accompanying Notice of Meeting to the "**Listing Rules**" or "**ASX Listing Rules**" are references to the listing rules of ASX Limited, applicable to entities listed on the Australian Stock Exchange ("**ASX**").

Directors recommend that shareholders read this Explanatory Statement in full before making any decision in relation to the proposed resolutions.

Financial Statements

The financial report, directors' report and auditor's report for the Company for the financial year ended 31 December 2013 will be laid before the Annual General Meeting.

There is no requirement for shareholders to approve these reports.

The Meeting provides a forum for shareholders to ask questions and make comments on the Company's reports and accounts and on the management, business and operations of the Company.

In addition, shareholders will be allowed a reasonable opportunity at the Meeting to ask questions of the auditor (or the auditor's representative) relevant to:

- the conduct of the audit;
- the content of the auditor's report;
- the accounting policies adopted by the Company for the preparation of the financial statements; and
- the auditor's independence in relation to the above items.

Shareholders may view the Company's annual financial report on the Company's website www.empireenergygroup.net.

Resolution 1: Adoption of Remuneration Report

Pursuant to section 250R(2) of the Corporations Act 2001(Cth) ("**Corporations Act**") a resolution that the remuneration report be adopted must be put to vote at the Company's AGM. The vote on this Resolution is advisory only and does not bind the directors or Company. The remuneration report is set out in the Company's year 2013 Annual Report which is available from the Company's website www.empireenergygroup.net.

The remuneration report:

- describes the policies behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of executives and the Company's performance;
- sets out the remuneration arrangements in place for each director and for certain members of the senior management team; and
- explains the difference between the bases for remunerating non-executive directors and senior executives, including the Chief Executive Officer.

If Resolution 1 receives a 'no' vote of 25% or more of votes cast at the Meeting, then the Company's subsequent remuneration report will include a report on actions taken by the

board in connection with the Company's remuneration policy in the Company's next annual report.

The Board will take the outcome of the vote, even if it receives a less than 25% 'no' vote into consideration when reviewing the Companies remuneration policy. A 'no' vote of 25% or more was not received at the Company's 2013 Annual General Meeting.

Resolution 2: Re-election of Kevin Torpey as a Director

At the Annual General Meeting, Mr Kevin Torpey will retire in accordance with Article 50.1 of the Company's constitution.

Being eligible, Mr Torpey will offer himself for re-election at the AGM.

Mr Torpey's qualifications, experience, other directorships and shareholding in the Company are detailed in the Directors' report forming part of the Company's 2013 annual financial report which can be accessed on the Company's website at www.empireenergygroup.net.

The Directors unanimously recommend that shareholders vote **in favour** of Resolution 2 and propose to cast all votes controlled by them and any undirected proxies they hold in favour of Resolution 2.

Resolutions 3 & 4: Ratify past issue of securities and performance rights

The purpose of resolutions 3, 4 and 5 is to 'refresh' the Company's Listing Rule 7.1 15% equity security placement capacity. Under Listing Rule 7.1 a listed company may (in general terms) only issue new equity securities up to 15% of its capital (calculated on a rolling 12 month basis). Exceptions to the Listing Rule 7.1 15% limit include issues of equity securities approved by ordinary shareholders and that approval can be given retrospectively under Listing Rule 7.4. Issues approved under resolutions 3, 4 and 5 will not be counted to reduce the Company's Listing Rule 7.1 15% placement capacity (the equivalent of approximately 46.3 million ordinary shares based on the current capital of 308, 865, 682 ordinary shares).

The Company announced on 9 September 2013 that, as a component of its acquisition of the minority interest of 3.6% in its subsidiary Empire Energy USA LLC ("**EEUSA**") held by Commonwealth Energy Assets LLC ("**CEA**") the Company had issued the following consideration to CEA:

- 4,000,000 fully paid ordinary shares in the issued capital of Empire Energy Group Limited; and
- 2,500,000 performance rights over fully paid ordinary shares in the Company

Shareholder approval for the issue of 4,000,000 shares had been given at the Company's 2013 Annual General Meeting. However as the transaction did not complete within three months of the 2013 Annual General Meeting, shareholder approval under Listing Rule 7.1 for the issue of those securities expired.

The final consideration for the transaction with CEA was the issue of 4,000,000 fully paid ordinary shares and 2,500,000 performance rights. This issue of equity securities was within the Company's Listing Rule 7.1, 15% limit at the time.

While the issue to CEA therefore did not have prior ordinary shareholder approval under Listing Rule 7.1, Listing Rule 7.4 provides for an issue to be treated as if made with ordinary shareholder approval if that approval is subsequently given and the issue itself

did not breach the Listing Rule 7.1 15% limit. The Company is now seeking approval for the issue of these securities in the manner provided by ASX Listing Rule 7.4.

In accordance with the requirement of Listing Rule 7.5, the following information is provided in relation to the ratification:

- a) A total number of 4,000,000 ordinary shares and 2,500,000 performance rights over fully paid ordinary shares were allotted and issued to CEA.
- b) The shares and performance rights were issued for nil cash consideration in satisfaction of the acquisition of 40,000 units in EEUSA.
- c) The shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing shares.
- d) Performance rights are unlisted and exercisable at no cost subject to preconditions being satisfied. Some or all of the performance rights may be converted into ordinary fully paid shares in the Company on a one for one basis for no further consideration in the event that:
 - a. the moratorium on oil and/or natural gas fracking in New York State is lifted (in such case all performance rights may be converted); or
 - b. the Company sells all or substantially all of its property interests in Chautauqua and Cattaraugus Counties in the State of New York to an unaffiliated third party (in which case some or all of the performance rights can be converted into ordinary shares in the Company depending upon the sale price achieved by the Company as described in the Company's announcement of 9 September 2013).

All the performance rights will be cancelled if CEA sells more than 75% of the four million shares it has received as consideration prior to either the moratorium being lifted or a third party sale being consummated.

- e) The ordinary shares and performance rights were issued to CEA, who is not a related party of the Company.
- f) No funds were raised from the issue of the ordinary shares and performance rights.

The Directors unanimously recommend that shareholders vote **in favour** of Resolutions 3 and 4 and propose to cast all votes controlled by them and any undirected proxies they hold in favour of Resolutions 3 and 4.

Resolution 5: Ratify past issue of options

The purpose for this resolution is to approve the issue of equity securities described below to exclude it from being counted in the Listing Rule 7.1 15% placement limit.

The Company announced on 3 February 2014 that it had reached an agreement with Macquarie Bank Limited to amend the terms of the US\$150 million Macquarie Bank finance facility to provide for greater flexibility in relation to a drawdown of up to US\$2 million. The Company made an initial drawdown of US\$1 million and, as a component of amending the terms of the Macquarie Bank finance to allow the drawdown of US\$1 million, the Company issued the following options to Macquarie Bank Limited:

- 4,250,000 unlisted options exercisable at \$0.12 until 26 February 2016.

The issue was within the Listing Rule 7.1 placement limit.

ASX Listing Rule 7.4 allows for subsequent shareholder approval of issues of equity securities for the purposes of Listing Rule 7.1 if the Company did not breach the ASX Listing Rule 7.1 placement limit at the time of issue and the holders of ordinary shares subsequently approve the issue. The Company is now seeking approval for the issue of these securities in the manner provided by ASX Listing Rule 7.4. The options were issued for nil consideration and their terms are otherwise set out above.

The Directors unanimously recommend that shareholders vote **in favour** of Resolution 5 and propose to cast all votes controlled by them and any undirected proxies they hold in favour of Resolution 5.

Resolution 6: Approval of Employee Share Option Plan

The purpose of this resolution is to approve the employee share option plan, the rules of which are attached as Annexure A (the "**Plan**") for the purposes of excluding issues under the Plan from being counted in the Listing Rule 7.1 15% placement limit as provided in Listing Rule 7.2 exception 9(b). Listing Rule 7.2 exception 9(b) excludes an issue under the Plan made within 3 years after Plan approval from being counted for the purposes of the Listing Rule 7.1 15% placement limit.

Note that prior shareholder approval will be required before any Director or related party of the Company can receive an issue of options under the Plan.

The Company first approved a share option plan for employees in 2000. The Directors considered it desirable to establish an option plan under which employees may be offered the opportunity to subscribe for options to acquire shares in the issued capital of the Company to strengthen links between the Company and its employees including through an increased range of performance incentives. Modified versions of the share option plan have been approved by the company from time to time, the last occasion being at the Annual General Meeting on 30 November 2010.

The Plan is designed to provide incentives to the employees of the Company to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that the incentives to employees are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

Under the Plan, the Board may offer to eligible persons the opportunity to subscribe for such number of employee options in the Company as the Board may decide and on the terms set out in the rules of the Plan, a copy of which is contained in Annexure A of the Explanatory Statement. Employee options granted under the Plan will be offered to participants in the Plan on the basis of the Board's view of the contribution of the eligible person to the Company.

In accordance with the requirements of Listing Rule 7.2 exception 9(b) the following information is provided:

- a) A copy of the rules of the Plan are attached as Annexure A to this Explanatory statement.
- b) Since the last date on which an option plan was approved by shareholders on 30 November 2010 20,300,000 employee options have been issued.

- c) A voting exclusion statement has been included for the purposes of Resolution 6.

The Directors unanimously recommend that shareholders vote **in favour** of Resolution 5.

Resolution 7: Approve the participation of Mr B W McLeod in an issue of options under the Employee Share Option Plan

Listing Rule 10.14 requires shareholder approval for the issue of securities under an employee incentive scheme to a related party of the Company.

Shareholder approval is now being sought under Listing Rule 10.14 to grant the following options to a director (and related party) of the Company under the Company's Employee Share Option Plan attached at Annexure A (the "**Plan**"):

Resolution	Director	Exercise Price	No of options to be granted	Expiry Date
7	Mr B W McLeod	17 cents	1,500,000	31 December 2016
	Mr B W McLeod	18 cents	1,500,000	31 December 2016

The purpose of granting options to Mr McLeod pursuant to the Plan is to provide an incentive for him to continue within the Company and achieve predetermined goals.

The following information is provided to shareholders for the purposes of Listing Rule 10.15.

- a) The maximum number of options to be granted under Resolution 7 is:

Director	Maximum No of Options
Mr B W McLeod	3,000,000

- b) The options will entitle the holder to subscribe for one fully paid ordinary share in the Company at the exercise price per share set out in the table (17 cents for 1,500,000 shares and 18 cents for a further 1,500,000 shares) prior to the expiry date and subject to the minimum term of employment vesting conditions and the other terms and conditions of the Plan.

The exercise price of the options has been calculated at a price which represents a premium of at least an average of 59% over the closing price of the Company's shares on the ASX on 24 April 2014, being the last date on which the ASX was open prior to the date of issue of this Notice of Meeting. The closing price of the Company's shares on that date was 11.0 cents.

- c) The names of all persons referred to in Listing rule 10.14 who received securities under the scheme since its last approval on 30 November 2010 are:

	No. of options	Vesting date	Exercise price	Expiry date
<u>Mr B W McLeod – Executive Chairman</u>				
Tranche 1	2,000,000	23 March 2013	\$0.15	1 July 2013
Tranche 2	1,650,000	23 March 2013	\$0.17	1 July 2013
Tranche 3	1,650,000	23 March 2013	\$0.18	31 December 2013
Tranche 4	2,000,000	1 June 2014	\$0.35	31 December 2014
Tranche 5	1,500,000	28 June 2015	\$0.17	31 December 2015
Tranche 6	1,500,000	28 June 2015	\$0.18	31 December 2015

	No. of options	Vesting date	Exercise price	Expiry date
<u>Mr K A Torpey – Director</u>				
Tranche 1	750,000	1 June 2014	\$0.35	31 December 2014
<u>Mr D H Sutton – Director</u>				
Tranche 1	750,000	1 June 2014	\$0.35	31 December 2014

The options were granted as an incentive and accordingly were granted for nil consideration.

- d) The names of people referred to in Listing Rule 10.14 entitled to participate in the Plan:
- | | |
|------------|------------------------|
| B W McLeod | Executive Chairman |
| K A Torpey | Non-Executive Director |
| D H Sutton | Non-Executive Director |
- e) The options will be issued as soon as practicable but in any case no later than twelve months after the date of the Annual General Meeting, unless extended by way of ASX granting a waiver to the Listing Rules.
- f) The options will be granted as incentive options and hence are granted for no consideration.
- g) The options proposed to be granted to Mr McLeod pursuant to Resolution 7 are part of his director's remuneration and considered by the board to be reasonable in the circumstances. As such the Board considers that approval is not required under Chapter 2E of the Corporations Act as the exemption in section 211(1) of the Corporations Act applies.
- h) The directors (other than Mr McLeod who has a material personal interest in the outcome of Resolution 7) unanimously recommend that shareholders vote **in favour** of Resolution 7.
- i) A voting exclusion statement has been included for the purposes of Resolutions 7. The Directors and their associates are excluded from voting on Resolution 7.

Resolution 8: Approval of 10% Placement Facility

1. General

Listing Rule 7.1A permits eligible entities, which have obtained ordinary shareholder approval by special resolution at the Company's annual general meeting to issue an additional 10% of issued ordinary securities through placements in a 12 month period ("**10% Placement Facility**"). The 10% Placement Facility operates in addition to the Company's 15% placement capacity under Listing Rule 7.1 (this is discussed in connection with Resolutions 3, 4 and 5, above).

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is, as at the date of the relevant special resolution passed for the purposes of Listing Rule 7.1A, not included in the S&P/ASX 300 Index *and* has a market capitalisation of \$300 million or less. The Company is an eligible entity.

The Company is now seeking shareholder approval by way of a special resolution to have the ability to issue additional equity securities over the forthcoming 12 month period under the 10% Placement Facility.

The exact number of equity securities to be issued under the 10% Placement Facility will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to section 2 (c) below).

The purposes of any issue of shares pursuant to the additional capacity would be to fund exploration drilling, working capital or the equity component of the acquisition cost of oil and gas assets in the United States.

2. Description of Listing Rule 7.1A

(a) Shareholder approval

The ability to issue equity securities under the 10% Placement Facility is subject to ordinary shareholder approval by way of a special resolution at an annual general meeting.

(b) Equity securities

Any equity securities issued under the 10% Placement Facility must be in the same class as an existing quoted class of equity securities of the Company. In the case of the Company, its quoted equity securities are ordinary shares.

(c) Formula for calculating 10% Placement Facility

Listing Rule 7.1A.2 provides that eligible entities which have obtained ordinary shareholder approval at an annual general meeting may issue or agree to issue, during the 12 month period after the date of the annual general meeting, a number of equity securities calculated in accordance with the following formula:

$$(A \times D) - E$$

A is the number of shares on issue 12 months before the issue date or date of agreement to issue:

- plus the number of fully paid shares issued in the 12 months under an exception in Listing Rule 7.2;
- plus the number of partly paid shares that became fully paid in the 12 months;
- plus the number of fully paid shares issued in the 12 months with approval of holders of shares under Listing Rule 7.1 and 7.4. This does not include an issue of fully paid shares under the entity's 15% placement capacity without shareholder approval;
- less the number of fully paid shares cancelled in the 12 months.

Note that "A" has the same meaning in Listing Rule 7.1 when calculating an entity's 15% placement capacity.

D is 10%

E is the number of equity securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of the issue or agreement to issue that are *not* issued with the approval of shareholders under Listing Rule 7.1 or 7.4.

(d) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue equity securities under Listing Rule 7.1A is in addition to the entity's 15% placement capacity under Listing Rule 7.1.

Issues under the placement capacities provided for in each of Listing Rule 7.1 and Listing Rule 7.1A are made and calculated separately. An issue or agreement to issue equity securities under Listing Rule 7.1 without shareholder approval uses up part of the Listing Rule 7.1 15% capacity. A separate matter, any issue or agreement to issue equity securities under Listing Rule 7.1A uses up part of the Listing Rule 7.1A 10% capacity.

The actual number of equity securities that the Company will have capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the equity securities in accordance with the formula prescribed in Listing Rule 7.1A.2 (refer to Section 2(c) above).

(e) Minimum issue price

The issue price of the equity securities issued under Listing Rule 7.1A must be not less than 75% of the volume weighted average price ("**VWAP**") for securities in the same class calculated over the 15 trading days immediately before:

- (i) the date on which the price at which the equity securities are to be issued is agreed; or
- (ii) if the equity securities are not issued within 5 trading days of the date in paragraph (i) above, the date on which the equity securities are issued.

(f) 10% placement period

Shareholder approval of the 10% Placement Facility under Listing Rule 7.1A is valid from the date of the annual general meeting at which approval is obtained and expires on the earlier to occur of:

- (i) the date that is 12 months after the date of the annual general meeting at which the approval is obtained; or
- (ii) the date of the approval of shareholders of a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or 11.2 (disposal of main undertaking),

or such longer period if allowed by ASX ("**10% Placement Period**").

3. Specific Information Required by Listing Rule 7.3A.6(a)

The table below shows the total number of all equity securities issued in the 12 months preceding the date of the meeting, and the percentage they represent of the total number of equity securities on issue at the commencement of the 12 month period.

Equity securities issued in the prior 12 month period	4,250,000 unlisted options 4,000,000 ordinary shares 2,500,000 unlisted performance rights 6,500,000 unlisted options under LR7.2 Rule 9
Percentage previous issues represent of total number of equity securities on issue at the commencement of 12 month period	5.66% of fully paid ordinary shares

4. Specific Information Required by Listing Rule 7.3A.6(b)

The tables below set out specific details for each issue of equity securities that have taken place in the 12 month period preceding the date of the Annual General Meeting.

Date of issue	28 June 2013
Number issued	6,500,000 unlisted options over fully paid ordinary shares
Class and type of equity security	Unlisted options
Summary of terms	Options issued pursuant to the Company's Employee Share Option Plan on the following terms: 1,500,000 options exercisable at \$0.18 expiring 31 December 2015. 5,000,000 options exercisable at \$0.17 expiring 31 December 2015. All options are subject to minimum term of employment conditions.
Names of persons who received securities or basis on which those persons were determined	Granted to employees of the Company.
Price	Options granted for nil consideration.
Discount to market price (if any)	N/A
For cash issues	
Total cash consideration received	N/A
Amount of cash consideration spent	N/A
Use of cash consideration	N/A
Intended use for remaining amount of cash (if any)	N/A
For non-cash consideration	
Non-cash consideration paid	N/A
Current value of that non-cash consideration	N/A

Date of issue	9 September 2013
Number issued	2,500,000 unlisted performance rights over fully paid ordinary shares
Class and type of equity security	Unlisted performance rights
Summary of terms	Performance rights were issued as part consideration for the acquisition by the Company of 40,000 shares in Empire Energy USA LLC (a 3.6% interest). They are convertible on a one for one basis for no consideration into fully paid ordinary shares in the Company but only after one of the following events: <ul style="list-style-type: none"> - Lifting of the fracking moratorium in New York State (all performance rights); or - The Company selling or transferring all or substantially all of its New York oil and gas property interests to an unaffiliated third party (some or all of the performance rights, depending on the price received by the Company).

	If the rights holder disposes of more than 75% of the balance of the consideration (4 million ordinary shares) prior to either of the two above events occurring, the performance rights will be cancelled.
Names of persons who received securities or basis on which those persons were determined	The performance rights were granted to Commonwealth Energy Assets LLC.
Price	The performance rights were granted as part consideration for the acquisition by the Company of 40,000 shares in Empire Energy USA LLC (a 3.6% interest).
Discount to market price (if any)	N/A
For cash issues	
Total cash consideration received	N/A
Amount of cash consideration spent	N/A
Use of cash consideration	N/A
Intended use for remaining amount of cash (if any)	N/A
For non-cash consideration	
Non-cash consideration paid	These performance rights and 4 million fully paid ordinary shares were issued as consideration for the purchase by the Company of 40,000 shares in Empire Energy USA LLC (a 3.6% interest).
Current value of that non-cash consideration	The current value of 40,000 shares in Empire Energy USA LLC for which the performance rights were part consideration is US\$360,000

Date of issue	18 September 2013
Number issued	4,000,000 ordinary shares
Class and type of equity security	Fully paid ordinary shares ranking equally with all other fully paid ordinary shares
Summary of terms	Securities issued as part consideration for the acquisition of 40,000 shares in Empire Energy USA LLC.
Names of persons who received securities or basis on which those persons were determined	Commonwealth Energy Assets LLC
Price	A\$0.10 per share (refer to non cash consideration)
Discount to market price (if any)	Nil
For cash issues	
Total cash consideration received	N/A
Amount of cash consideration spent	N/A
Use of cash consideration	N/A
Intended use for remaining amount of cash (if any)	N/A
For non-cash consideration	
Non-cash consideration paid	These shares plus 2,500,000 performance rights were issued as consideration for the purchase by the Company of 40,000 shares in Empire Energy USA LLC (a 3.6% interest).
Current value of that non-cash consideration	The current value of 40,000 shares in Empire Energy USA LLC for which the

	shares were part consideration is US\$360,000
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Date of issue	30 January 2014
Number issued	4,250,000 unlisted options over fully paid ordinary shares
Class and type of equity security	Unlisted options
Summary of terms	Options issued as component of an amendment to the existing credit facility (which only allowed for the acquisition of producing assets and their associated development) but now allows for a broader funding capacity. 4,250,000 options exercisable at \$0.12 expiring 26 February 2016
Names of persons who received securities or basis on which those persons were determined	Macquarie Bank Limited
Price	Options granted for nil consideration.
Discount to market price (if any)	N/A
For cash issues	
Total cash consideration received	N/A
Amount of cash consideration spent	N/A
Use of cash consideration	N/A
Intended use for remaining amount of cash (if any)	N/A
For non-cash consideration	
Non-cash consideration paid	Consideration/fees for variation of facility and draw down of \$1million.
Current value of that non-cash consideration	N/A

5. Specific Information Required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the following information is provided in relation to the approval of the 10% Placement Facility proposed to be established following passage of Resolution 8:

- (a) The equity securities will be issued at an issue price of not less than that specified in Listing Rule 7.1A.3, as described at paragraph 2(e), above.
- (b) If Resolution 8 is approved by shareholders and the Company issues equity securities under the 10% Placement Facility, the existing shareholders' voting power in the Company will be diluted. The table below provides examples of potential dilution effect. There is a risk that:
 - (i) the market price for the Company's equity securities may be significantly lower on the date of the issue of the equity securities than on the date of the Meeting; and
 - (ii) the equity securities may be issued at a price that is at a discount to the market price for the Company's equity securities on the issue date or the equity securities may be issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the equity securities.

The below table shows the dilution of existing ordinary shareholdings on the basis of the assumptions set out below the table and based on the number of ordinary shares for variable "A" calculated in accordance with the formula in Listing Rule 7.1A(2) as at the date of this Notice.

The table below also shows:

- (i) two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary shares the Company has on issue at the date of this Notice. The number of ordinary shares on issue may increase as a result of issues of ordinary shares that do not require shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rule 7.1 that are approved at a future shareholders' meeting; and
- (ii) two examples of where the issue price of ordinary shares has first, decreased by 50% (Dilution first column) and, second, increased by 100% (Dilution third column), as against the current market price of ordinary shares (\$0.105 as at 15 April 2014).

Variable 'A' in Listing Rule 7.1A.2		Dilution		
		\$0.0525 50% decrease in Issue Price	\$0.105 Issue Price	\$0.21 100% Increase in Issue Price
Current Variable A 308,863,682	10% Voting Dilution	30,886,368 Shares	30,886,368 Shares	30,886,368 Shares
	Funds raised	\$1,621,534	\$3,243,069	\$6,486,137
50% Increase in Current Variable A 463,295,523	10% Voting Dilution	46,329,552 Shares	46,329,552 Shares	46,329,552 Shares
	Funds raised	\$2,432,301	\$4,864,603	\$9,729,206
100% Increase in current Variable A 617,727,364	10% Voting Dilution	61,772,736 Shares	61,772,736 Shares	61,772,736 Shares
	Funds raised	\$3,243,069	\$6,486,137	\$12,972,275

The table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of equity securities available under the 10% Placement Facility.
 - (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
 - (iii) The table does not show an example of dilution that may be caused to a particular shareholder by reason of placements under the 10% Placement Facility, based on that shareholder's holding at the date of the Meeting.
 - (iv) The table shows only the effect of issues of equity securities under Listing Rule 7.1A, not under the 15% placement capacity under Listing Rule 7.1.
 - (v) The issue of equity securities under the 10% Placement Facility consists only of shares and excludes the exercise of any options on issue (including those previously issued under an employee option plan or to be issued under the Plan if Resolution 6 is approved).
 - (vi) The issue price is \$0.105, being the closing price of ordinary shares on ASX on 15 April 2014.
- (c) The Company will only issue and allot the equity securities during the 10% Placement Period. The approval under Resolution 8 for the issue of the equity securities will lapse after that period. It will also cease to be valid in the event the shareholders approved a transaction under Listing Rule 11.1.2 (a

significant change to the nature or scale of activities or Listing Rule 11.2 (disposal of main undertaking).

- (d) The Company may seek to issue the equity securities for the following purposes:
- (i) non-cash consideration for the acquisition of the new resource assets and investments. In such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3; or
 - (ii) cash consideration. In such circumstances, the Company intends to use the funds raised towards the exploration activities at its existing projects and/or for acquisition of new assets or investments (including expenses associated with such acquisition) and general working capital.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any equity securities under the 10% Placement Facility.

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Facility. The identity of the allottees of equity securities will be determined on a case-by-case basis having regard to the factors including but not limited to the following:

- (i) the purpose of the issue;
- (ii) the effect of the issue of the equity securities on the control of the Company;
- (iii) the methods of raising funds that are available to the Company, including but not limited to, rights issue or other issue in which existing security holders can participate;
- (iv) prevailing market conditions;
- (v) the financial situation and solvency of the Company; and
- (vi) advice from corporate, financial and broking advisers (if applicable)

The allottees under the 10% Placement Facility have not been determined as at the date of this Notice of Meeting but may include existing substantial shareholders and/or new shareholders of the Company who are not related parties or associates of a related party of the Company.

- (e) The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its 2013 Annual General Meeting. The Company has not issued any equity securities pursuant to that Listing Rule 7.1A approval in the preceding 12 month period.
- (f) A voting exclusion statement is included in the accompanying Notice. At the date of this Notice, the Company has not approached any particular existing shareholder or security holder or an identifiable class of existing security holder to participate in the issue of the equity securities. No existing shareholder's votes will therefore be excluded under the voting exclusion in the accompanying Notice.

Board Recommendation – The Board considers that the approval of the issue of the 10% Placement Facility described above is beneficial for the Company as it provides the Company with the flexibility to issue up to the maximum number of securities permitted under Listing Rule 7.1A in the next 12 months (without further shareholder approval), should it be required. At the date of the notice of this meeting, the Company has no plans to use the 10% Placement Facility should it be approved.

Accordingly, the directors unanimously recommend that Shareholders vote **in favour** of Resolution 8 and propose to cast all votes controlled by them and any undirected proxies they hold in favour of Resolution 8.

Voting Information

Voting entitlement at the annual general meeting of the Company to be held on 30 May 2014 in accordance with regulation 7.11.37 of the Corporations Regulations 2001.

For the purpose of determining a person's entitlement to vote at the AGM, a person will be recognised as a member of the Company and the holder of shares if that person is registered as a holder of those shares at 10.00am, Sydney time on 28 May 2014, being 48 hours prior to the AGM.

Votes of Members

On a show of hands, each member present in person or by proxy (or, in the case of a body corporate, by a representative) at the AGM shall have one vote.

On a poll, every member present in person or by attorney or by proxy (or, in the case of a body corporate, by a representative) at the AGM shall have one vote for each share held provided that all shares are fully paid.

Voting

Please note that for an ordinary resolution to be passed, a simple majority of votes cast (in person, by proxy or, in the case of a body corporate shareholder, by corporate representative) by shareholders entitled to vote on the resolution is required.

For a special resolution to be passed, it must be approved by at least 75% of the votes cast (in person, by proxy or, in the case of a body corporate shareholder, by corporate representative) by shareholders entitled to vote on the resolution.

Resolutions 1, 2, 3, 4, 5, 6 and 7 are ordinary resolutions. Resolution 8 is a special resolution.

“ANNEXURE A”

RULES OF EMPLOYEE SHARE OPTION PLAN EMPIRE ENERGY GROUP LIMITED ACN 002 148 361

RULES OF EMPLOYEE SHARE OPTION PLAN

1. NAME OF PLAN

- 1.1. This Plan will be called the Empire Energy Group Limited Employee Share Option Plan.

2. ESTABLISHMENT AND TERMINATION OF THE PLAN

- 2.1 The Board may establish and administer the Plan in accordance with the terms and conditions set out in these Rules and otherwise as it determines from time to time in its absolute discretion.
- 2.2 The Board may terminate the Plan, or suspend its operation for any period it considers desirable, at any time that it considers appropriate.
- 2.3 The Board may not issue any further Options after the Plan has been terminated. However, these Rules will continue to apply to Options on issue at the date of such termination until the last of those Options lapses or is exercised.

3. PURPOSE OF PLAN

- 3.1 The purpose of this Plan is to:
 - (a) recognise the ongoing ability of the employees of the Company and their expected efforts and contribution in the long term to the performance and success of the Company;
 - (b) provide an incentive to the employees of the Company to remain in their employment in the long term;
 - (c) attract persons of experience and ability to employment with the Company and foster and promote loyalty between the Company its employees; and
 - (d) provide employees of the Company with the opportunity to acquire Options, and ultimately Shares, in the Company, in accordance with these Rules.

4. OPERATION OF THE PLAN

- 4.1 The Plan operates according to these Rules which bind the Company and each Participant.

- 4.2 The aggregate number of options granted pursuant to the Plan will be limited at any time to a maximum of 15% of the total number of issued shares.

5. ELIGIBILITY

5.1 Subject to these Rules, the Board may from time to time determine that any Eligible Person is entitled to participate in the Plan and the extent of that participation. Prior to making that determination, the Board must consider:

- (a) the seniority of the relevant Eligible Person and the position the Eligible Person occupies within the Company;
- (b) the length of service of the Eligible Person with the Company;
- (c) the record of employment of the Eligible Person with the Company;
- (d) the potential contribution of the Eligible Person to the growth of the Company;
- (e) the extent (if any) of the existing participation of the Eligible Person (or any Permitted Nominee in relation to that Eligible Person) in the Plan; and
- (f) any other matters which the Board considers relevant.

5.2 The Board may exercise its powers in relation to the participation of any Eligible Person on any number of occasions.

6. OFFER OF OPTIONS AND EXERCISE PRICE

6.1 Subject to these Rules and to the Listing Rules, the Company (acting through the Board) may offer Options to any Eligible Person at such times and on such terms as the Board considers appropriate. Each offer must state:

- (a) the name and address of the Eligible Person to whom the offer is made;
- (b) that the Eligible Person to whom the Offer is addressed may accept the whole or any lesser number of Options offered;
- (c) the minimum number of Options and any multiple of such minimum or any other number which may be accepted;
- (d) the period within which the Offer may be accepted, and the period or periods during which the Options or any of them may be exercised and the Expiry Date;
- (e) any Exercise Conditions;

- (f) the method of calculation of the Exercise Price; and
 - (g) any other matters which the Board may determine
- 6.2 The method of calculation of the Exercise Price of each Option, will be determined by the Board with regard to the Market Value of the Shares when it resolves to offer the Option but must not be less than 80% of the weighted average market price of shares sold in the ordinary course of trading on the ASX during the five (5) days prior to the options being granted.
- 6.3 The expiry date of the options must not exceed the date that is the fifth anniversary of the date of issue of the options.

7. ACCEPTING OFFERS

- 7.1 Upon receipt of the Offer, an Eligible Person may, within the period specified in the Offer:
- (a) accept the whole or any lesser number of Options offered by giving to the Company an Application Form; or
 - (b) nominate a nominee in whose favour the Eligible Person wishes to renounce the Offer by notice in writing to the Board. The Board may, in its absolute discretion, resolve not to allow such renunciation of an Offer in favour of a nominee without giving any reason for such decision.
- 7.2 Upon:
- (a) receipt of the Application Form referred to in paragraph 7.1(a); or
 - (b) the Board resolving to allow a renunciation of an Offer in favour of a nominee (“Permitted Nominee”) and the Permitted Nominee accepting the whole or any lesser number of Options offered by giving the Company an Application Form,
 - (c) then the Eligible Person or the Permitted Nominee, as the case may be, will be taken to have agreed to be bound by these Rules and will be granted Options subject to these Rules.
- 7.3 If Options are issued to a Permitted Nominee or an Eligible Person, the Eligible Person must, without limiting any provision in these Rules, ensure that the Permitted Nominee complies with these Rules.

7.4 On the issue of Options following receipt by the Company of an Application Form, an Eligible Person or the Permitted Nominee, as the case may be, becomes a Participant.

8. NO CONSIDERATION

8.1 No consideration is payable by an Eligible Person for a grant of Options, unless the Board decides otherwise.

9. CERTIFICATES

9.1 The Company must give a Participant one or more Certificates stating:

- (a) the number of Options issued to the Participant;
- (b) the Exercise Price of those Options; and
- (c) the Issue Date of those Options.

9.2 The Certificates for the Options will be dispatched within 10 Business Days after the Issue Date.

10. QUOTATION

10.1 The Company will not apply for Official Quotation of any Options.

10.2 If shares of the same class as those allotted pursuant to the exercise of Options granted under the Plan are listed on the ASX, the Company must apply for Official Quotation of those shares allotted pursuant to the exercise of Options within the time required by the Listing Rules after the date of allotment.

11. NOT TRANSFERABLE

11.1 Subject to clause 14.4, Options are not transferable.

12. EXERCISE OF OPTIONS

12.1 Subject to any Exercise Conditions, Options may be exercised at any time during the period commencing on the Issue Date and ending on the Expiry Date.

12.2 Notwithstanding paragraph 12.1, all Options may be exercised:

- (a) during a Bid Period; or
- (b) at any time after a Change of Control Event has occurred; or

- (c) on application under section 411 of the Corporations Act, if a court orders a meeting to be held concerning a proposed compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company.
- 12.3 Options may only be exercised by the Participant giving notice in writing to the Board delivered to the registered office of the Company. The notice must specify the number of Options being exercised and the Exercise Price for the Options specified in the notice and must be accompanied by:
 - (a) the Certificate for those Options, for cancellation by the Company; and
 - (b) a cheque payable to the Company (or another form of payment acceptable to the Board) in the amount of the product of the number of Options then being exercised by the Participant and the Exercise Price.
 - (c) The notice is only effective (and only becomes effective) when the Company has received value for the full amount referred to in a paragraph (b).
- 12.4 Subject to paragraph 14.1, within 10 Business Days after the notice referred to in clause 12.3 becoming effective, the Board must:
 - (a) allot and issue the number of Shares to be issued in respect of the Options being exercised;
 - (b) cancel the Certificate for the Options being exercised; and
 - (c) if applicable, issue a new Certificate for any remaining Options covered by the Certificate accompanying the notice.
- 12.5 The Board may, at its discretion, by notice to the Participant reduce, waive or vary (provided such variation is not adverse to the Participant) the Exercise Conditions attaching to Options in whole or in part at any time and in any particular case.

13. SHARES ALLOTTED ON EXERCISE OF OPTIONS

- 13.1 All shares allotted upon exercise of the Options rank *pari passu* in all respects with Shares previously issued and, in particular, entitle the holders of Shares to participate fully in:
 - (a) dividends declared by the Company after the date of allotment; and
 - (b) all issues of securities made or offered *pro rata* to holders of shares.

14. LAPSE OF OPTIONS

- 14.1 Options not validly exercised on or before the Expiry Date will automatically lapse.
- 14.2 Unless otherwise determined by the Board, if any Options are granted subject to Exercise Conditions and, prior to satisfaction of the Exercise Conditions (such that the Options are not exercisable), an Eligible Person ceases to be an Eligible Person then:
- (a) If the Eligible Person ceases to be an Eligible Person for any reason other than a Specified Reason, any such Options held by such Eligible Person, or if appropriate, his or her Permitted Nominee, will automatically lapse; and
 - (b) if the Eligible Person ceases to be an Eligible Person for a Specified Reason, such eligible Person, may exercise any such Options held by him or her subject to the provisions of the minimum period of employment conditions.
- 14.3 A certificate signed by the company secretary of the Company stating that a person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of the Plan, both as to such occurrence and the reason for such occurrence and the date of such occurrence.
- 14.4 Subject to clause 14.2, if at any time prior to the Expiry Date of any Options a Holder dies, the deceased Holder's Legal Personal Representative may:
- (a) elect to be registered as the new Holder of the deceased Holder's Options;
 - (b) whether or not he or she becomes so registered, exercise the Options in accordance with and subject to those Rules as if he were the Holder of them; and
 - (c) if the deceased Holder had already given the Company a notice of exercise of his or her Options, pay the Exercise Price in respect of those Options.

15. PARTICIPATION RIGHTS, BONUS ISSUES, RIGHTS ISSUES, REORGANISATIONS OF CAPITAL AND WINDING UP

- 15.1 New Issues
- (a) Participants are not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless:
 - i. they have become entitled to exercise their Options under the Plan; and

- ii. they do so before the record date for the determination of entitlements to the new issue of securities and participate as a result of being holders of shares.
- (b) The Company must give Participants, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

15.2 Bonus Issue

In the event that the Company makes a bonus issues of shares (other than an issue in lieu of dividends or by way of dividend reinvestment pursuant to any shareholder election), the number of Shares issued on exercise of each Option will include the number of bonus Shares that would have been issued if the Option had been exercised prior to the books closing date (Record Date) for the bonus issue. No change will be made to the exercise price applicable to the Option.

15.3 Pro Rata Issues

In the event that the Company makes a pro-rata rights issue to Shareholders (except a bonus issue) the Exercise Price shall be reduced as follows:

$$O' = O - \frac{E[P-(S+D)]}{N+1}$$

Where:

O' = the new exercise price of the option.

O = the old exercise price of the option.

E = the number of underlying securities into which one option is exercisable

P = the average market price per security (weighted by reference to volume) of the underlying securities during the 5 trading days ended on the day before the ex rights or ex entitlements date.

S = the subscription price for a security under the pro rata issue.

D = the Dividend (in the case of a trust, Distribution) due but not yet paid on the existing underlying securities (except those to be issued under the pro rata issue).

N = the Number of securities with rights or entitlements that must be held to receive a right to one new security.

The exercise price is adjusted using the formula to provide optionholders with the benefits of any bonus element that may be present in a pro-rata rights issue. There is no change in the number of shares to which the optionholder is entitled.

15.4 Reorganisation of Capital

In the event of a reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company, the number of Options or the exercise price or both shall be amended as appropriate and to the extent necessary to comply with the Listing Rules of the ASX applying to a reorganisation of capital at the time of reorganisation.

15.5 Winding Up

If, prior to the expiry of any Options, a resolution for a members' voluntary winding up of the Company is proposed (other than the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to Participants of the proposed resolution. Subject to the exercise conditions, the Participants may, during the period referred to in the notice, exercise their options.

15.6 Calculations and Adjustments

Any calculations or adjustments which are required to be made under this clause 15 will be made by the Board and, in the absence of manifest error, are final and conclusive and binding on the Company and Participant.

15.7 Notice of Change

The Company must within a reasonable period give to each Participant notice of any change under clause 15 to the exercise price of any Options held by the Participant or to the number of shares which the Participant is entitled to subscribe for on exercise of Option.

16.AMENDMENTS TO THE RULES

16.1 Board May Alter Rules

The Board may, subject to clause 16.3 and the Listing Rules, alter, delete or add to these rules at any time (save for the provisions of clause 4.2).

16.2 Alteration of clause 4.2

The Board may alter clause 4.2 with the prior approval by ordinary resolution of the shareholders of the Company in a general meeting.

16.3 Consent of Participants

If any amendment to be made under clause 16.1 would adversely affect the rights of Participants in respect of any Options then held by them, the Board must obtain the consent of Participants who between them hold not less than 75% of the total number of those Options held by all those Participants before making the amendment.

16.4 Eligible Persons Outside Australia

The Board may make any additions, variations or modifications to the Rules in relation to the implementation of the Plan, and the specific application of the Rules, to Eligible Persons residing outside Australia.

17. POWERS OF THE BOARD

17.1 The Plan shall be administered by the Board who shall have the power to:

- (a) determine the appropriate procedures and make regulations for the administration of the Plan which are consistent with these Rules;
- (b) resolve conclusively all questions of fact or interpretation arising in connection with the Plan;
- (c) terminate or suspend the operation of the Plan at any time, provided that the termination or suspension does not adversely affect or prejudice the rights of Participants holding Options at that time;
- (d) delegate those functions and powers it considers appropriate, for the efficient administration of the Plan, to any one or more persons whom the Board reasonable believes to be capable of performing those functions and exercising those powers, for such period and on such conditions as the Board may determine;
- (e) take and rely upon independent professional or expert advice in or in relation to the exercise of any of their powers or discretions under these Rules;
- (f) administer the Plan in accordance with these Rules as and to the extent provided in these Rules; and

(g) make regulations for the operation of the Plan consistent with these Rules.

18.NOTICES

18.1 Notices may be given by the Company to any Holder either personally or by sending by post to his or her address as noted in the Company 's records or to the address (if any) within the Commonwealth of Australia supplied by him or her to the Company for the giving of notices. Notices of any overseas Holders shall be forwarded and posted by air. Where a notice is sent by post the notice shall be deemed to be served on the day after posting. The signature of any notice may be given by Director or secretary of the Company. A notice of exercise given under clause 12.3 shall not be served on the Company until actually received.

19.NO COMPENSATION OR DAMAGES

19.1 The rights and obligations of any Holder under the terms of his or her employment with the Company are not affected by his or her participation in the Plan.

19.2 These Rules do not form part of, and will not be incorporated into, any contract of engagement or employment between a holder and the Company.

19.3 No holder has any rights to compensation or damages as a result of the termination of his or her employment, so far as those rights arise or may arise from the Holder ceasing to have rights under the Plan as a result of the termination.

19.4 Participants do not, as Participants, have any right to attend or vote at general meetings of holders of Shares.

20.GOVERNING LAW

20.1 The Plan and any Options issued under it are governed by the laws of New South Wales and the Commonwealth of Australia.

20.2 Each Participant irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New South Wales, the Commonwealth of Australia and courts entitled to hear appeals from those courts.

21.ADVISE

21.1 Eligible Persons should obtain their own independent advice at their own expense on the financial, taxation and other consequences to them of or relating to participation in the Plan.

21.2 In these Rules, unless the context otherwise requires, the following words and expressions shall have the following meaning:

“Application Form” means a duly completed and executed application for the issue of Options made by and Eligible Person or Permitted Nominee in respect of an Offer, in the form approved by the Board from time to time;

“ASX” means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

“Bid Period” in relation to a takeover bid in respect of shares in the Company, means the period referred to in the definition of that expression in section 9 of the Corporations Act provided that where a takeover bid is publicly announced prior to the service of a bidder’s statement on the Company in relation to that takeover bid, the Bid Period shall be deemed to have commenced at the time of that announcement;

“Board” means the Board of Directors acting as the board of directors of the Company or a committee appointed by such board of directors;

“Business Day” means a day on which banks are open for business in Sydney excluding a Saturday, Sunday or public holiday;

“Certificate” means the certificate issued in accordance with clause 9 by the Company to a Holder in respect of an Option;

“Change of Control Event” means a shareholder, or a group of associated shareholders, becoming entitled to sufficient shares in the Company to give it or then the ability, and that ability is successfully exercised, in general meeting, to replace all or a majority of the Board;

“Company” means Empire Energy Group Limited ACN 002 148 361

“Corporations Act” means Corporations Act 2001 (Cth);

“Director” means a director of the Company from time to time but does not include a person who is only a director by virtue of being an alternate director;

“Eligible Person” means at any time a person who then is a Director, consultant or an employee (whether full-time or part-time) of the Company or of an associated entity of the Company;

“Exercise Condition” means the performance, vesting or other conditions (if any) determined by the Board and specified in an Offer which are, subject to these Rules, required to be satisfied, reached or met before an Option can be exercised.

“Exercise Price” means in respect of an Option, the subscription price Share, determined in accordance with clause 6.2, payable by a Holder on exercise of the Option;

“Expiry Date” means, in relation to an Option, the date determined by the Board prior to the offer of the relevant Options, subject to any restriction in the Corporations Act from time to time but in any event no longer than 5 years from Issue Date;

“Holder” means, in relation to an Option, the person (whether an Eligible Person or a Permitted Nominee) entered in the Company’s register of options as the holder of that Option;

“Issue Date” means, in relation to an Option, the date on which the Company grants that Option;

“Legal Personal Representative” means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

“Listing Rules” means, the Official Listing Rules of ASX as they apply to the Company from time to time;

“Market Value” means, if the Company is admitted to the official list of ASX:

- (a) The weighted average closing sale price of the Shares recorded on the stock market of ASX over the five trading days immediately preceding the day on which the Board resolves to offer and Option; or
- (b) In circumstances where there has been no trading in the shares during the five trading days immediately preceding the day on which the Board resolves to offer an Option, the last sale price recorded on the stock market of ASX;

“Minimum period of employment” means, from the date of issue of the options, the eligible person must have been engaged by the Company for a minimum period of 2 years before vesting of the options occurs; unless they cease because of death, invalidity, cessation of contract, bonafide redundancy or retirement. In these latter instances, the eligible person will retain vesting rights up to six months after the date of issue of options;

“Offer” means, an invitation to an Eligible Person made by the Company under clause 6.1 to apply for an issue of Options;

“Official Quotation” has the meaning ascribed to it in the Listing Rules;

“Option” means an option issued under the Plan to subscribe for a share;

“Participant” means a person who holds Options issued under the Plan and includes, if a Participant dies or becomes subject to a legal disability, the Legal Personal Representative of the Participant;

“Permitted Nominee” has the meaning given to it by clause 7.2;

“Plan” means the Empire Energy Group Limited Employee Share Option Plan established in accordance with these Rules;

“Redundancy” means, in relation to an Eligible Person, that an Eligible Person has, in the opinion of the Board and with effect on a date determined by the Board, voluntarily ceased to be an employee or Director of the Company, but has not ceased to be an employee or Director of the Company as a result of Retirement or any case of serious misconduct or misdemeanour (which includes breaches of an employees or Directors obligations under their employment or service contract);

“Retirement” means, in relation to an Eligible Person, retirement by that Eligible Person from the Company at age 60 or over or such earlier age as considered by the Board;

“Rules” means these rules, as amended from time to time;

“Series” means, in relation to Options, Options with common Issue Date;

“Shares” means fully paid ordinary shares in the capital of the Company;

“Specified Reason” means Retirement, Total and Permanent Disablement, Redundancy or death;

“Tax” means any tax, levy, impost, GST, deduction, charge, rate contribution, duty or withholding which is assessed (or deemed to be assessed), levied, imposed or made by any government or any governmental, semi-governmental or judicial entity or authority together with any interest, penalty, fine, charge, fee or other amount assessed (or deemed to be assessed), levied, imposed or made on or in respect of any or all of the foregoing; and

“Total and Permanent Disablement” means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board and with effect on a date determined by the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience.

22.2 In these Rules, unless a contrary intention appears:

- (a) Where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- (b) The singular includes the plural and vice versa;
- (c) A reference to a gender includes all genders; and
- (d) An expression defined in, or given a meaning for the purposes of, the Corporations Act has the same meaning where used in these Rules.

EMPIRE ENERGY GROUP LIMITED
 (ABN 29 002 148 361)
 ("Company")
ANNUAL GENERAL MEETING OF SHAREHOLDERS
TO BE HELD AT 10.00AM ON FRIDAY 30 MAY 2014
 ("Meeting")
PROXY FORM

Completed proxy forms may be returned in person or by post to the secretary of the Company at the adjacent address
 or
 by email to info@empiregp.net
 or
 by fax to: 02 9251 0244

To: The Secretary
 Empire Energy Group Limited
 Level 7, 151 Macquarie Street
 Sydney NSW 2000

I/We
[please print]

of
[please print]

being a member of Empire Energy Group Limited (ABN 29 002 148 361) appoint:

Name of Proxy:

Address of Proxy:

or, failing attendance of the individual or body corporate named above, or if no individual or body corporate is named in this form, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting (and at any adjournment thereof) on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit).

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default) and I/we am/are entitled to vote on the relevant item, I/we expressly authorise the Chairman of the Meeting as my/our proxy to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note for Item 7: If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Item 7 below, please mark the box in this section. If you do not mark this box and you have not otherwise directed your proxy how to vote on Item 7, the Chairman of the Meeting will not cast your votes on Item 7 and your votes will not be counted in computing the required majority if a poll is called on this item. The Chairman of the Meeting intends to vote undirected proxies in favour of Item 7 of the business of the Meeting.

I/We acknowledge that the Chairman of the Meeting may exercise my/our proxy even if the Chairman has an interest in the outcome of Item 7 and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

Important Note for Item 1: If the Chairman of the meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box below.

ITEMS OF BUSINESS

Please mark **X** to indicate your directions.

RESOLUTIONS

	FOR	AGAINST	ABSTAIN
1. Advisory, non-binding resolution to adopt remuneration report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Ordinary resolution to re-elect K A Torpey as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Ordinary resolution to ratify past issue of securities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ordinary resolution to ratify past issue of performance rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Ordinary resolution to ratify past issue of options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Ordinary resolution to approve employee share option plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Ordinary resolution to approve director participation in employee share option plan – B W McLeod	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Special resolution to approve the 10% placement facility	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGNATURE OF MEMBER (S)

Individual or Member 1

Sole Director/Company Secretary

Member 2

Director

Member 3

Director/Company Secretary

**Contact
Name** _____

**Contact daytime
Telephone** _____

Date / /

NOTES ON PROXIES:

1. Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.
2. A member entitled to attend and vote at this Meeting is entitled to appoint not more than two proxies to attend and vote in his stead pursuant to the Constitution.
3. If a member appoints one proxy only, that proxy shall be entitled to vote on a show of hands, but if a Member appoints two proxies neither shall be entitled to vote on a show of hands.
4. Where more than one proxy is appointed, each proxy must be appointed to represent a specified portion of the Member's voting rights. Otherwise each proxy may exercise half of your votes.
5. A proxy need not be a security holder of the Company.
6. Signing instructions:

Individual: Where the holding is in one name, the security holder must sign.

Joint Holding: Where the holding is in more than one name, all of the security holders should sign.

Power of Attorney: If this form is executed under a power of attorney and you have not already lodged the relevant power of attorney with the registry, please attach a certified photocopy of the power of attorney to this form when you return it.

Companies: Where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the Company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director or a company secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

For your vote to be effective the completed proxy form must be received by 10.00am on 28 May 2014, being 48 hours prior to the Meeting.

Please advise of any change of address by completion of the section below:

My new address is:
