



EMPIRE ENERGY GROUP LIMITED

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ASX Announcement

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KANSAS OILFIELD ACQUISITION

The Directors are pleased to announce that Empire Energy (60%) and a regional partner (40%) have entered into an agreement to acquire a strategic acreage position for low cost oil development in Butler, Marion and Harvey Counties, Kansas (lease areas referred to as “Reloaded North” and “Reloaded South”). A three week period of due diligence is expected to achieve a closing of the acquisition around the middle of September 2015. Commercial terms of the acquisition are confidential. Empire Energy will be the Operator.

The acquisition includes over 70,000 leased acres of which 6,277 acres are HBP and includes 3D seismic, 4 producing horizontal wells, 3 shut in horizontal wells, tank batteries and associated equipment along with two newly completed disposal wells. The horizontal wells are producing around 60BO/d. Empire will immediately seek to enhance oil production.

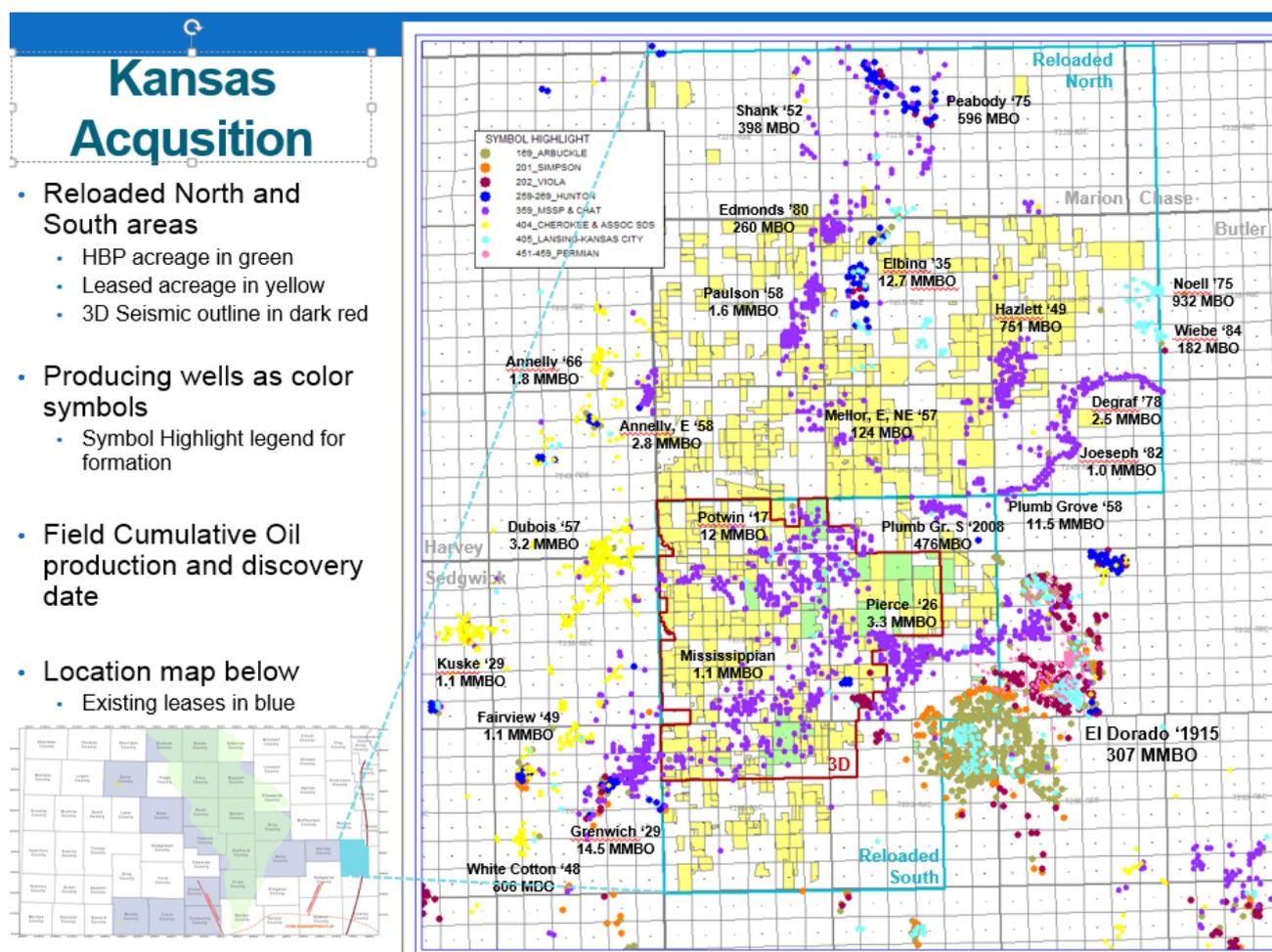
The assets are located east of Wichita, Kansas, with Butler County alone (where 96% of the assets are held) having produced over 600 MMBO including 307 MMBO from the El Dorado Field, a large conventional structure adjacent to the acreage acquired. Discoveries between 1915 and today, have generally produced from the very top of the Mississippian at depths of less than 3,000 feet. Examples of recent Mississippian discoveries in the region include the 4 MMBO Elbing southern field (1966) and the 476 MBO (production to date) Plumb Grove South Field (2008). The prolific producing wells of the larger fields have also left economic but lower oil-cut production yet to be developed.

Approximately 78 square miles of proprietary, high quality recently completed 3D seismic is being acquired by the joint venture. This is the first known large scale 3D seismic acquisition over Butler Co. Utilising this 3D seismic the joint venture’s experienced geoscience team will undertake an integrated structural and stratigraphic analysis and interpretation of the data to aid in the exploration and development of the six (6) target formations: Lansing, Cherokee Sands, Mississippian, Hunton/Viola, Simpson, and Arbuckle.

The joint venture’s low risk development strategies will focus on vertical development wells along productive structural or stratigraphic trends where wells had hydrocarbon DST’s or shows but were not completed; vertical wells offsetting horizontal lateral intervals that had good hydrocarbon shows; and vertical Mississippian wells drilled to the Hunton/Viola or deeper to test deep potential. Completed well costs are around \$250,000 for the Mississippian and \$450,000 for the Hunton/Viola, which allow this region to have a positive rate of return in lower price environments (dry hole expenses are between \$120,000 to \$190,000 per dry well).

The Company’s Executive Chairman Mr Bruce McLeod stated *“for a very attractive acquisition cost this is an exciting opportunity to grow the resource base of the Company. Empire and its JV partner have been fortunate in being able to secure such extensive assets, being sold by an USA Energy Fund which is liquidating*

it oil and gas holdings. The JV partners have been negotiating the proposed purchase for a number of months. Over this period there has been an increasing interest in securing large, aggregated lease holdings along with recent 3D seismic acquisition. Recent experience is showing that in the Mid-Con region these types of assets are now being heavily targeted by existing operators, while poorly managed, producing assets continue to decline in value. Further, it is unusual to be able to secure such a large acreage and 3D seismic position in the middle of an existing Kansas oil field. As shown by the attached map, the assets acquired are surrounded by oil production and the 3D seismic area covers an area which has seen very little drilling into the Hunton/Viola formations which have been prolific oil produces in this region. The Company's technical team see significant opportunities to economically develop this project even at current depressed oil prices".



ABOUT EMPIRE ENERGY GROUP LIMITED

In early 2007, the Company established Empire Energy USA, LLC a wholly owned subsidiary. Empire Energy USA is an oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the Mid-Con (Kansas and Oklahoma). Current normalised production is around 1,250Boe/d. The Company holds Exploration Licences and Applications over 14.6 million acres in the McArthur Basin, Northern Territory, Australia, which is considered highly prospective for oil and gas shale. In August 2015 the Company entered into a Letter of Intent whereby an affiliate of American Energy Partners can earn up to a 80% working interest in these tenements for an expenditure of US\$75 million (A\$102 million).

Empire Energy holds a US\$200 million credit facility with Macquarie Bank Limited, which can be utilised for the acquisition and development of oil and gas assets in the USA. This facility has around US\$41 million of the debt facility currently drawn.