EMPIRE ENERGY GROUP LIMITED

and its controlled entities

ABN 29 002 148 361

HALF YEAR
FINANCIAL REPORT
30 JUNE 2015

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COMPANY INFORMATION

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Stock Exchange Listings

Australia
Australian Securities Exchange
(Home Exchange Brisbane, Queensland)
ASX Code: EEG - Ordinary Shares

USA
New York OTCQX Market: Code: EEGNY
Sponsor: Bank of New York
1 ADR for 20 Ordinary shares

Executive Chairman's Review of Operations

KEY POINTS FOR THE 6 MONTHS ENDING 30 JUNE 2015

- **Group EBITDAX $2.2 million** (30 June 2014: $4.4 million).
- **Production 1,151 Boe/d** (30 June 2014:1,298 Boe/d).
- **McArthur Basin Prospective Resource P(50)* of 1,847 million Boe.**
- **Cash flow positive at current oil and gas prices**
- **Net tangible assets per share $0.13** (30 June 2014: $0.15)

* *"Prospective Resource"- is the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Empire Energy Group Limited's ('Empire', 'the Group' or 'the Company') oil and gas production is operated by the wholly owned US subsidiary, Empire Energy E&P, LLC. The Company maintains a small Head Office in Australia and manages the exploration program in the McArthur Basin, Northern Territory, under its 100% owned subsidiary Imperial Oil & Gas Pty Ltd ('Imperial').

Operating Results

The operating loss for the Group was $5.7 million (30 June 2014: net loss of $2.5 million). The Company's hedging policy of reducing oil and gas price volatility does not comply with AASB139 and so the IFRS accounting policy requires any variation in hedge valuations to be recognised in the profit and loss statement as opposed to the equity statement where they were previously recorded. Now included in the operating result are non-cash expenses of $6.7 million compared to $6.3 million for the adjusted previous corresponding period (before change in accounting policy, 30 June 2014: net profit of $0.6 million).

Revenue & Production

Revenue for the period was $9.1 million compared to $13.2 million for the corresponding period. Oil and gas production from the leases held by the Company for the period was 208 MBoe, comprising of 69 Mbbls of oil and 837 MMcf of gas. From mid-January through to mid-March Appalachia natural gas production was below production targets due to historically high snow fall received in the Great Lakes region. A number of wells were shut in, in some cases covered in up to 10 to12 feet of snow. All Appalachia oil wells where shut-in over this period. A number of pipelines and dehydration units failed due to the cold. It was not until May that all wells and pipelines were back on line.

Exploration & Development

Over the past 6 months the Company's major focus has been on ensuring improved operating margins in the current low oil and gas price commodity cycle. As Operator, Empire did not drill any wells on the Company's leases over the period. At the end of June 2015 the Company had 225 producing wells in the MidCon and 1,799 wells in Appalachia. A total of 64 uneconomic oil wells and 2 uneconomic gas wells have been shut-in and some workover programs deferred in the MidCon leading to lower oil production as well as lower production costs than in the previous corresponding period. The Company has 200+ net drill locations in New York State, 100+ net drill locations in Oklahoma and 20+ net drill locations. In Kansas1 sq mile of new 3D seismic was acquired over the period.

The current down turn in commodity prices has enabled the Company to slowly build an attractive USA acreage position in geologically de-risked, existing oil and gas fields. The Company has made several announcements in relation to the finalisation of joint venture projects.

In the Northern Territory assaying of core samples obtained in EP187 and EPA 188 along with geological and geoscience results relating to the August 2014 exploration program enabled the Company to release its

Executive Chairman's Review of Operations (Continued)

initial McArthur Basin Prospective Resource P(50)* estimation of 1,847 million Boe. This estimation is considered conservative due to the utilisation of restricted formation thickness and does not include any contribution from the approximate 2.2 million acres of Tawallah formation recently identified. Negotiations continue to secure land access for the grant of tenements EP(A)180,181,182 and 183. In early 2015 EP187 was approved and preliminary work programs are being planned.
** "Prospective Resource"- This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on page 4.*

SIGNIFICANT EVENTS SUBSEQUENT TO BALANCE DATE

Farm-in Agreement – Northern Territory ($75 million)

The Company's wholly owned subsidiary, Imperial Oil & Gas Pty Ltd ("Imperial"), holds approximately 14.6 million acres of leases and lease applications in the onshore McArthur Basin.

On 18 August 2015 the Company entered into a non-binding LOI with American Energy – Acquisitions, LLC ("AEAQ"), an affiliate company of American Energy Partners, LP ('AELP'). The LOI is subject to the completion of definitive documents. AELP is an oil and gas operating and asset management company founded in 2013 by Aubrey K. McClendon and based in Oklahoma City, OK. Substantive terms of the LOI include:

- 100% of Imperial's petroleum tenements ('Tenements').
- An upfront cash payment of US$7.5million (A$10.3 million) to offset expenditures to date.
- AEAQ will carry 100% of Imperial's working interest of expenditures during the first phase work program of US$60 million (A$82 million) over a three year period ("Phase One").
- On completion of Phase One, AEAQ will earn an 80% working interest in the Tenements.
- A further US$7.5 million (A$10.3 million) in cash payments subject to a series of benchmarks.
- AEAQ will assume operatorship on the signing of the definitive documents.
- Over the Phase One period, AEAQ will maintain the Tenements in good standing with an estimated expenditure requirement of up to US$15 million (A$21 million) over the first 2 years.
- Empire will issue to AEAQ options equivalent to 7.5% of the total Empire shares, exercisable at A$0.125 per share, expiring 5 years after the date of issue.

Farm-in Agreement - Marion County, Kansas

In August 2015 the Company assumed operatorship of 16 wells in Marion County, Kansas. The wells are in close proximity to the Company's existing operations.

- The major producing formations are the Hunton and the Mississippian Lime or "Chat" reservoirs.
- As Operator Empire will receive compensation based on industry standard COPAS operating rates along with 20% of the net revenue from the existing wells.
- The Agreement allows Empire to farm into new wells and includes an option to purchase the assets outright if the existing owners wish to sell.

Acquisition – Gas wells and acreage Appalachia, New York

The purchase of 84 gas wells including ~9,500 HBP net acres in West New York State:

- Purchase price $42,000.
- Estimated net reserves of over 1.0 Bcf of natural gas.
- Once all wells are back on line, the estimated payback is 3 months.

Lease and Asset Acquisition – Butler County, Kansas

In August 2015 Empire (60%) and a regional partner (40%) entered into an agreement to acquire a strategic acreage positon in Kansas. Empire will be the Operator. Details of the acquisition are:

- The assets are within a geologically de-risked, significant oil producing region.
- Four producing horizontal wells, three shut in horizontal wells, tank batteries and associated equipment and two newly completed disposal wells.

Executive Chairman's Review of Operations (Continued)

- Over 70,000 leased acres of which 6,277 acres are HBP.
- Most acreage is located in Butler County, with small acreage in Marion and Harvey Counties.
- The acquisition includes 78 square miles of proprietary, high quality 3D seismic.
- Due diligence is currently underway with closing expected in mid-September 2015.

A. OPERATING STATS

TABLE A - Production

Operating Statistics:		**6 Months ended**		
	Notes	**30 June 2015**	**30 June 2014**	**% change**
Gross Production:				
Oil (MBbls)		104.34	122.33	-15%
Natural gas (MMcf)		1,059.72	1,193.24	-11%
Net Production by Region:				
Oil (MBbls):				
Appalachia		1.63	1.40	16%
Mid-Con		67.23	77.71	-13%
Total Oil		68.86	79.11	-13%
Weighted Avg Sales Price (/Bbl):				
Before Hedge		$47.67	$95.26	-50%
After Hedge		$73.83	$87.12	-15%
Natural gas (MMcf):				
Appalachia		831.37	925.78	-10%
Mid-Con		5.85	9.75	-40%
Total Natural Gas		837.22	935.53	-11%
Weighted Avg Sales Price (/Mcf):				
Before Hedge		$2.07	$4.42	-53%
After Hedge		$4.07	$5.23	-22%
Oil Equivalent (MBoe):	1.0			
Appalachia		140.19	155.69	-10%
Mid-Con		68.21	79.33	-14%
Total		208.40	235.02	-11%
Net Daily Production (Boe/d)		1,151	1,298	-11%
Lifting Costs (incl. taxes):	1.1			
Oil - Midcon (/Bbl)		$26.60	$27.50	-3%
Natural gas - Appalachian (/Mcf)		$2.06	$2.02	2%
Oil Equivalent (/BOE)		$17.06	$17.28	-1%
2P Reserves (MMBoe) (1/1/2015)	1.2	14.3	9.6	+48.9%
2P PV10 ($MM) (1/1/2015)		$86.7	$130.9	-33.7%

Executive Chairman's Review of Operations (Continued)

Notes to Table A:

1.0 Conversion of natural gas to a barrel of oil equivalent is based on a 6:1 ratio. Although this conversion ratio may be useful in terms of energy equivalents, it is not relevant in terms of value equivalent.

1.1 **Lifting Costs -** includes lease operating expenses, production and ad valorem taxes.

1.2 **2P Reserves –** reserves where updated as of December 31, 2014 by Ralph E Davis Associates, Inc., Houston, TX (Appalachian assets); LaRoche Petroleum Consultants Ltd, Dallas, TX (Kansas assets) and Pinnacle Energy Services (Oklahoma assets). At balance date, due to prevailing gas prices it was determined that the booked natural gas Puds and Probables were uneconomic and as such a further 1.3MMBoe of reserves were not included in 2P Reserve calculations. Prices for reserve calculations were NYMEX strip as at close 31 December 2014.

EBITDAX Reporting

In addition to the information presented in the financial report, to assist stakeholders in gaining a clearer understanding of the financial and operational aspects of the Company, a presentation of financial results with reference to EBITDAX reporting has been included.

Statements may make reference to the terms "EBITDAX", Field EBITDAX, "netback", "cash flow" and "payout ratio", which are non-IFRS financial measures that do not have any standardised meaning prescribed by IFRS. 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.

IFRS accounts have been based on an accrual basis (effective date). The EBITDAX accounts, based on production date, are not meant to reconcile to the statutory accounts. However EBITDAX prepared on an effective date basis can be reconciled to the statutory accounts. At the time of this EBITDAX report, actual numbers for production, income and expenses have been utilised. The following EBITDAX report is prepared on a production date basis.

EBITDAX represents net income (loss) before interest expense, taxes, depreciation, amortization, development and exploration and reserve growth related expenses. Management believes that:

- EBITDAX provides stakeholders with a simple and clear measure of our operating performance;
- EBITDAX is an important measure of operating performance and highlights trends in our core business that may not otherwise be apparent when relying solely on current statutory accounting and financial measures;
- Securities analysts, investors and other interested parties frequently use EBITDAX in the comparative evaluation of companies, many companies now present EBITDAX when reporting their results;
- Management and external users of our financial statements, such as investors, banks, research analysts and others, rely on the use of EBITDAX to assess:
  - the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
  - the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
  - our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and

Executive Chairman's Review of Operations (Continued)

- the feasibility of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

▪ Unlike IFRS accounting policies which constantly change, EBITDAX reporting provides consistency over accounting periods to enable stakeholders to receive a precise snap shot of historic business operations.

Other companies may calculate EBITDAX differently than as presented. Based on the premises set out above, the following schedules present comparative operating statistics and financials on an EBITDAX basis:

TABLE B – Revenues and Expenses

Operations - EBITDAX		**6 months ended**	
(In $ thousands)	**Notes**	**30 June 2015**	**30 June 2014**
Net Revenue:			
Oil Sales	1.3	5,084	6,891
Natural Gas Sales	1.3	3,404	4,885
Other		200	318
		8,688	12,094
Production costs:			
Lease operating expenses - Oil		1,674	1,866
Lease operating expenses - Gas		1,555	1,624
Taxes - Oil		158	291
Taxes - Natural Gas		168	260
Total		3,555	4,041
Field EBITDAX		5,133	8,053
Field & Workover Costs		1,139	1,541
G&A	1.4	1,770	2,091
EBITDAX		2,224	4,421
Geo/Exploration/Acquisitions	1.5	658	957
EBITDA		1,566	3,464
Depn, Amort, Depl etc		3,014	2,712
Loss/(Gain) on assets		762	(736)
EBIT		(2,210)	1,488
Interest		1,068	1,093
EBT		(3,278)	395
EBITDAX/Interest		2.1	4.0

Executive Chairman's Review of Operations (Continued)

Notes to Table B:

1.3 Sales include realised hedges, being $1.7 million and $1.8 million for natural gas and oil respectively.

1.4 Includes Sydney HO, USA HQ at Canonsburg, PA and regional field offices KS & NY. Significant USA expenses for the period were - salaries and wages $148,960; audit/tax and accounting $201,602; travel and accommodation $124,452; rent and accommodation costs $79,681; Professional Services $65,856 and Management and Director fees $159,000 (of which $75,000 was paid to Empire). Significant Australian expenses for the period were - consultants $171,740; salaries $131,379; audit & accounting $48,056; listing related expenses $43,811; rent, communications and IT $85,573.

1.5 Geological and engineering expenses directly associated with actual and potential exploration and development project or acquisitions and may include legal, tax and financial advice, fees and mobilisation costs.

B. RECONCILIATION OF EBITDAX ACCOUNTS TO STATUTORY ACCOUNTS

At the time of this EBITDAX report, actual numbers for production, income and expenses have been utilised. This method therefore generates an additional difference between what is shown in the EBITDAX and what is represented in the statutory accounts.

The note below provides reconciliation of EBITDAX (Table B) to the financial statements.

Net Earning - Effective Date	**6 months ended**	
(In $ thousands)	**30 June 2015**	**30 June 2014**
Net Earnings- production date	**$(3,278)**	**$396**
Net Earnings- effective date	**$(3,096)**	**$896**
Intergroup management fee	$75	$75
Revenue and expenses (remaining Empire Group)		
Other Income	$138	$11
Unrealised derivative movements*	$(2,508)	$(3,137)
General and administration – head office	$(138)	$(11)
General and administration – other*	$(177)	$(238)
Finance costs – other*	-	$(86)
Net loss before income tax expense	$(5,706)	$(2,490)
* ***Indicates non-cash items***		

Executive Chairman's Review of Operations (Continued)

C. MCARTHUR BASIN, NT – A LARGE EMERGING PETROLEUM PLAY

The McArthur Basin is an underexplored yet emerging petroleum frontier basin with direct indications of oil and gas. To date there has been very little petroleum exploration in the Batten Trough, located in the southern portion of the McArthur Basin and no petroleum exploration in the Walker Trough located in the northern portion of the McArthur Basin.

The Company's wholly owned subsidiary, Imperial Oil & Gas Pty Ltd ('Imperial'), holds approximately 14.6 million acres of leases and lease applications in the onshore McArthur Basin.

Milestones – Northern Territory

During the period under review a number of milestones were achieved:

- On 20 March 2015 EP187 was officially granted. The granting of this licence is one of the first blocks to be granted under the Aboriginal Land Rights Act 1976 for the Northern Land Council region in the Northern Territory. This is a milestone for the Company and demonstrates what can be achieved when the Land Councils, Traditional owners and resource companies work in partnership. The granting of this licence will create employment opportunities and community benefits for the indigenous communities in this area.
- An independent Resources Estimation was completed on the Company's tenements reporting a Potential Recoverable Resource (P50) of 1,847 MMBoe*.
  ** "Prospective Resources" This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on page 4.*
- Assay samples identified high potential source rock within the Velkerri Formation within the Company's tenements EP187 and EP184.
- Confirmation that high TOC black shales are present in the McDermott and Wollogorang Formations of the Tawallah Group within Imperial's EP184 and 187 adding a potential 2.2mm acres of unquantified, unrisked shale resource.

Ongoing program – Northern Territory

- Baseline environmental programs are currently being planned for EP's 184 and 187.
- Approvals are being sought for the acquisition of seismic data along the Carpentaria Highway across the entire EP187 to further constrain the depositional and structural architecture of the basin and to identify drilling target candidates.
- Complete due diligence and Operating Agreement for the Farm-in Agreement with American Energy Partners (detailed on page 5).
- Undertake a reconnaissance program to (i) identify basin limits for the Velkerri Formation in the western portion of EP187; and (ii) better define the presence and petroleum potential of the McDermott and Wollogorang Formation Shales in addition to the potential in the overlying Barney Creek and Velkerri Formations in the eastern portion of EP187 and the southern portion of EP184.
- A final on-country meeting for EP(A)183 is expected to take place in November 2015.
- Agreements for tenements EP(A) 180, 181 and 182 are currently being negotiated and completion of these agreements is expected in late 2015.

Executive Chairman's Review of Operations (Continued)

D. OTHER

1.1 Hedging

Hedging outstanding at balance date.

Year	Est. Net mmBtu	Hedged mmBtu	%	Ave $/mmBtu	Est. Net Bbl	Hedged Bbl	%	Av $/Bbl
2015	895,000	530,000	59.2%	$5.45	66,640	49,080	73.6%	$90.00
2016	1,730,000	1,305,000	75.4%	$4.35	126,000	99,600	79.0%	$72.04
2017	1,675,000	1,068,000	63.8%	$4.05	119,500	92,400	77.3%	$72.01
2018	1,620,000	1,008,000	62.2%	$4.11				
2019	1,550,000	491,500	31.7%	$3.45				
Total	7,740,000	4,402,500	58.9%	$4.25	312,140	241,080	77.2%	$75.69

The fair value loss (marked to market) of combined oil and gas hedges in place for the Period was approximately $9.3 million. Oil and gas hedge contracts were valued based on NYMEX Henry Hub and WTI forward curves at market close on 30 June 2015. Marked to market as at 3 September 2015 is a gain of approximately $10.6 million.

1.2 Exploration & Development

Capex (In $ thousands)	6 months ended 30 June 2015	30 June 2014	% change
Acquisitions	$51	-	-100%
New wells – IDC	$100	$914	-89%
New well - Capital	$63	$324	-81%
Undeveloped Leases	$453	$149	204%
Northern Territory, Australia	$1,483	-	100%
Capital Expenditures	$2,150	$1,387	55%
Sale of Assets	$927	$1,266	-27%

1.3 Credit Facility

Over the period the Company repaid $1.51 million on the loan facility. At the end of the period the Company had US$41.2 million drawn at an average cost of LIBOR + 4.35%. Empire Energy retains Credit Facility availability of US$158.8 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

	Drawdown End of period US$M	Interest Rate LIBOR+
Term	$38,281	4.50%
Revolver	$3,000	2.50%
	$41,281	4.35%

Executive Chairman's Review of Operations (Continued)

1.4 Oil & Gas Reserves

Net 3P Reserves: An updated Reserve Estimate, at NYMEX strip prices as at 31 December 2014, was completed at year end and can be reviewed in the 2014 Annual Report.

1.5 The New York Fracking Ban

The New York State Department of Environmental Conservation's ('DEC') de facto moratorium on hydraulic fracturing in New York State ended on 1 July 2011. The moratorium was subsequently extended. In December 2014 New York Governor Cuomo announced that hydraulic fracturing be prohibited in New York State. To formalise this statement in June 2015 the DEC released the Final Supplemental Generic Environmental Impact Statement.

As a result of the New York fracking moratorium, the Company has not been able to develop the most lucrative aspects of its lease holdings in New York.

The DEC has confirmed that wells can be fracked using less than 300,000 gallons of water (previously it was less than 80,000 gallons). Frack energising in New York was not banned under the current fracking ban. Using the frack energising method wells could be fracked using ~4 million gallons of water equivalent with propane or nitrogen rather than water, or a mixture of the two. Further, there has not been any indication in the recent regulations that energized fracking fluids such as propane gel and nitrogen foam have been restricted. Within these new guidelines the Company has engaged a completion engineer and geologist to formulate a program to test several wells in the extensive acreage the Company holds in the gas/liquids rich Marcellus formation. The Company continues to look to increase its acreage position in the region of current operations.

I would like to acknowledge the many employees, shareholders and stakeholders who have provided support and assistance in continuing the development of the Company.

Bruce McLeod
Chairman & CEO

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.

Executive Chairman's Review of Operations (Continued)

Notes to Reserves

- An updated Reserve Estimate, at NYMEX strip prices as at 31 December 2014, was completed at year end and can be reviewed in the 2014 Annual Report.
- The scope of the Reserve Studies reviewed basic information to prepare estimates of the reserves and contingent resources.
- The quantities presented are estimated reserves and resources of oil and natural gas that geologic and engineering data demonstrate are "In-Place", and can be recovered from known reservoirs.
- Oil prices are based on NYMEX West Texas Intermediate (WTI).
- Gas prices are based on NYMEX Henry Hub (HH).
- Prices were adjusted for any pricing differential from field prices due to adjustments for location, quality and gravity, against the NYMEX price. This pricing differential was held constant to the economic limit of the properties.
- All costs are held constant throughout the lives of the properties.
- The probabilistic method was used to calculate P50 reserves.
- The deterministic method was used to calculate 1P, 2P & 3P reserves.
- The reference point used for the purpose of measuring and assessing the estimated petroleum reserves is the wellhead.
- "PV0" Net revenue is calculated net of royalties, production taxes, lease operating expenses, and capital expenditures but before Federal Income Taxes.
- "PV10" is defined as the discounted Net Revenues of the Company's reserves using a 10% discount factor.
- "1P Reserves" or "Proved Reserves" are defined as Reserves which have a 90% probability that the actual quantities recovered will equal or exceed the estimate.
- "Probable Reserves" are defined as Reserves that should have at least a 50% probability that the actual quantities recovered will equal or exceed the estimate.
- "Possible Reserves" are defined as Reserves that should have at least a 10% probability that the actual quantities recovered will equal or exceed the estimate.
- "Bbl" is defined as a barrel of oil.
- "Boe" is defined as a barrel of oil equivalent, using the ratio of 6 Mcf of Natural Gas to 1 Bbl of Crude Oil. This is based on energy conversion and does not reflect the current economic difference between the value of 1 Mcf of Natural Gas and 1 Bbl of Crude Oil.
- "M" is defined as a thousand.
- "MM" is defined as a million.
- "MMBoe" is defined as a million barrels of oil equivalent.
- "Mcf" is defined as a thousand cubic feet of gas.
- All volumes presented are net volumes and have had subtracted associated royalty burdens.
- Utica shale gas potential resources have only been calculated for the region where drill data is available. Very few wells have been drilled into the Utica in Western NY and NW Pennsylvania. Estimates for GIP have been made were the few existing wells have been drilled. Empire holds additional acreage outside the current potential resource region. It is expected that as with shale characteristics, the shale formations will continue within the remaining acreage. The potential GIP should increase if more data was available.

The information in this report which relates to the Company's reserves is based on, and fairly represents, information and supporting documentation prepared by or under the supervision of the following qualified petroleum reserves and resources evaluators, all of whom are licensed professional petroleum engineer's, geologists or other geoscientists with over five years' experience and are qualified in accordance with the requirements of Listing Rule 5.42:

Name	*Organisation*	*Qualifications*	*Professional Organisation*
Allen Barron	*Ralph E Davis Associates, Inc*	*BSc*	*Society of Petroleum Engineers*
William Kazmann	*LaRoche Petroleum Consultants, Ltd*	*MSc*	*Society of Petroleum Engineers*
John P Dick	*Pinnacle Energy Services, LLC*	*BPE*	*Society of Petroleum Engineers*
Wal Muir	*Muir and Associate P/L*	*BSc,MBA*	*Petroleum Exploration of Australia*

None of the above evaluators or their employers have any interest in Empire Energy E&P, LLC or the properties reported herein. The evaluators mentioned above consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors of Empire Energy Group Limited ("the Company") present their report together with the Consolidated Financial Report for the half-year ended 30 June 2015 and the Auditor's Review Report thereon.

1. PRINCIPAL ACTIVITIES

During the six month financial period ended 30 June 2015 the principal continuing activities of the consolidated entity consisted of:

- the acquisition, development, production, exploration and sale of oil and natural gas. The Empire Group sells its oil and gas products primarily to owners of domestic pipelines and refiners located in Pennsylvania, New York and Kansas.
- continued progression of conventional and unconventional exploration targets in the Northern Territory.
- reviewing new exploration, development and business opportunities in the oil and gas sector to enhance shareholder value.

2. CONSOLIDATED RESULTS

The consolidated net loss of the consolidated entity for the six month period ended 30 June 2015 after providing income tax was US$5,219,937 compared with a net loss of US$223,799 for the previous corresponding period ended 30 June 2014.

3. REVIEW OF OPERATIONS

For information on a review of the Group's operations refer to the Executive Chairman's Review of Operations Report contained on pages 4 to 13 of this Interim Financial Report.

4. DIRECTORS

The following persons held office as Directors of Empire Energy Group Limited during and since the end of the financial period:

BW McLeod - Executive Chairman
DH Sutton - Non-Executive Director
K A Torpey - Non-Executive Director

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half year.

6. EVENTS SUBSEQUENT TO REPORTING DATE

Over the month of August 2015 the following events occurred:

a) The Company assumed operatorship of 16 wells in Marion County, Kansas. For managing the assets Empire will receive compensation based on industry standard COPAS operating rates along with 20% of the net revenue from the existing wells. The agreement allows Empire to farm into new wells and includes an option to purchase the assets outright if the existing owners wish to sell.
b) On 18 August 2015 the Company entered into a non-binding LOI with American Energy – Acquisitions, LLC ("AEAQ"), an affiliate company of American Energy Partners, LP ("AELP") to develop the Northern Territory tenements held by the Company's wholly owned subsidiary

Director's Report (Continued)

Imperial Oil & Gas Pty Ltd. The LOI is subject to the completion of definitive documents. Major terms of the joint venture agreement are the payment in Cash of $7.5 million and the undertaking of $60 million in exploration and development expenditure. A further $7.5 million will be payable subject to the achievement of certain pre-defined benchmarks. For further detail refer to the Executive Chairman's report, page 5.

c) The Company purchased 84 gas wells including ~9,500 HBP net acres in West New York State.

d) Empire entered into a Joint Operating agreement in with Palomino Petroleum to develop a portion of the Company's 4,160 gross acres in Gove County, Kansas.

e) The Company entered into a joint venture agreement on a 60%/40% basis, with a regional partner to purchase oil acreage assets in Kansas. Empire will acquire 60% and be operator. The assets comprise of four producing horizontal wells, three shut in horizontal wells, tank batteries and associated equipment and two newly completed disposal wells along with 70,000 leased acres of which 6,277 acres are HBP ('Assets'). The Assets are located in Butler, Marion and Harvey Counties, Kansas. The acquisition would also include approximately 78 square miles of proprietary, high quality recently acquired 3D seismic.

f) The Company announced a 1 for 5 pro-rata non renounceable rights issue to raise approximately A$1.4 million before costs at an issue price of $0.023 per new share up to a maximum of 61,772,736 shares.

With the exception of those matters referred to above there is no other matter or circumstance that has arisen since 30 June 2015 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2015 of the group;
- the results of those operations; or
- state of affairs, in financial years subsequent to 30 June 2015 of the group

On 4 September 2015 the financial report was authorised for issue by a resolution of Directors.

AUDITOR'S INDEPENDENCE DECLARATION

Under section 307 of *The Corporations Act 2001.*

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 32 and forms part of the Director's Report for the six month period ended 30 June 2015. Signed in accordance with a resolution of the Directors.

B W McLeod
Signed at Sydney this 7th of September 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2015

	Note	Six months ended June 2015 US$	Six months ended June 2014 US$
Revenue from continuing operations		8,987,080	12,329,914
Other income		107,512	858,091
		9,094,592	13,188,005
Expenses			
Oil and gas production		(5,079,262)	(5,788,991)
Exploration assets written off		(485,202)	(331,052)
Lease expiration expenses	2	(348,563)	(56,364)
Depreciation, depletion and amortisation		(2,384,504)	(2,384,965)
General and administration		(2,073,804)	(2,615,011)
Finance costs		(949,499)	(1,012,129)
Finance costs (non-cash)		(287,861)	(352,090)
Unrealised derivative movements (non cash)		(2,507,780)	(3,137,454)
Sales of assets and other (non cash)		(683,992)	-
(Loss) before income tax expense from continuing operations		(5,705,875)	(2,490,051)
Income tax benefit	3	485,938	2,266,252
(Loss) after income tax benefit from continuing operations		(5,219,937)	(223,799)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Gain/(loss) on the revaluation of available-for-sale assets		35,578	(135,945)
Exchange differences on translation of foreign operations		(153,108)	29,861
Other comprehensive income for the period, net of tax		(117,530)	(106,084)
Total comprehensive income for the period		(5,337,467)	(329,883)
(Loss) for the period is attributable to:			
Equity holders of Empire Energy Group Limited		(5,219,937)	(223,799)
		(5,219,937)	(223,799)
Total comprehensive income for the period is attributable to:			
Equity holders of Empire Energy Group Limited		(5,337,467)	(329,883)
		(5,337,467)	(329,883)
		Cents per share	Cents per share
Basic earnings per share	11	(1.69)	(0.07)
Diluted earnings per share	11	(1.69)	(0.07)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2015

	Note	30 June 2015 US$	31 December 2014 US$
CURRENT ASSETS			
Cash and cash equivalents		1,928,681	3,092,991
Trade and other receivables		3,109,013	4,471,855
Prepayments and other current assets		382,905	242,184
Inventory		321,558	611,002
Financial assets, including derivatives		5,280,740	6,558,148
TOTAL CURRENT ASSETS		11,022,897	14,976,180
NON-CURRENT ASSETS			
Financial assets, including derivatives		4,010,078	5,157,977
Oil and gas properties	5	79,359,476	81,876,604
Property, plant and equipment	5	575,502	672,778
Intangible assets	6	68,217	68,217
TOTAL NON-CURRENT ASSETS		84,013,273	87,775,576
TOTAL ASSETS		95,036,170	102,751,756
CURRENT LIABILITIES			
Trade and other payables		4,705,768	5,771,978
Interest-bearing liabilities	7	40,628,101	41,776,843
Provisions	8	8,118	12,245
TOTAL CURRENT LIABILITIES		45,341,987	47,561,066
NON-CURRENT LIABILITIES			
Financial liabilities, including derivatives		86,448	-
Interest-bearing liabilities		39,046	42,434
Provisions	8	8,104,880	7,953,969
Deferred Tax Liability		1,558,859	2,062,080
TOTAL NON-CURRENT LIABILITIES		9,789,233	10,058,483
TOTAL LIABILITIES		55,131,220	57,619,549
NET ASSETS		39,904,950	45,132,207
EQUITY			
Contributed equity	9	73,683,238	73,683,238
Reserves		4,433,810	4,441,130
Accumulated losses		(38,212,098)	(32,992,161)
Equity attributable to:			
Equity holders of Empire Energy Group Limited		39,904,950	45,132,207
TOTAL SHAREHOLDERS' EQUITY		39,904,950	45,132,207

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASHFLOWS
for the half-year ended 30 June 2015

	Six months ended June 2015 US$	Six months ended June 2014 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	12,029,995	11,027,548
Payments to suppliers and employees	(8,431,754)	(7,891,357)
Interest received	4,242	1,128
Interest paid	(1,069,587)	(1,011,991)
Income taxes paid	(17,283)	(80,964)
Net cash flows from operating activities	2,515,613	2,044,364
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of oil and gas assets	197,615	1,769,209
Proceeds from sale of investments in equities	211,326	-
Payments for oil and gas assets	(2,580,477)	(1,213,824)
Payments for property, plant and equipment	(11,402)	(36,399)
Net cash flows from investing activities	(2,182,938)	518,986
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest bearing liabilities	500,000	-
Repayment of interest bearing liabilities	(1,809,751)	(624,398)
Finance lease payments	(3,388)	(979)
Net cash flows from financing activities	(1,313,139)	(625,377)
Net (decrease)/increase in cash and cash equivalents	(980,464)	1,937,973
Cash and cash equivalents at beginning of financial period	3,092,991	2,322,720
Effect of exchange rate changes on cash and cash equivalents	(183,846)	1,349
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	1,928,681	4,262,042

The above statement of cashflows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 June 2015

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Non-Controlling Interests	Total Equity
Balance at 31 December 2014	**73, 683,238**	**132,541**	**79,650**	**4,228,939**	**(32,992,161)**	**45,132,207**	**-**	**45,132,207**
Total Comprehensive income for period								
Profit after income tax from continuing operations	-	-	-	-	(5,219,937)	(5,219,937)	-	(5,219,937)
Exchange differences on translation of foreign operations	-	-	(153,108)	-	-	(153,108)	-	(153,108)
Gain on the revaluation available-for-sale investments, net of tax	-	35,578	-	-	-	35,578	-	35,578
Net change in the fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	35,578	(153,108)	-	(5,219,937)	(5,337,467)	-	(5,337,467)
Transactions with owners, recorded directly in equity								
Issue of ordinary shares	-	-	-	-	-	-	-	-
Less: share issue transaction costs	-	-	-	-	-	-	-	-
Options lapsed in period, transferred to retained earnings	-	-	-	-	-	-	-	-
Options issued during the period	-	-	-	110,210	-	110,210	-	110,210
Warrants issued during the period	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**110,210**	**-**	**110,210**	**-**	**110,210**
Balance at 30 June 2015	**73,683,238**	**168,119**	**(73,458)**	**4,339,149**	**(38,212,098)**	**39,904,950**	**-**	**39,904,950**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2014

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Non-Controlling Interests	Total Equity
Balance at 31 December 2013	**73,683,238**	**2,772,068**	**108,810**	**3,539,788**	**(30,741,363)**	**49,362,541**	**-**	**49,362,541**
Correction in prior year adjustment	-	(2,487,777)	-	-	2,487,777	-	-	-
Balance at 31 December 2013 (restated)	73,683,238	284,291	108,810	3,539,788	(28,253,586)	49,362,541	-	49,362,541
Total Comprehensive income for period								
Profit after income tax from continuing operations	-	-	-	-	(223,799)	(223,799)	-	(223,799)
Exchange differences on translation of foreign operations	-	-	29,861	-	-	29,861	-	29,861
Gain on the revaluation available-for-sale investments, net of tax	-	(135,945)	-	-	-	(135,945)	-	(135,945)
Net change in the fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	(135,945)	29,861	-	(223,799)	(329,883)	-	(329,883)
Transactions with owners, recorded directly in equity								
Issue of ordinary shares	-	-	-	-	-	-	-	-
Less: share issue transaction costs	-	-	-	-	-	-	-	-
Options lapsed in period, transferred to retained earnings	-	-	-	-	-	-	-	-
Options issued during the period	-	-	-	190,328	-	190,328	-	190,328
Warrants issued during the period	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**190,328**	**-**	**190,328**	**-**	**190,328**
Balance at 30 June 2014	**73,683,238**	**148,346**	**138,671**	**3,730,116**	**(28,477,385)**	**49,222,986**	**-**	**49,222,986**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Empire Energy Group Limited ("Company") is a Company domiciled in Australia. The condensed consolidated interim financial report of the Company for the half-year ended 30 June 2015 comprises the Company and its controlled entities ("Consolidated Entity").

These general purpose financial statements for the interim half-year reporting period ended 30 June 2015 have been prepared in accordance with complied Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.* Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 *Interim Financial Reporting.*

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Due to international operations, the Company's cash flows and economic returns are denominated in US dollars ("US$"). The Company changed the currency in which it presents its consolidated financial statements from Australian dollars ("A$") to US$ on 1 July 2011.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern
The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Empire Group's Statement of Financial Position reflects an excess of current liabilities over current assets of $34,319,090. This is primarily due to the Board determining that debt facilities be classified as current liabilities.

In January 2013 the debt facilities were extended for a further three years. The Company has decided to maintain the debt facility as a current liability.

Due to the liquidity of operating assets, the Board also determined that the USA operating assets could be classified as current assets.

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

Correction of prior period balances
Empire undertook a review of its hedge accounting policy during the year and found that in order to comply with AASB 139 Financial instruments: Recognition and Measurement, any fair value gains and losses should be recognised in the statement of profit and loss at each reporting date where in previous periods, gains or losses were taken to equity. This has been rectified by restating each of the affected financial statement line items to prior periods as follows:

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

	June 2014			June 2013		
Consolidated Statement of Equity (Extract)	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**
Reserves	5,060	(1,043)	4,017	6,421	(2,488)	3,933
Accumulated losses	(29,521)	1,043	(28,477)	(30,741)	2,488	(28,254)

	June 2014		
Consolidated Statement of Profit or Loss and Other Comprehensive Income (Extract)	**Previous Amount $000**	**Adjustment $000**	**Restated Amount $000**
Unrealised loss on hedging	-	(3,137)	(3,137)
Profit before income tax	**647**	**(3,137)**	**(2,490)**
Income tax expense	573	1,693	2,266
Loss for the period	**1,221**	**(1,444)**	**(224)**
Other comprehensive income for the year, net of tax	(1,551)	1,444	(106)
Total comprehensive income for the year	**(330)**	**-**	**(330)**
(Loss) for the year is attributable to:			
Equity holders of Empire Energy Group Limited	1,221	(1,551)	(330)
Basic earnings per share (cents)	0.40	(0.47)	(0.07)
Diluted earnings per share (cents)	0.40	(0.47)	(0.07)

NOTE 2 – LEASE EXPIRATION EXPENSES

A charge of $348,563 has been taken against the book value of undeveloped leases which have expired, or are to expire. The Company has an ongoing program to renew expiring lease, to take up options on expiring leases or acquire new leases if and when possible. The charge is a non-cash entry which has no effect on cash-flows.

NOTE 3 – INCOME TAX EXPENSE

Included in the income tax benefit for the six month period is a benefit of $485,938 which relates to revising the estimated deferred tax liability to reflect changes made on lodgement of the Income tax Return for Empire Energy Holdings LLC.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2015

NOTE 4 - OPERATING SEGMENTS

The Empire Group has two reportable segments as described below. Information reported to the Empire Group's chief executive office for the purpose of resource allocation and assessment of performance is more significantly focused on the category of operations.

	Oil & Gas		Investments		Other		Eliminations		Total	
in USD	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Revenue (external)	8,987,080	12,329,914	-	-	-	-	-	-	8,987,080	12,329,914
Other income (excluding Finance income)	108,536	845,751	134,824	-	(135,848)	12,340	-	-	107,512	858,091
Reportable segment profit/(loss) before tax	(3,981,049)	(267,064)	134,824	-	(659,485)	(861,628)	-	-	**(4,505,710)**	**(1,128,692)**
Finance income	4,242	1,128	169,572	219,645	32,953	1,731	(169,572)	(219,645)	37,195	2,859
Finance costs	(1,403,929)	(1,578,304)	-	-	(3,003)	(5,559)	169,572	219,645	(1,237,360)	(1,364,218)
Profit/(loss) for the period before tax									**(5,705,875)**	**(2,490,051)**
Reportable segment assets	94,392,945	113,987,551	224,510	6,379,083	411,310	173,509	7,405	(6,084,370)	95,036,170	114,455,773

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period. Included in Other income above are gains disclosed separately of the face of the statement of profit and loss and other comprehensive income.

The Empire Group's reportable segments under AASB 8 are as follows:

- Oil and gas operations - includes all oil and gas operations located in the USA. Revenue is derived from the sale of oil and gas and operation of wells.
- Investments - includes all investments in listed and unlisted entities, including the investment in Empire Energy Group USA LLC, (eliminated on consolidation). Revenue is derived from the sale of the investments.
- Other - includes all centralised administration costs and other minor other income.
  Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' salaries, finance income and finance expense, gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

NOTE 5 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Oil & Gas – Proved and producing	Oil & Gas – Unproved & not producing	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$							
At 1 January 2015	113,043,192	6,723,646	30,591	328,948	717,543	633,942	121,477,862
Additions	1,934,885	645,590	-	-	4,107	7,296	2,591,878
Write-off of asset retirement obligation	(37,639)	-	-	-	-	-	(37,639)
Reclassifications	-	-	-	-	-	-	-
Disposals	(2,034,991)	(230,000)	-	-	(5,380)	(14,079)	(2,284,450)
Expiration costs	-	(409,063)	-	-	-	-	(409,063)
Write-off to prepayments/inventory	-	-	-	-	-	-	-
At 30 June 2015	112,905,447	6,730,173	30,591	328,948	716,270	627,159	121,338,588
Accumulated Depreciation in US$							
At 1 January 2015	(37,890,234)	-	-	(50,250)	(508,320)	(461,204)	(38,910,008)
Depreciation and depletion	(2,283,000)	-	-	(6,277)	(69,138)	(26,089)	(2,384,504)
Disposals	95,317	-	-	-	5,618	11,008	111,943
Impairment	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 30 June 2015	(40,077,917)	-	-	(56,527)	(571,840)	(476,285)	(41,182,569)
Opening written down value	**75,152,958**	**6,723,646**	**30,591**	**278,698**	**209,223**	**172,738**	**82,567,854**
Impact of foreign currency adjustments	**-**	**(198,227)**	**-**	**-**	**(3,718)**	**(19,096)**	**(221,041)**
Closing written down value	**72,827,530**	**6,531,946**	**30,591**	**272,421**	**140,712**	**131,778**	**79,934,978**

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

NOTE 5 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Oil & Gas – Proved and producing	Oil & Gas – Unproved & not producing	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$							
At 1 January 2014	111,088,039	4,225,830	30,591	310,286	736,352	709,700	117,100,798
Additions	3,836,441	2,874,877	-	-	76,233	19,000	6,806,551
New asset retirement obligation	53,360	-	-	-	-	-	53,360
Write-off of asset retirement obligation	(48,441)	-	-	-	-	-	(48,441)
Reclassifications	120	-	-	(120)	-	-	-
Disposals	(1,886,327)	(25)	-	18,782	(95,042)	(94,756)	(2,057,368)
Expiration costs	-	(377,036)	-	-	-	-	(377,036)
Write-off of exploration expense	-	-	-	-	-	-	-
Write-off to prepayments/inventory	-	-	-	-	-	-	-
At 31 December 2014	113,043,192	6,723,646	30,591	328,948	717,543	633,942	121,477,864
Accumulated Depreciation in US$							
At 1 January 2014	(18,550,760)	-	-	(35,831)	(462,221)	(403,121)	(19,451,933)
Depreciation and depletion	(5,577,000)	-	-	(12,553)	(126,516)	(126,134)	(5,842,203)
Disposals	232,857	-	-	(1,866)	80,417	68,051	379,459
Impairment	(13,995,331)	-	-	-	-	-	(13,995,331)
At 31 December 2014	(37,890,234)	-	-	(50,250)	(508,320)	(461,204)	(38,910,008)
Opening written down value	**92,537,279**	**4,225,830**	**30,591**	**274,455**	**274,131**	**306,579**	**97,648,865**
Impact of foreign currency adjustments	**-**	**-**	**-**	**-**	**(2,992)**	**(15,482)**	**(18,474)**
Closing written down value	**75,152,958**	**6,723,646**	**30,591**	**278,698**	**206,231**	**157,258**	**82,549,382**

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

	June 2015 $	December 2014 $
NOTE 6 - INTANGIBLE ASSETS		
Goodwill	68,217	68,217
Other intangible assets	-	-
	68,217	68,217

NOTE 7 - INTEREST BEARING LIABILITIES

These accounts are presented on the basis that all borrowings have been classified as current liabilities. This treatment is as a result of a strict application of the relevant provisions of AASB *101 Presentation of Financial Statements ("AASB 101").* This accounting standard requires the Group to classify liabilities as current if the Group does not have an unconditional right to defer payment for twelve months at period end. However, the expected repayment of the borrowings is not for complete repayment within the twelve month period. In January 2013 the Company extended the Facility for a further 3 years through to 28 February 2016.

Under the terms of the Loan Facility (“Facility”), Empire Energy allocates 90% of monthly free cash flow to repay principle outstanding.

The expected loan repayments over the next 12 months comprise:
- Repayment of 90% of any monthly free cashflows

During the period the Group repaid $1,507,874 of its interest bearing facilities.

As at 30 June 2015 the loan covenants were all in compliance.

NOTE 8 - PROVISIONS	June 2015 $	December 2014 $
Current		
Employee entitlements	8,118	12,245
Non-current		
Asset retirement obligations	8,104,880	7,953,969
Movement in Asset Retirement Obligation		
Balance at beginning of period	7,953,969	7,788,880
Additions	-	53,359
Write-off of accrued plugging costs	(46,234)	(266,604)
Accretion in the period, included in amortisation expense	197,145	378,334
Balance at end of period	8,104,880	7,953,969

The Empire Group makes full provision for the future costs of decommissioning oil and gas production facilities and pipelines on a discounted basis on the installation or acquisition of those facilities.

The provision represents the present value of decommissioning costs which are expected to be incurred up to 2050.

The estimated liability is based on historical experience in plugging and abandoning wells, estimated remaining lives of those based on reserve estimates, external estimates as to the cost to plug and abandon the wells in the future, and regulatory requirements. Assumptions, based on the current economic

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2015

NOTE 8 - PROVISIONS (Cont'd)

environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works. Furthermore, the timing of decommissioning is likely to depend on when the assets cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

NOTE 9 - CONTRIBUTED EQUITY

	CONSOLIDATED 6 months to 30 June 2015	
	No. of shares	**US$**
a) Shares		
Issued Capital		
Balance at beginning of period	308,863,682	73,683,238
Movement in ordinary share capital		
- There was no movement in the ordinary share capital of the Company during the period.	-	-
Balance at 30 June 2015	308,863,682	73,683,238

No shares have been issued during the period since the end of the financial period and the date of this report. The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

(b) Share Options

Total number of unissued shares under option at 1 January 2015	16,750,000
Movements	
Granted	
No options were granted during or since the end of the half-year financial period.	-
Exercised	
No options were exercised during or since the end of the half-year financial period.	-
Expired	
No options have expired during or since the end of the half-year financial period.	-
At the date of these accounts the company has16,750,000 unissued shares held under option.	
Balance as at 30 June 2015	16,750,000

(c) Performance Rights

Total number of unissued shares subject to Performance Rights at 1 January 2015	2,500,000
Movements	
No Performance Rights have been exercised or granted during or since the end of the half-year financial period.	-
Balance as at 30 June 2015	2,500,000

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

NOTE 9 - CONTRIBUTED EQUITY (Cont'd)

At balance date the Empire Group had the following securities on issue:

Shares

308,863,682 listed fully paid ordinary shares – ASX Code EEG

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time are entitled to one vote per share at meetings of the Company. No dividends were paid or declared during the half-year, or since half-year end.

NOTE 9 - CONTRIBUTED EQUITY (Continued)

Options

At balance date the Company had 16,750,000 unissued shares under option.
These options are exercisable on the following terms:

Number of options		Exercise Price (A$)	Expiry Date
1,500,000	Executive Options	$0.18	31 December 2015
4,500,000	Executive Options	$0.17	31 December 2015
4,250,000	Options	$0.12	26 February 2016
3,500,000	Executive Options	$0.15	31 December 2016
1,500,000	Executive Options	$0.17	31 December 2016
1,500,000	Executive Options	$0.18	31 December 2016
16,750,000			

Performance Rights

At balance date the Company had 2,500,000 unissued shares subject to Performance Rights. The Performance Rights are subject to certain preconditions being met.

NOTE 10 - DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 11 - EARNINGS PER SHARE

	June 2015	June 2014
Basic earnings per share (cents per share)	(1.69)	(0.07)
Diluted earnings per share (cents per share)	(1.69)	(0.07)
(Loss) used in the calculation of basic and diluted earnings per share	(5,219,937)	(223,799)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	308,863,682	308,863,682
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	308,863,682	308,863,682

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2015

NOTE 12 - CONTINGENT LIABILITIES AND COMMITMENTS

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date.

NOTE 13 – EVENTS OCCURING AFTER THE REPORTING DATE

Over the month of August 2015 the following events occurred:

a) The Company assumed operatorship of 16 wells in Marion County, Kansas. For managing the assets Empire will receive compensation based on industry standard COPAS operating rates along with 20% of the net revenue from the existing wells. The agreement allows Empire to farm into new wells and includes an option to purchase the assets outright if the existing owners wish to sell.
b) On 18 August 2015 the Company entered into a non-binding LOI with American Energy – Acquisitions, LLC (“AEAQ”), an affiliate company of American Energy Partners, LP (“AELP”) to develop the Northern Territory tenements held by the Company’s wholly owned subsidiary Imperial Oil & Gas Pty Ltd. The LOI is subject to the completion of definitive documents. Major terms of the joint venture agreement are the payment in Cash of $7.5 million and the undertaking of $60 million in exploration and development expenditure. A further $7.5 million will be payable subject to the achievement of certain pre-defined benchmarks. For further detail refer to the Executive Chairman’s report, page 5.
c) The Company purchased 84 gas wells including ~9,500 HBP net acres in West New York State.
d) Empire entered into a Joint Operating agreement in with Palomino Petroleum to develop a portion of the Company’s 4,160 gross acres in Gove County, Kansas.
e) The Company entered into a joint venture agreement on a 60%/40% basis, with a regional partner to purchase oil acreage assets in Kansas. Empire will acquire 60% and be operator. The assets comprise of four producing horizontal wells, three shut in horizontal wells, tank batteries and associated equipment and two newly completed disposal wells along with 70,000 leased acres of which 6,277 acres are HBP (‘Assets’). The Assets are located in Butler, Marion and Harvey Counties, Kansas. The acquisition would also include approximately 78 square miles of proprietary, high quality recently acquired 3D seismic.
f) The Company announced a 1 for 5 pro-rata non renounceable rights issue to raise approximately A$1.4 million before costs at an issue price of $0.023 per new share up to a maximum of 61,772,736 shares.

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To the Board of Directors of Empire Energy Group Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

As lead audit partner for the review of the financial statements of Empire Energy Group Limited for the financial period ended 30 June 2015, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

Robert Mayberry
Partner

Nexia Court & Co.
Chartered Accountants

Sydney
7 September 2015

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DIRECTORS' DECLARATION

For the half-year ended 30 June 2015

In the opinion of the Directors of Empire Energy Group Limited:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2015 and of its performance, as represented by the results of its operations and its cash flows, for the six month period ended on that date; and

   b) complying with Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

B W McLeod
Executive Chairman
Dated this 7th day of September 2015.

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF EMPIRE ENERGY GROUP LIMITED

We have reviewed the accompanying half-year financial report of Empire Energy Group Limited, which comprises the consolidated statement of financial position as at 30 June 2015, consolidated statement of profit or loss and other comprehensive Income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As auditor of Empire Energy Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Empire Energy Group Limited is not in accordance with the Corporations Act 2001, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Nexia Court & Co

Nexia Court and Co
Chartered Accountants

Robert Mayberry
Partner

Sydney

Dated: 7 September 2015