

ASX Announcement

16 December 2015

UPDATE ON FARM-OUT AGREEMENT WITH AMERICAN ENERGY

The Directors of Empire Energy Group Limited (the 'Company') wish to update shareholders in relation to the proposed Farm-Out Agreement with AEGP Australia Pty Ltd ("AEGP"), an affiliate of American Energy Partners, LP ("AELP"), an oil and gas operating and asset management company based in Oklahoma City, Oklahoma.

Under the terms of the Letter of Intent, the Termination Date for the execution of the Definitive Agreements is four (4) months from August 17, 2015. The negotiation in relation to documentation is now being completed under a (3) month extension agreement, with the parties continuing to work towards the execution of Definitive Agreements in the short term.

The Definitive Agreements between Imperial Oil & Gas Pty Ltd, a 100% owned subsidiary of the Company and AEGP, incorporate the terms and conditions previously announced and in summary include:

- **100% of Imperial's petroleum tenements covering 14.6 million net acres of the McArthur Basin ("Tenements").**
- **Imperial is to receive an upfront cash payment of US\$7.5million to offset expenditure undertaken to date.**
- **AEGP will carry 100% of Imperial's working interest of expenditure during the first phase work program of US\$60 million over a 3 year period ("Phase One").**
- **On completion of Phase One, AEGP will earn an 80% working interest in the Tenements and the parties will enter into an industry standard Joint Operating Agreement.**
- **Imperial will receive a further US\$7.5 million in cash payments subject to a series of benchmarks being achieved.**
- **AEGP will assume operatorship on the signing of the Definitive Agreements. Imperial has the option to assume operatorship if AEGP does not earn at least a 50% working interest in the Tenements over Phase One.**
- **Over the Phase One period AEGP will maintain the Tenements in good standing with an estimated expenditure requirement of up to US\$15 million over the first 2 years.**
- **At the end of Phase One, Imperial has the option to either fund its 20% working interest in the project or request AEGP to arrange the financing of Imperial's share for the next US\$500 million in project funding.**
- **At closing of the Definitive Agreements, Empire will issue to AEGP options equivalent to 7.5% of the total current number of Empire outstanding shares. The Empire options will be exercisable at \$0.125 per share, expiring 5 years after the date of issue.**

ABOUT AMERICAN ENERGY PARTNERS, LP (“AELP”)

AELP is an oil and natural gas operating and asset management company located in Oklahoma City, Oklahoma. AELP was founded in April 2013 by Aubrey K. McClendon, who was the co-founder, chairman and CEO of Chesapeake Energy Corporation from 1989 until 2013. Under his leadership, Chesapeake grew from a start-up to the second largest producer of natural gas and the eleventh largest oil producer in the USA. Under Mr. McClendon Chesapeake Energy was widely credited with leading the U.S. energy oil and natural gas unconventional resource revolution. Mr. McClendon’s first major move outside the USA is the McArthur Basin due to the expectation that it is comparable to the Utica and Marcellus Shales in the Appalachian Basin, USA. Through industry-leading capabilities in developing and managing oil and natural gas assets in premier onshore basins, AELP expects to identify and unlock significant resources on Imperials Tenements. A drilling program is being planned to commence in 2016.

ABOUT EMPIRE ENERGY GROUP LIMITED

Empire Energy is a conventional oil and natural gas producer with operations in Appalachia (New York and Pennsylvania), Central Kansas Uplift and Oklahoma. Current production is around 1,250Boe/d. In 2010 the Company secured around 14.6 million acres in the McArthur Basin, Northern Territory, which is considered highly prospective for large shale oil and gas conventional and unconventional resources. Work undertaken by the Company over the past 5 years indicates that the McArthur Basin Trough, of which the Company holds around 80%, is a major Proterozoic Basin which is believed to be an integral component of a series of extensive hydrocarbon basins extending through Oman, Siberia and southern China, all of which contain resources of many billions of barrels of oil equivalents.