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Quarterly Report – For the period ending 31 March 2017

28 April 2017

1st QUARTER OVERVIEW

The Directors wish to provide the following update on the Company's operations:

- Estimated revenues US$3.4 million (4Q2016: US$3.6 million).
- Gross production
  - Oil: 46,987 Bbl (4Q2016: 47,142) -0.3%
  - Gas: 573,704 Mcf (4Q2016: 596,941) -3.9%
- Unaudited Operating EBITDAX US$1.5 million (4Q2016: US$1.7 million).
- Estimated Group EBITDAX for the period was US$609,186 (4Q2016: US$1.1 million).
- Approximately $1.2 million in loan repayments made.
- On the 14 December, the Company announced a fully underwritten Renounceable Rights Issue ('Offer') on the basis of 11 New Shares for every 5 shares at an issue price of $0.008 to raise approximately $6.1 million before costs. The offer closed on 27 January 2017. To date 488,156,232 shares amounting to $3,905,250 have been placed pursuant to the offer. Refer to section C of this report for further details.

OPERATING REVIEW

A. EMPIRE ENERGY USA, LLC (100%)

The Company's USA operations are in the Mid-Con (oil) and the Appalachian Basin (oil & gas). The Company remains focused on reducing operating costs and overheads.

1. <u>Appalachia (Western New York and Pennsylvania)</u>

Over 50 pipeline leaks were located and repaired during the first quarter of 2017. The winter was less severe than normal, this allowed repair of well equipment and attending to down hole workovers to be completed more efficiently.

On 25 April 2017, the Joint Landowners Coalition of New York (JLCNY), a group representing over 70,000 landowners with a collective +1 million acres of land that could be leased for oil and gas drilling, sent a letter to President Trump asking for help. The letter asks Trump to support legislation previously highlighted by Congressman Tom Reed to protect landowners in New York (and other states) from government actions that block oil and gas development. Congressman Reed has proposed the Defence of Property Rights Act. The Act has widespread support from property rights advocates throughout the country, concerned that the EPA and the USA government have overstepped their bounds. The Act states that government may not take private property, including oil, gas and mineral rights, without just compensation. The Act will allow all landowners aggrieved by Governor Cuomo's hydraulic fracturing decision to pursue Fifth Amendment claims for the taking of their mineral rights.

The Company which strongly supports the JLCNY will continue to monitor any progress made under both the Defence of Property Rights Act and other political avenues which may be available to enable value to be released from its ~300,000 acres of shale in New York State.

2. Mid-Continent (Kansas and Oklahoma):

First quarter production was 530 BOED and was in line with same quarter 2016. Attention was focused on maximizing production on current wells through equipment sizing and minimizing down time along with reducing expenses. Negative impacts affecting production occurred in a few of our operating areas and was attributed to inclement weather and prairie fires.

A robust drilling and recompletion schedule is planned for 2017 and the first well of the year is currently drilling ahead with a second permitted and ready to go. Two new wells are to be drilled in the Newkirk Project located in Kay County, Oklahoma during the second quarter. A well bore in the vicinity of the new wells that will be acquired and serve as a salt water disposal well (SWD) and save the drilling expenses of a new SWD. Two separate companies selling assets producing over 300 BOPD are being evaluated for purchase. The properties are located in the Company's core operating area of Kansas and would complement existing production without additional overhead.

Production:

Description	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
Gross Production:				
Oil (Bbls)	46,987	48,779	46,987	48,779
Natural gas (Mcf)	573,704	554,431	573,704	554,431
Net Production by Region:				
Oil (Bbls)				
Appalachia	901	936	901	936
Mid-Con	29,631	28,680	29,631	28,680
Total Oil	30,532	29,616	30,532	29,616
Weighted Avg Sales Price ($/Bbl)				
Before Hedge	46.74	28.68	46.74	28.68
After Hedge	62.37	61.61	62.37	61.61
Natural gas (Mcf)				
Appalachia	447,433	439,357	447,433	439,357
Mid-Con	3,066	4,412	3,066	4,412
Total Natural Gas	450,499	443,769	450,499	443,769
Weighted Avg Sales Price ($/Mcf)				
Before Hedge	2.60	1.46	2.60	1.46
After Hedge	3.03	3.04	3.03	3.04
Oil Equivalent (Boe):				
Appalachia	75,474	74,163	75,474	74,163
Mid-Con	30,142	29,415	30,142	29,415
Total	105,616	103,578	105,616	103,578
Boe/d	**1,174**	**1,151**	**1,174**	**1,151**
Weighted Avg Sales Price ($/Boe)				
Before Hedge	24.58	14.45	24.58	14.45
After Hedge	30.95	30.62	30.95	30.62
Lifting Costs (incl. taxes):				
Oil - Midcon (/Bbl)	21.33	21.73	21.33	21.73
Natural gas - Appalachian (/Mcf)	1.63	1.67	1.63	1.67
Oil Equivalent (/BOE)	13.13	13.35	13.13	13.35
Net Back ($/Boe)	17.82	17.27	17.82	17.27

Financials:

Description	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
Net Revenue:				
Oil Sales	1,904,440	1,824,605	1,904,440	1,824,605
Natural Gas Sales	1,364,435	1,345,416	1,364,435	1,345,416
Working Interest	130	1,983	130	1,983
Net Admin Income	85,880	110,064	85,880	110,064
Other Income	17,235	23,076	17,235	23,076
Total Revenue	3,372,120	3,305,144	3,372,120	3,305,144
Production costs:				
Lease operating expenses - Oil	621,232	613,275	621,232	613,275
Lease operating expenses - Gas	677,366	707,808	677,366	707,808
Taxes - Oil	30,156	31,014	30,156	31,014
Taxes - Natural Gas	57,068	30,087	57,068	30,087
Total	1,385,822	1,382,184	1,385,822	1,382,184
Field EBITDAX	1,986,298	1,922,960	1,986,298	1,922,960
Less:				
Inventory adjustment	59,900	(6,286)	59,900	(6,286)
Reserve Enhancements	-	640	-	640
Nonrecurring expenses	171,649	226,842	171,649	226,842
G & G Costs	270	17,442	270	17,442
Field Overhead	309,000	315,000	309,000	315,000
Total	540,819	553,638	540,819	553,638
Operating EBITDAX	1,445,479	1,369,322	1,445,479	1,369,322
Less:				
Field G & A	153,899	161,499	153,899	161,499
Corporate G & A	376,063	438,678	376,063	438,678
Delay rental payments	18,648	24,088	18,648	24,088
Land Overhead & Non-leasing costs	-	2,720	-	2,720
Total	548,610	626,985	548,610	626,985
EBITDAX	896,869	742,337	896,869	742,337

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

Exploration/Acquisition Expenses:

Description	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
EBITDAX	896,869	742,337	896,869	742,337
Less:				
Geological Services	-	7,773	-	7,773
Acquisition related expenses	17,929	21,290	17,929	21,290
Capital raise expenses	24,376	-	24,376	-
Dry hole expenses	-	-	-	-
Total	42,305	29,063	42,305	29,063
EBITDA	854,564	713,274	854,564	713,274

Net Earnings:

Unaudited earnings for the period are shown below:

Description	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
EBITDA	854,564	713,274	854,564	713,274
Less:				
Depn, Depl, Amort & ARO	552,946	746,014	552,946	746,014
Interest	723,042	483,700	723,042	483,700
(Gain) loss on sale of assets	(39,075)	-	(39,075)	-
Non-Cash & Interest Expenses	1,236,913	1,229,714	1,236,913	1,229,714
Earnings before Tax	(382,349)	(516,440)	(382,349)	(516,440)
EBITDA/Interest (times)	**1.18**	**1.47**	**1.18**	**1.47**

Capital Expenditure/Asset Sales:

Description	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
Capital Expenditures				
Acquisition Capital	(50)	77,500	(50)	77,500
New Wells - IDC	-	2,608	-	2,608
New Wells - Capital	(811)	10,285	(811)	10,285
Undeveloped Leases	236	15,659	236	15,659
Capital Expenditures	(625)	106,052	(625)	106,052

Credit Facilities:

At the end of the quarter the Company had US$38.4 million drawn at an average cost of LIBOR + 6.5%. The Company repaid US$1,156,938 of the Credit Facility and US$590,000 in intercompany loan over the quarter. Empire Energy retains Credit Facility availability of US$161.6 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

	Drawdown End of Qtr US$M	Interest Rate LIBOR +
Term	$35,468	6.50%
Revolver	$3,000	6.50%
	$38,468	6.50%

Hedging:

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

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

Year	Est. Net mmBtu	Hedged mmBtu	%	Average $/mmBtu	Est. Net Bbl	Hedged Bbl	%	Average $/Bbl
2017	1,300,000	1,206,000	92.8%	$ 3.75	93,675	85,500 [a]	91.3%	$ 66.95
2018	1,620,000	1,008,000	62.2%	$ 4.11				
2019	1,550,000	498,000	32.1%	$ 3.45				
	4,470,000	2,712,000	60.7%	$ 3.83	93,675	85,500	91.3%	$ 66.95

[a]Includes a collar implemented for additional 1,800Bbl/mth over 2017 at $45.30/$54.30

NET INCOME SUMMARY - USA OPERATIONS

The accompanying table is for comparative purposes and consists of unaudited, condensed, consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements, although the Company believes that the disclosures made below are adequate to make the information not misleading.

Description	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
Revenues:	3,372,120	3,305,144	3,372,120	3,305,144
Costs & Expenses:				
Production costs & taxes	1,926,641	1,935,822	1,926,641	1,935,822
Depn, Depletion, Amort & ARO	552,946	746,014	552,946	746,014
General & Administration	590,915	656,048	590,915	656,048
Income from Operations	301,618	(32,740)	301,618	(32,740)
Interest	723,042	483,700	723,042	483,700
(Gain)/Loss on sale of assets	(39,075)	-	(39,075)	-
Net Income/(Loss)	(382,349)	(516,440)	(382,349)	(516,440)

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

The Company's operations are in the Northern Territory, Australia.

Operations:

Current quarter actual and accrued expenses and capitalized costs. (Company policy is to expense all exploration costs):

Description – US$	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
Exploration Expenses – NT	13,120	494,962	13,120	494,962

In the second half of 2016 the Northern Territory Government announced a review of fracking practices and procedures. On the 23rd January 2017, a Termination Agreement of the Farmout Agreement between AEGP Australia Pty Ltd (the subsidiary of American Energy Partners) and Imperial Oil & Gas Pty Ltd was signed by the Company. The Company is still waiting the Agreement to be returned by the Trustees of the McClendon Estate.

C. EMPIRE ENERGY GROUP LIMITED

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

Description – US$	3 months to 31/03/2017	3 months to 31/03/2016	Year-to-Date 31/03/2017	Year-to-Date 31/03/2016
Revenue	29,402	71,300	29,402	71,300
Less Expenses:				
Consultants	66,351	83,072	66,351	83,072
Directors/Employment Costs	67,213	66,877	67,213	66,877
Listing Expenses	8,516	30,659	8,516	30,659
G&A*	175,005	124,936	175,005	124,936
EBITDAX – Head office (EEG)	-287,683	-234,244	-287,683	-234,244
EBITDAX – (EEUS)	896,869	742,337	896,869	742,337
EBITDAX – GROUP	**609,186**	**508,093**	**609,186**	**508,093**

**Increase in G&A related to Third-Party Consultants & insurances*

On the 14th December 2017, the Company announced a fully underwritten Renounceable Rights Issue ('Offer') on the basis of 11 New Shares for every 5 shares held at an issue price of $0.008 to raise approximately $6.1 million before costs. The offer closed on 27 January 2017 with applications for 236,538,078 shares amounting to $1,892,305. The shortfall to the Offer was 527,553,373 shares amounting to $4,220,427. On 17th February, the Company received a shortfall placement from the underwriters to the issue for approximately $1.6 million. Pursuant to ASX Listing Rules shortfall shares must be issued not later than 15 business days after the close of the Offer.

The Company holds the view that the Underwriter remains liable in respect of the remaining outstanding shortfall under the Underwriting Agreement and is working with the underwriter to place the remaining shortfall. An additional $302,000 has since been placed and $141,545 has been offset against fees to the underwriter under the company's placement capacity pursuant to Listing Rule 7.1. The remaining shortfall will be placed in two tranches with shareholder approval being sought at the Company Annual General Meeting for the placement of $1.5 million worth of shares at $0.008 and the remaining shortfall shares to be placed using the Company's placement capacity under Listing Rule 7.1 and Listing Rule 7.1A.

ABOUT EMPIRE ENERGY GROUP LIMITED

Empire Energy is a conventional oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the Mid-Con (Kansas and Oklahoma). In 2010 the Company secured approximately 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 demonstrates that the Central Trough of the McArthur Basin, of which the Company holds around 80%, is a major Proterozoic depo-centre that forms one segment of a series of extensive prolific hydrocarbon basins extending through Oman, Siberia and southern China, and which contain resources of many billions of barrels of oil equivalent.

Financial Terminology

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

Note Regarding Barrel of Oil Equivalent

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

Note Regarding Reserves

Reserve references in this report have been extracted from the Company's announcement "2015 Year End Reserves Review" released to the ASX on 15 March 2016. The Company confirms that it is not aware of any new information or data that materially affects the information contained in the announcement 15 March 2016 and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. Reserves were reported as at 1 January 2016. All volumes presented are net volumes and have had subtracted associated royalty burdens. 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.

Note Regarding Forward- Looking Statements

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

Glossary

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