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Quarterly Report – For the period ending 30 September 2017

30 October 2017

3rd QUARTER OVERVIEW

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

- Estimated revenues US\$3.5 million (2Q2017: US\$3.4 million).
- Gross production
 - Oil: 50,409 Bbl (2Q2017: 46,688) +8.0%
 - Gas: 606,756 Mcf (2Q2017: 594,061) +2.1%
- A ~3% net working interest, or 6.25Bbl/d acquired from existing well owners.
- The 2 new wells drilled are continuing to produce at a managed rate of around 28Bbl/d. The recently calculated PV10 for these 2 new wells is ~US\$0.5 million.
- Unaudited Operating EBITDAX US\$1.5 million (2Q2017: US\$1.6 million).
- Continuing focus is being directed to the acquisition and bolt-on opportunities with 2 potential acquisitions under consideration.
- Estimated Group EBITDAX for the period was US\$720,565 (2Q2017: US\$854,305).
- Northern Territory program payments of ~US\$74,000 (2Q2017: US\$300,000).

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. Appalachia (Western New York and Pennsylvania)

The Federal Energy Regulatory Commission (FERC) granted permission for three pipeline projects to proceed in New York State. Both projects will increase the ability of Marcellus gas to move to new markets. These pipelines will help to relieve the oversupply conditions that are currently depressing natural gas prices.

The Company continues to upgrade pipelines, acquire existing wells and associated pipelines as an overall plan to redirect as much of the gas produced by the company to a regional major customer. Moving gas to newly connected pipelines will result in up to a \$1.00/Mcf increase in the price of gas received. As part of this overall strategy the company recently made an offer for an additional 27 wells and infrastructure to tie in additional Empire wells to move gas to higher

paying customers. Payout on these transactions in New York State is typically 9 to 12 months. In addition, the Company will acquire a further 2,730 gross acres with no depth restrictions.

2. Mid-Continent (Kansas and Oklahoma):

Production for third quarter 2017 increased 1% over same period 2016, but 8% over the last quarters production, defying normal field decline. The result was due to continued well performance improvements and additional production from two new 2nd quarter wells contributing an extra ~28Bbl/d. Lifting costs, including taxes at ~\$19.80/Bbl were 7% lower, compared to 3rd quarter 2016. Lifting costs which include taxes has been a major focus for the Company, and achieving lifting costs of under \$20.00/Bbl is a major milestone to be achieved for operations in the region, which can be up to \$30/Bbl.

Capital expenditures were nil for the quarter as drilling, stimulation and recompletions remain on hold. Data was reviewed from a recent seismic survey resulting in 2 additional PUDs (Proved Undeveloped Reserves). These 2 wells will be added to the drilling list.

With restricted capital, a cost-effective approach to building production and reserves is to acquire small, non-operated working interests. Over the quarter the Company acquired a gross working interest of ~3.4% in wells already operated by Empire. After credit for oil in tank, the 6.25Bbl/d represented a multiple of ~\$12,600/Bbl/d. It is understood that slow decline, oil producing assets in the Central Kansas Uplift have recently sold at multiples of over \$30,000/Bbl/d.

Non-core assets along with lower performing wells and leases continue to be evaluated for divestiture. These evaluations are evergreen as it is a core belief that the process is a big part of maintaining efficient operations. Acquisition opportunities remain alive and it appears that lease values are becoming more and more attractive.

Production:

Description	3 months to 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
Gross Production:				
Oil (Bbls)	50,409	48,721	143,861	146,939
Natural gas (Mcf)	606,756	606,947	1,750,062	1,781,381
Net Production by Region:				
Oil (Bbls)				
Appalachia	1,047	451	2,780	2,125
Mid-Con	31,761	30,860	91,125	90,437
Total Oil	32,808	31,311	93,905	92,562
Weighted Avg Sales Price (\$/Bbl)				
Before Hedge	42.94	39.90	44.13	36.59
After Hedge	60.11	61.97	61.19	61.86
Natural gas (Mcf)				
Appalachia	471,390	482,899	1,384,871	1,413,461
Mid-Con	3,047	2,947	6,617	10,958
Total Natural Gas	474,437	485,846	1,391,488	1,424,419
Weighted Avg Sales Price (\$/Mcf)				
Before Hedge	2.26	1.93	2.47	1.56
After Hedge	2.90	2.98	2.99	2.95
Oil Equivalent (Boe):				
Appalachia	79,612	80,934	233,592	237,702
Mid-Con	32,269	31,351	92,228	92,263
Total	111,881	112,285	325,820	329,965
Boe/d	1,216	1,234	1,193	1,209
Weighted Avg Sales Price (\$/Boe)				
Before Hedge	22.19	19.47	23.28	17.00
After Hedge	29.94	30.18	30.43	30.08
Lifting Costs (incl. taxes):				
Oil - Midcon (/Bbl)	19.79	22.77	20.34	21.28
Natural gas - Appalachian (/Mcf)	1.60	1.55	1.60	1.58
Oil Equivalent (/BOE)	12.60	13.06	12.71	12.78
Net Back (\$/Boe)	17.34	17.12	17.72	17.30

Financials:

Description	3 months to 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
Net Revenue:				
Oil Sales	1,972,027	1,940,393	5,746,401	5,725,570
Natural Gas Sales	1,377,279	1,446,618	4,164,575	4,193,389
Working Interest	93	2,095	2,416	5,278
Net Admin Income	87,780	90,137	260,049	283,838
Other Income	25,848	31,680	63,819	86,519
Total Revenue	3,463,027	3,510,923	10,237,260	10,294,594
Production costs:				
Lease operating expenses - Oil	627,556	670,370	1,837,668	1,852,138
Lease operating expenses - Gas	698,560	707,115	2,049,907	2,125,029
Taxes - Oil	21,659	43,277	72,479	118,975
Taxes - Natural Gas	63,105	44,834	183,312	119,779
Total	1,410,880	1,465,596	4,143,366	4,215,921
Field EBITDAX	2,052,147	2,045,327	6,093,894	6,078,673
Less:				
Inventory adjustment	14,131	(16,049)	43,083	45,132
Reserve Enhancements	930	11,000	2,216	21,606
Nonrecurring expenses	248,297	132,087	553,549	623,077
G & G Costs	-	485	270	19,795
Field Overhead	309,000	311,000	927,000	941,000
Total	572,358	438,523	1,526,118	1,650,610
Operating EBITDAX	1,479,789	1,606,804	4,567,776	4,428,063
Less:				
Field G & A	142,086	203,606	445,246	559,995
Corporate G & A	349,704	375,286	1,149,216	1,254,240
Delay rental payments	13,957	29,313	93,507	129,204
Land Overhead & Non-leasing costs	2,253	424	2,553	4,769
Total	508,000	608,629	1,690,522	1,948,208
EBITDAX	971,789	998,175	2,877,254	2,479,855

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 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
EBITDAX	971,789	998,175	2,877,254	2,479,855
Less:				
Geological Services	-	3,900	-	16,610
Acquisition related expenses	4,843	1,500	62,072	54,960
Capital raise expenses	-	-	58,769	-
Dry hole expenses	-	-	-	-
Total	4,843	5,400	120,841	71,570
EBITDA	966,946	992,775	2,756,413	2,408,285

Net Earnings:

Unaudited earnings for the period are shown below:

Description	3 months to 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
EBITDA	966,946	992,775	2,756,413	2,408,285
Less:				
Depn, Depl, Amort & ARO	602,900	706,546	1,748,160	2,170,997
Interest	747,464	668,720	2,198,320	1,681,918
(Gain) loss on sale of assets	(12,097)	-	(51,492)	-
P&A vs. ARO	-	-	-	-
Bad debts	613	-	383,356	-
Non-Cash & Interest Expenses	1,338,880	1,375,266	4,278,344	3,852,915
Earnings before Tax	(371,934)	(382,491)	(1,521,931)	(1,444,630)
EBITDA/Interest (times)	1.29	1.48	1.25	1.43

Capital Expenditure/Asset Sales:

Description	3 months to 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
Capital Expenditures				
Acquisition Capital	-	-	(50)	49,034
New Wells - IDC	69,183	(3,520)	275,032	622,638
New Wells - Capital	109,789	271	161,835	16,555
Undeveloped Leases	2,400	305	2,456	31,330
Capital Expenditures	181,372	(2,944)	439,273	719,557

Credit Facilities:

At the end of the quarter the Company had US\$38.2 million drawn at an average cost of LIBOR + 6.5%. The Company repaid US\$35,000 of the Credit Facility. Empire Energy retains Credit Facility availability of US\$161.78 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	\$35,220	6.50%
Revolver	\$3,000	6.50%
	\$38,220	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	405,000	402,000	99.3%	\$3.75	31,225	28,500	91.3%	\$68.65
2018	1,620,000	1,008,000	62.2%	\$4.11				
2019	1,550,000	498,000	32.1%	\$3.45				
	3,575,000	1,908,000	53.4%	\$3.77	31,255	28,500	91.3%	\$68.65

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 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
Revenues:	3,463,027	3,510,923	10,237,261	10,294,593
Costs & Expenses:				
Production costs & taxes	1,983,238	1,904,119	5,669,485	5,866,531
Depn, Depletion, Amort & ARO	602,900	706,546	1,748,160	2,170,997
General & Administration	512,843	614,029	1,811,363	2,019,777
Income from Operations	364,046	286,229	1,008,253	237,288
Interest	747,464	668,720	2,198,320	1,681,918
(Gain)/Loss on sale of assets	(12,097)	-	(51,492)	-
P&A vs. ARO	-	-	-	-
Bad debts	613	-	383,356	-
Net Income/(Loss)	(371,934)	(382,491)	(1,521,931)	(1,444,630)

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 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
Exploration Expenses – NT	33,314	47,117	56,720	609,250

The Company is planning to complete necessary On-Country meetings and Exploration Deeds with Traditional Owners for EPA 180, 181 & 182 commencing early 2018.

In addition, the Company has: (i) initiated a program to further extend the required work programs over EP’s 184 & 187 while the fracking moratorium remains in place; and (ii) received approval from the Northern Land Council to extend the negotiation period for EPA 180, 181, 182 and 183 for a further 12 months from the beginning of November 2017.

C. EMPIRE ENERGY GROUP LIMITED

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

Description – US\$	3 months to 30/09/2017	3 months to 30/09/2016	Year-to-Date 30/09/2017	Year-to-Date 30/09/2016
Revenue	41,764	39,818	112,087	150,231
Less Expenses:				
Consultants	69,072	65,200	201,083	233,806
Directors/Employment Costs	86,282	60,891	217,387	195,568
Listing Expenses	11,424	10,892	32,031	66,774
G&A	126,210	126,304	397,803	355,020
EBITDAX – Head office (EEG)	(251,224)	(223,469)	(736,217)	(700,937)
EBITDAX – (EEUS)	971,789	998,175	2,877,254	2,479,855
EBITDAX – GROUP	720,565	774,706	2,141,037	1,778,918

Corporate Update

During the quarter the Company issued 13,000,000 unlisted options pursuant to the company's employee share option plan. These options are exercisable at \$0.03 and expire 30/12/2021.

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 refer 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 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		