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Quarterly Report – For the period ending 30 June 2011

29 July 2011

HIGHLIGHTS

- Unaudited Field EBITDDA of US\$4.51 million achieved for the quarter.
- Estimated US\$393,000 and A\$615,340 overhead for the quarter, includes Leasing costs, field and corporate G&A costs.
- Exploration related costs for the quarter were A\$119,000.
- Cash and liquids on hand A\$11.8 million
- Gross production of 69,000 Bbls oil and 693,370 Mcf gas for the quarter.
- Drilling and completions engineer employed as VP, Mid-Continent Operations to manage Kansas and North Dakota operations.
- Implementation of proprietary software for daily electronic recording of production.
- Geological, engineering and permitting programs for another 4 wells of the proposed Kansas oil drilling program are being completed for the Kansas Uplift Region.
- Existing Kansas wells being reviewed for behind pipe and polymer reworks.
- Pre drilling work is being undertaken for the first 2 oil production wells at the Company's joint venture in the 17,000 acre Williston Basin, North Dakota project.
- Landowner negotiations have commenced for the Company's shale resources in the Northern Territory, Australia.
- Completed a \$13.3 million private capital raising and \$0.6 million SPP. Proceeds are being utilized for the oil drilling program in Kansas; contribution to 2 JV wells in the Williston Basin-North Dakota, debt repayment, working capital and the acquisition of selective wells and pipeline in New York State to obtain control over gas transportation.

EMPIRE ENERGY USA LLC (95%)

Estimated Production (US\$)

The following table summarizes, with estimates, oil and gas production for the Company's current operations, Central Uplift, KS; Mayville, NY and Hawthorne, PA.

Period	Net Production Mcf	Average Price \$/mmBtu	Net Production Bbl	Average Price \$/bbl	Net Production Boe	Net Production Boe/d
6mths Dec 31/10	1,023,485	\$6.26	52,498	\$77.83	233,079	1,288
Qtr Mar 31/11	467,953	\$6.10	44,095	\$86.14	122,087	1,357
Qtr Jun 30/11	498,167	\$6.38	44,036	\$87.35	127,063	1,412
YTD	966,120	\$6.24	88,131	\$86.65	249,150	1,377

Note: Estimates have been made for the last 2 production months of the last quarter due to different customer payment & invoice cycles. 6 months Dec 31/10 = 6 months following the Company's change of balance date from June 30 to Dec 31.

Estimated Field Operating Revenues (US\$)

The following table summarizes, with estimates, oil and gas revenues for the Company's current operations, Central Uplift, KS; Mayville, NY and Hawthorne, PA.

	Net Revenue	Lease Op. Expenses	Prod. Taxes	N/recurr. Expenses	Field EBITDA	Leases & Prospects	Field G&A
\$US	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
6mths Dec 31/10	\$10,738	\$3,340	\$433	\$0	\$6,965	\$286	\$133
Qtr Mar 31	\$6,610	\$1,764	\$349	\$342	\$4,155	\$40	\$196
Qtr Jun 30	\$7,069	\$1,731	\$359	\$466	\$4,513	\$12	\$31
YTD	\$13,679	\$3,495	\$708	\$808	\$8,668	\$52	\$227

Note: Estimates have been made for the last 2 production months of the last quarter due to different customer payment & invoice cycles. 6 months Dec 31/10 = 6 months following the Company's change of balance date from June 30 to Dec 31.

Estimated Key Operating Ratios:

	Av Price	Lifting Cost	Av Price	Lifting Cost
\$US	\$/Bbl	\$/Bbl	\$/Mcf	\$/Mcf
Qtr Mar 31	\$86.14	\$20.14	\$6.10	\$2.74
Qtr Jun 30	\$87.35	\$16.40	\$6.38	\$2.83
Av YTD	\$86.90	\$18.40	\$6.23	\$2.79

Corporate Operations (US\$):

Corporate Costs for the quarter were \$353,919 (previous quarter \$535,000). The decrease was due to the normalization of costs following acquisition related costs in the first quarter resulting from the Kansas oil acquisition on December 23, 2010. Included in the current quarters costs are one-off State Taxes of \$54,500 (previous quarter \$Nil).

Following the appointment of the Financial Controller and due to space limitations with the recent acquisition, the Company is seeking new office premises closer to Pittsburgh, PA.

Interest Expenses (US\$):

Interest expenses over the quarter were \$972,069 (previous quarter \$987,786).

Project Development

The Company will make future announcements on its following projects as new information becomes available. This includes:

1. Continued Kansas drilling and rework programs.
2. Williston Basin drilling program is expected to commence early August with well to be spudded on August 18, 2011.
3. Continuing geological and engineering work of the Company's 303,000 acre land holding in the western New York State, which have been calculated to contain a prospective Utica shale (approximately 225,000 acres gross) gas resource of up to 5 Tcf GIP, (unrisked) and a Marcellus shale (approximately 230,000 acres gross) oil prospective resource of an estimated 70 million Bbls (RF= 3%).
4. Progress on land holder negotiations for the potential large scale shale resources in the MacArthur Basin, Northern Territories.

Credit Facilities

At the end of the quarter the Company had ~US\$63.8 million drawn at an average cost of LIBOR + 4.4%. Empire Energy retains Credit Facility availability of ~US\$86 million, subject to normal energy borrowing base requirements, for future acquisitions and development drilling.

Component	Drawdown US\$'000	Interest LIBOR + %pa
Term	\$60,800	4.5%
Revolver	\$3,000	2.5%
TOTAL 30 June 2011	\$63,800	4.4%

Over the period the Company repaid US\$8.7 million in borrowings.

Hedging

A conservative hedging policy has been implemented by the Company. The underlying objective is to ensure the borrowing base of the Credit Facility is covered by defined future cash flow. 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.

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
2011	1,000,000	785,719	78.6%	\$6.05	88,000	64,240	73.0%	\$90.00
2012	2,150,000	1,484,351	69.1%	\$6.10	160,441	120,800	75.3%	\$90.00
2013	2,000,000	1,407,720	70.3%	\$5.97	149,298	113,160	75.8%	\$90.00
2014	1,850,000	1,408,488	76.1%	\$5.91	141,058	105,120	74.5%	\$90.00
2015	1,650,000	1,166,000	70.7%	\$5.45	133,280	98,160	73.6%	\$90.00
Total	8,650,000	6,252,278	71.5%	\$5.90	672,077	501,480	75.0%	\$90.00

IMPERIAL OIL & GAS PTY LTD (100%):

Over 2010 Imperial undertook the screening of a number of onshore basins in Australia principally for large scale shale gas exploration. Ultimately the Company's wholly owned subsidiary Imperial Oil & Gas P/L applied for 6 licences covering around 90% of the McArthur Basin in The Northern Territory, Australia. In summary:

- The McArthur Basin provides high risk/high return frontier unconventional petroleum plays at very low historic exploration maturity.
- The exploration targets are organic-rich black gas and oil shales of Palaeo- and Meso-Proterozoic age.
- The shales are proven to be gas-prone (a 1979 mineral corehole ignited and sustained a 6m gas flare for several months).
- Oil bleeds and bitumen staining are commonly observed in mineral cores.
- Traditional Land Owner negotiation meetings have commenced.
- To date 4 such meetings have taken place in Imperial's EP(A) 180 & 181 permits and EP(A) 184, 187 & 188 where there is an existing pipeline supplying gas to the McArthur Mine.

CORPORATE

Capital Raisings

During the period under review the Company completed a private placement of 110,833,333 fully paid ordinary shares at 12 cents per share to sophisticated and professional investors to raise \$13.3 million before costs of the issue.

The placement was completed in two tranches with Tranche 1 completed in April 2011 resulting in the issue of 22,000,000 fully paid ordinary shares pursuant to the Company's 15% placement capacity as provided for under Listing Rule 7.1.

The balance of the private placement was issued in May 2011 following the approval of shareholders at the Company's Annual General Meeting held on 17 May 2011.

In addition Directors implemented a share purchase plan to provide eligible shareholders with the opportunity to subscribe to an offer of up to \$2 million of shares on the same terms as the private placement.

The plan provided for eligible registered holders to purchase up to A\$10,000 worth of additional shares at 12 cents per share.

At the close of the offer period on 27 May 2011 valid acceptances had been received in respect of 4,740,429 fully paid ordinary shares raising a further \$568,860 before costs.

Total funds raised from capital raisings are being utilised to meet the following Company objectives:

- Aggregation of additional oil and gas producing assets
- Conduct development drilling on the Company's oil prospects in Kansas
- Conduct exploration drilling on the Company's oil shale prospects in Appalachian Basin and Williston Basin
- Net debt restructure
- Working capital purposes

Including the shares issued under both the private placement and share purchase plan, the Company's total issued capital is now 278,197,016 fully paid ordinary shares.

In the last quarter, Empire Energy Group was the applicant for US\$6.85 million in new Units issued by Empire Energy USA, LLC.

SUBSEQUENT EVENTS

On July 17, 2011 the Company contributed a further US\$1.35 million in capital, for new Units in Empire Energy USA, LLC increasing its holding to 95%.

ABOUT EMPIRE ENERGY GROUP LIMITED

In early 2007, the Company established Empire Energy USA, LLC and currently holds around 96% of its issued capital. Empire Energy USA is an oil and natural gas producer and also operates a small oil and gas field service operation. It has operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas). Total combined 2P reserves for the enlarged group are estimated at 14.8 million Boe.

Empire Energy implemented a US\$100 million credit facility with Macquarie Bank Limited in early 2008 for the sole purpose of acquiring and developing oil and gas assets in the USA. This facility has been increased to US\$150 million.

For more information:

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The information in this announcement which relates to reserves and resources is based on information compiled by Ralph E Davis Associates Inc, Houston, Texas, who are certified professional reservoir engineers.

Glossary

Bbl	- One barrel of crude oil, 42 US gallons liquid volume
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
Delay Rentals	- Payments made to Lessor to maintain leases
GIP	- Gas in place
HBP	- Held by production
NRI	- Net revenue interest
PDNP	- Proved developed non producing
PDP	- Proved, developed producing well
PV10	- Pre-tax value of a cash flow stream, over a defined time period, discounted at 10%
Royalty	- Funds received by the landowner for the production of oil or gas, free of costs, except taxes
Tcf	- Trillion cubic feet
TOC	- Total organic content
WI	- Working interest