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Quarterly Report – For the period ending 31 March 2012

30 April 2012

HIGHLIGHTS FOR 1st QUARTER

- Total estimated oil and gas revenue for the 3 month period was US\$7.4 million (4Q2011: US\$7.3 million).
- Unaudited Field EBITDAX of US\$5.3 million was achieved (4Q2011: US\$4.9 million).
- Gross production
 - Oil: 74,918.25 bbls (4Q2011: 71,032) +5.5%.
 - Gas: 682,449 Mcf (4Q2011: 687,178) -0.7%.
- Operating EBITDAX of US\$4.2 million (4Q2011: US\$3.9 million).
- Cash on hand US\$5.2 million.
- On 12 December 2011, The Commissioner of New York State's Department of Environmental Conservation ("DEC") stated that the DEC will finish its review of hydrofracking by spring 2012. A recent announcement from the DEC has deferred the review through to the end of summer. The DEC's current position is that the drilling and fracking techniques can be done safely, with strict regulations and that permits for fracking would quickly follow.
- In the Kansas Uplift Region, the 1st well of the of the 2012, 10 well oil drilling program has been brought on-line with a flow rate of 24.5 Bbl/d . Production rates for the 2nd well are expected early next week.
- Exploration & Project Development (Drilling) Costs for the quarter were US\$471,449.
- Archeological programs and Landowner negotiations are continuing for the Company's shale licenses in the Northern Territory, Australia.

EMPIRE ENERGY USA LLC (95.4%)

The Company's operations are in the Central Kansas Uplift Region, Kansas and in the Appalachian Basin, in New York and Pennsylvania.

Operations

For the following sections relating to production and income, estimates have been made for gas for the last 2 production months of the quarter under review due to customer payment/invoice cycles. As such, there may be changes to both production, revenues and operating ratios for the previous quarter as final production statements are received by Empire.

Estimated Production (US\$)

Qtr	Net Production		Net Production Bbl	Average Price \$/bbl	Net Production Boe	Net Production Boe/d
	Mcf	\$/mmBtu				
Jun 30/11	485,077	\$5.93	43,956	\$87.52	124,802	1,387
Sept 30/11	524,042	\$5.99	44,266	\$85.87	131,606	1,462
Dec 31/11	527,672	\$6.22	45,756	\$84.65	133,701	1,486
Mar 31/12	539,135	\$5.57	48,697	\$90.36	138,552	1,539
Year	2,075,926	\$5.93	182,675	\$87.10	528,662	1,448

Estimated Field Operating Revenues (US\$)

Qtr	Net Revenue	Lease Op. Expenses	Prod. Taxes	Field EBITDAX	Leases & Prospects	N/recurr. Expenses	F&A Costs	Field G&A
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Jun 30/11	\$6,787	\$2,055	\$360	\$4,372	\$23	\$461	\$136	\$136
Sept 30/11	\$7,052	\$2,045	\$333	\$4,674	\$31	\$237	\$175	\$175
Dec 31/11	\$7,295	\$1,807	\$525	\$4,963	\$36	\$253	\$166	\$105
Mar 31/12	\$7,404	\$1,743	\$333	\$5,328	\$57	\$290	\$106	\$156
Year	\$28,538	\$7,650	\$1,551	\$19,337	\$147	\$1,241	\$583	\$572

Estimated Key Operating Ratios:

Qtr	Av Price	LOE	Non-recurr	Av Price	Lifting Cost	Non-recur
	\$/Bbl	\$/Bbl (1)	\$/Bbl	\$/Mcf	\$/Mcf ⁽¹⁾	\$/Mcf
Jun 30/11	\$87.52	\$20.87	\$10.21	\$5.93	\$2.56	\$0.03
Sept 30/11	\$85.87	\$26.43	\$4.47	\$5.99	\$2.26	\$0.38
Dec 31/11	\$84.65	\$27.89	\$3.37	\$6.22	\$1.86	\$0.08
Mar 31/12	\$90.36	\$22.81	\$4.62	\$5.57	\$1.79	\$0.12
Av Year	\$87.10	\$24.50	\$5.67	\$5.93	\$2.12	\$0.15

(1) Lifting Costs include severance and production taxes

Corporate Operations (USA):

Other Costs for the period where as follows:

- Corporate Costs US\$432,000 (4Q2011: \$586,000).
- Costs relating to potential acquisitions US\$85,000 (4Q2011: \$100,000)
- Lease management costs \$28,000 (4Q2011: \$34,000).

Credit Facilities

Interest expenses over the quarter were \$643,255 (4Q2011: \$811,458). Debt repaid over the quarter was US\$3.4 million (4Q2011: \$4.2 million).

At the end of the quarter the Company had US\$54.7 million drawn at an average cost of LIBOR + 4.4%. Empire Energy retains Credit Facility availability of ~US\$95.3 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

Component	Drawdown US\$'000	Interest LIBOR+	Interest \$
Revolver	\$51,244	4.50%	
Term	\$3,500	2.50%	
Mar 31/12	\$54,744	4.37%	\$ 643,255

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
2012	1,612,500	1,111,176	68.9%	\$6.10	124,081	89,760	72.3%	\$90.00
2013	2,000,000	1,407,720	70.4%	\$5.97	149,298	113,160	75.8%	\$90.00
2014	1,850,000	1,335,488	72.2%	\$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
2016	1,440,000	600,000	41.7%	\$4.49				
Total	8,552,500	5,620,384	65.7%	\$5.58	547,717	406,200	74.2%	\$90.00

IMPERIAL OIL & GAS PTY LTD (100%):

The Company's wholly owned subsidiary, Imperial Oil & Gas P/L continues to work through landowner negotiations and archaeological requirements for the 6 exploration licence applications covering around 75% of the McArthur Basin Trough 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-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 are underway.

CORPORATE

Annual General Meeting

The 2012 Annual General Meeting of members of the Company will be held at the offices of Nexia Court & Co., Level 29 Tower Building Australia Square, 264 George Street, Sydney NSW 2000 on Thursday 31 May 2012 at 10.00am.

Subsequent Events – Grant of Options

On 20 April, 2012 Directors granted 3,250,000 options pursuant to the Company's Employee Share Option Plan to key management personnel (non-related parties). The options were granted as an incentive to the employees of the Company to remain in their employment and in recognition of their contribution to the performance and success of the Company.

Each option entitles the holder to subscribe for one fully paid ordinary share in the issued capital of the Company at an exercise price of \$0.35 prior to their expiry date of 31 December 2014 subject to minimum term of employment conditions.

Project Development

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

1. Continued Kansas drilling and rework programs.
2. Continuing geological and engineering work of the Company's 303,000 acre land holding in the Western New York State.
3. Progress on the lifting of the fracking moratorium in New York State.

4. Progress on land holder negotiations for the potential large scale shale resources in the McArthur Basin, Northern Territory.

ABOUT EMPIRE ENERGY GROUP LIMITED

In early 2007, the Company established Empire Energy USA, LLC and currently holds around 95% of its issued capital. Empire Energy USA is an oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas). Total combined 2P reserves for the 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