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ASX Announcement - Farm-Out Finalisation

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DEFINITIVE AGREEMENTS SIGNED WITH AMERICAN ENERGY PARTNERS, LP AFFILIATE FOR NORTHERN TERRITORY 14.6 MILLION ACRE US\$75 MILLION FARM-OUT

The Directors of Empire Energy Group Limited (the 'Company') are pleased to announce that Definitive Agreements have been signed between Imperial Oil & Gas Pty Ltd, ("Imperial") a 100% owned subsidiary of the Company and AEGP Australia Pty Ltd ("AEGP"), an affiliate of American Energy Partners, LP ("AELP") for the farm-out and development of the Company's Northern Territory oil and gas tenements. The Definitive Agreements provide US\$60 million in Phase One funding and further provides access of up to US\$100 million of funding for Phase Two development. Two additional payments of US\$7.5 million each are payable in cash to Imperial, with the first payment payable on closing. The closing of the Definitive Agreements is subject to usual conditions for a transaction of this nature and size. The cut-off date for closing is within 120 days of the date of the Definitive Documents.

The keys terms of the Agreements as previously announced 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 upon closing. 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.

Empire Energy Group Chairman and CEO, Mr Bruce McLeod stated, *“Preliminary exploration work undertaken by the Company across its 14.6 million acres of tenements has demonstrated that the McArthur Basin holds a significant proven hydrocarbon system. Now, with world leading experience, expertise and capital being brought to the project by AEGP, the likelihood of proving up and developing commercial hydrocarbon resources in the Basin has increased significantly.*

Approvals for the closing of the Farm-out agreement from the necessary departments is being undertaken. In addition, planning and approval work relating to seismic and the location of drill pads on EP 184 and EP 187 has commenced, with on-ground work expected to proceed following the end of the wet season, being February to March 2016.

The establishment of low impact hydrocarbon production in these tenements will provide the opportunity to bring jobs and other significant long term benefits to the Traditional Owners and provide significant support for job creation and business opportunities throughout the Territory. The Company acknowledges the desire of the Traditional Owners to both maintain their rich culture but at the same time develop jobs and business opportunities. With the aid of Registered Training Organisations and the Department of Vocation, Education and Training, Imperial has developed and implemented an approved training program for local indigenous personnel.

With increasing demand for natural gas supply created from 5 LNG plants either existing or coming on stream in Northern and Eastern Australia over 2015 and 2016, forecasts are for strong, long term demand for the supply of natural gas. This means the development of the Company’s resources in the McArthur Basin, which from preliminary estimates has the potential to provide significant resources of natural gas and other petroleum products, is timely and will be closely monitored by end users.

For regional economics and especially in regard to the local Traditional Owners, the Northern Territory has seen tremendous job growth and community benefits from the energy resources industry. In November 2015 the construction of the North East Gas Interconnector pipeline was announced. This \$800 million natural gas pipeline project will link the Northern Territory to Mt Isa in Queensland bringing additional benefits to the region in which the Company is operating and provide a realistic export option for natural gas that may be discovered in Imperial’s Tenements.

The Directors of the Company, believe that the agreements Imperial has reached with both AEGP and the Traditional Owners for the development of these potential hydrocarbon resources within the Company’s McArthur Basin tenements will bring substantial, positive and long term benefits to all stakeholders”.

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 Imperial’s Tenements. A seismic and 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. 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 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.

ABOUT CAISMIR CAPITAL, LP

Casimir Capital, LP (“Casimir”), a US based investment bank, was engaged to help facilitate the introduction of potential joint venture partners for the Company’s Northern Territory assets. On the closing of this transaction Casimir will receive a facilitation fee for its services.