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ASX Announcement

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KANSAS ASSETS SALE

Empire Energy Group Limited (“Empire” or the “Company”) is pleased to advise shareholders that it has entered into a Purchase and Sale Agreement (“PSA”) with Mai Oil Operations, Inc (“Mai Oil”) for the sale of its Kansas assets for US\$19.1 million.

The sale proceeds will principally be used to retire debt to a maximum remaining gross debt balance of US\$8 million, while retaining a proportion from the sale proceeds for working capital and continued investment in Empire’s core Northern Territory shale assets.

The sale will enable Empire to retain cash flow positive production from its New York State and Pennsylvania (“Appalachia”) gas production assets and the substantial upside potential of the Marcellus Shale and Utica Shale rights in New York State.

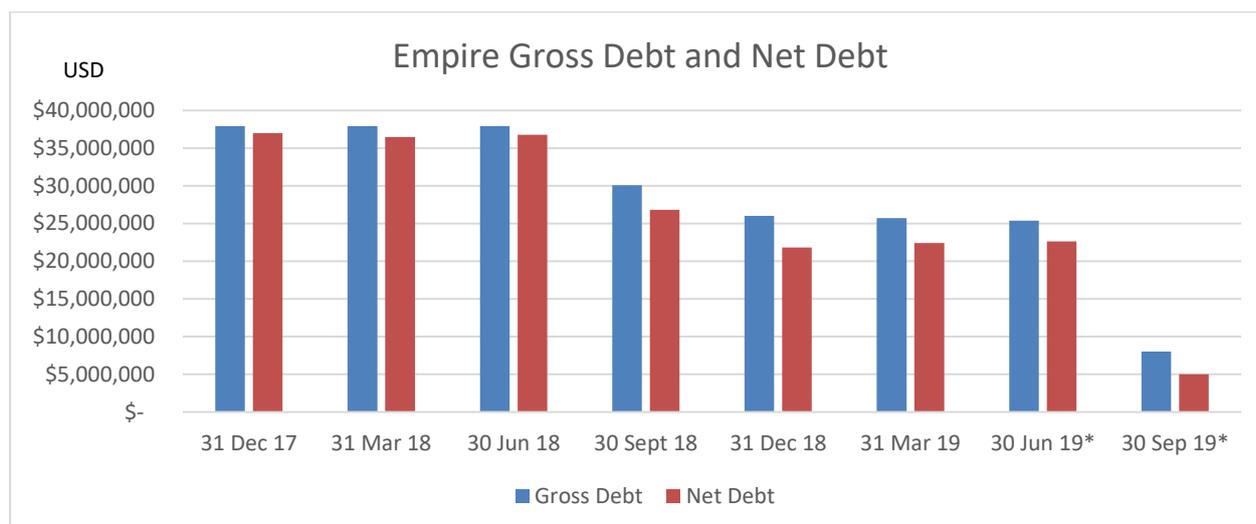
The execution of the PSA comes following a competitive tendering process with numerous interested parties in Australia and the United States of America and receipt of expressions of interest from multiple parties.

The sale is expected to complete in Q3 2019.

Alex Underwood, Chief Executive Officer of Empire said, “The sale of the Kansas assets represents a key milestone in the execution of Empire’s strategy to build value for shareholders through the reduction of debt and the continued focus on exploration and development in the McArthur and Beetaloo Basins.

“Over the last year management and the Board have concentrated their efforts on the active repair of Empire’s balance sheet to favourably position the company for growth in the McArthur and Beetaloo Basins. The execution of a recapitalisation and debt reduction program, as well as the Kansas asset sale has enabled us to substantially reduce debt and increase our working capital position ahead of the exploration and development program in the Northern Territory.”

EMPIRE DEBT REDUCTION¹



The recapitalisation and debt reduction program has resulted in a decrease of outstanding net debt from US\$36.8 million at 30 June 2018 to US\$22.6 million currently. Net debt will be further reduced to approximately US\$5 million following completion of the Kansas sale¹.

ENHANCED CASH POSITION

Empire's cash balance has increased from US\$1.1 million at 30 June 2018 to approximately US\$2.8 million at 30 June 2019. Cash proceeds from the Kansas assets sale after debt repayment will further complement the Company's cash balance to support its Northern Territory development plans.

APPALACHIAN GAS PRODUCTION ASSETS

Following the sale of the Kansas assets, Empire will retain its cash flow positive Appalachia gas production assets, and all of its interest in the Marcellus and Utica Shale acreage which underlies the New York State gas production.

The positive cash flow generated by the Appalachia gas production assets will service the remaining debt.

Empire holds its Marcellus Shale and Utica Shale acreage at little to no cost.

¹ 30 September 2019 gross and net debt are pro-forma assuming the completion of the Kansas asset sale and assuming that Empire spends ~US\$1 million from existing cash at bank on the Northern Territory EP187 2D seismic program during Q3 2019. 30 June 2019 gross and net debt are pro-forma.

KEY TERMS OF THE KANSAS ASSET SALE

Purchase Price	US\$19.1 million
Cash Deposit (already paid)	US\$2 million non-refundable except in limited circumstances
Purchaser	Mai Oil Operations, Inc
Seller	Empire Energy E&P, LLC (a wholly owned subsidiary of Empire)
Use of Proceeds	At least US\$17.1 million to prepay debt Balance of US\$2 million to closing costs, further debt reduction and increased working capital
Assets	All of Empire's wells, leases and associated infrastructure in Kansas, USA All of Empire's existing oil hedges (but not existing gas hedges)
Closing Date	90 days after execution of the PSA or earlier
Conditions Precedent	Completion of the transaction is subject to market customary and regulatory conditions precedent including (if required by the ASX) Empire shareholder approval, completion of confirmatory due diligence for a transaction of this nature and completion of debt financing by Mai Oil. Shareholders will be kept informed as to the status of these conditions as required.

NORTHERN TERRITORY OPERATIONS

The completion of the Northern Territory Government Onshore Petroleum Codes of Practice last week has paved the way for a recommencement of industry appraisal activities by onshore Northern Territory oil and gas operators.

It is our understanding that both Santos and Origin are poised to commence civil construction in preparation for the drilling and hydraulic fracturing of horizontal appraisal wells, following environmental approvals recently received by the Northern Territory Government.

Empire continues to progress work program approvals for the EP187 2D Seismic Environment Management Plan (EMP) through the Northern Territory Government. Formal assessment of the EMP is expected in the coming weeks and subject to approvals, Empire expects to commence on-ground seismic activities in Q3 2019. The seismic acquisition phase will be approximately three weeks, followed by processing and interpretation of approximately two months.

The Empire EP187 2D seismic program is fully funded from cash at bank.

Empire is presently in the process of engaging with the Northern Territory Government and other companies active in the Northern Territory oil and gas industry on the consultation process announced by the Government on 30 May 2019 regarding the imposition of proposed Reserved Blocks, which will define the areas in which petroleum exploration and development may be carried out. The Company will advise shareholders as those discussions progress.

ABOUT MAI OIL

Mai Oil Operations, Inc. is a privately held, independent oil operator and producer focused on the acquisition, exploration, and development of oil and gas properties. Founded in 1949, Mai Oil has over six decades of industry experience and is a family legacy owned company, currently in its 4th generation.

Headquartered in Dallas, TX with a regional office in Russell, Kansas, Mai Oil's core areas of operations are in the Mid-Continent region of the United States. Mai Oil has a legacy of excellence in the state of Kansas and is currently ranked the #7 top producer in Kansas, according to 2018 Kansas Geological Survey Top 50 Operators.

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 MidCon (Kansas and Oklahoma).

The Company has over 14.5 million acres in the McArthur & Beetaloo Basins, Northern Territory, both of which are considered highly prospective for large shale oil and gas resources. Work undertaken by the Company since 2010 demonstrates that the Central Trough of the McArthur Basin, of which the Company holds around 80%, is highly prospective, with key similarities to those extending through Oman, Siberia and Southern China and which contain resources of billions of barrels of oil equivalent.