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**EMPIRE ENERGY GROUP LIMITED**

ABN 29 002 148 361

**NOTICE OF GENERAL MEETING AND  
EXPLANATORY STATEMENT  
TO SHAREHOLDERS**

**CONVENED UNDER SECTION 249D  
OF THE CORPORATIONS ACT 2001 (CTH)**

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The General Meeting will be held at  
Nexia Australia, Level 16, 1 Market Street, Sydney NSW 2000  
at 11:00am (AEDT) on 6 February 2019.

Shareholders are urged to attend the meeting or vote by lodging the proxy form  
attached to this Notice of General Meeting.

*This Notice of General Meeting should be read in its entirety. If Shareholders are in doubt  
as to how they should vote, they should seek advice from their accountant, solicitor or other  
professional adviser prior to voting.*

***Should you wish to discuss any matter please do not hesitate to contact the Company  
by telephone on +61 2 9251 1846***

**RECOMMENDATION:**

**VOTE AGAINST ALL OF THE RESOLUTIONS FOR BOARD  
CHANGES (EXCEPT RESOLUTION 5)**

**VOTE IN FAVOUR OF RESOLUTION 5 - THE REMOVAL OF  
LINDA TANG**

# LETTER FROM THE CHIEF EXECUTIVE OFFICER

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Dear Shareholders,

## Introduction

I would like to take this opportunity to highlight some of our Company's achievements since my appointment as CEO on 30<sup>th</sup> August 2018 and to shed some light on the Requisitioning Shareholder and its clear motivations for our Company.

When I joined Empire in March 2018, our Company was heavily overleveraged, with US\$38m debt, approximately 9.5 times our free cash flow. In Australia, there was a moratorium in place preventing fracture stimulation of shale reservoirs in the McArthur Basin, a critical component of the value and commercial success for our Northern Territory assets.

I joined our Company despite these challenges, looking forward to the opportunity to turn our Company around with the clear aim of unlocking the value inherent in our Northern Territory assets which I am confident will be substantial. Following the sad passing of our former CEO and Executive Chairman, Bruce McLeod, in August this year, I accepted the role of CEO. It is an opportunity that I am grateful for and I have worked tirelessly to act in all of your interests.

After consultation with a number of major shareholders of our Company, Mr John Gerahty and Mr Paul Espie AO were appointed to the Board of Directors in early November 2018. Both individuals have outstanding track records of stewardship and value creation in corporate Australia, including positions on the boards of numerous ASX listed resources companies.

Entities associated with Mr Gerahty, Mr Espie and myself have each made substantial investments in our Company and our interests are firmly aligned with that of the success of the Company. It is our present intention to make further investments in our Company at the appropriate time.

## Company Achievements

The expertise of our current Board and management has been instrumental in enabling us to achieve significant strategic milestones. I am very pleased to share with you that since August 2018 we have:

1. Successfully negotiated a new 3-year debt facility with Macquarie Bank Limited after an extensive competitive tendering process which led to a reduction in debt of more than 30%;
2. Successfully reduced corporate overhead by approximately 50%;
3. Increased our Company's cash balance from ~US\$1.2m to ~US\$4m;
4. Made material progress on our Northern Territory exploration program recommencement with most approvals in place to carry out a 231-line km 2D seismic survey in EP187 at the commencement of the 2019 dry season (April / May 2019);
5. Successfully commenced the Kansas production enhancement program with results expected to be announced to the market imminently;
6. Considered further avenues of reducing our debt, which includes discussions with multiple parties who have expressed an interest in acquiring all or some of our USA assets.

## Company Strategy

After a long period where the focus was on survival, I am proud to say that our Company is now well positioned to focus on growth.

Global Energy and Resources Development Limited ("GERD"), the Requisitioning Shareholder, has stated that our Company should focus on eliminating debt through the sale of the USA assets to focus on our assets in the Northern Territory. As GERD is well aware, since I took on the role as CEO, and

since our new directors were appointed, management and the Board have been looking to optimise the value of the USA assets and further reduce debt levels.

To that end, as mentioned above, we are currently in discussions with multiple parties regarding a sale of part, or all, of our USA assets which would result in a material reduction or full repayment of debt. However, market conditions in the USA are challenging and we will only sell these assets for fair value and if we believe that it is in the best interests of all shareholders.

### **About the Requisitioning Shareholder**

GERD is a privately-owned company that our Company has reasonable grounds to believe is beneficially owned or otherwise controlled by a Chinese national, Michael Tang (also known as Tang Yan Tian Michael). It has recently come to our attention that Mr Tang is presently under investigation by the Securities and Futures Commission of Hong Kong (“SFC”) in connection with another corporate matter. Details are presented on the SFC website. GERD’s Chairman is a former Perth stockbroker by the name of Frank Magnus. GERD became a major shareholder of our Company in May 2017, a time of major financial distress, acquiring 17.1% of our Company by investing A\$1.5m.

It is my understanding (pre-dating my involvement with the Company) that in association with that investment, Michael Tang’s daughter, Linda Tang, was offered, and accepted, a seat on the Board of our Company. Ms Tang lives in the USA and based on my experience to date, has provided limited input into the Company’s strategic direction. Furthermore, GERD’s own statement in this Notice of Meeting clearly demonstrates that Ms Tang has divulged confidential Board and Remuneration Committee discussions to GERD. This is detrimental to the best interests of all shareholders and contrary to proper corporate practice.

### **The Requisitioning Shareholder’s Intentions**

On 10<sup>th</sup> and 11<sup>th</sup> May 2018, shortly after I joined our Company, Michael Tang visited Sydney to meet with the management of our Company. During those discussions, Michael Tang expressed a desire for GERD to have a second representative on the Board of our Company. This would have given GERD two Board seats out of a total of four. The proposed nominee was Bart Magnus, the son of Frank Magnus. His resume clearly demonstrated that he would not be qualified to sit on the Board of an ASX listed oil and gas company. The only corporate experience listed was working for his father’s suburban Perth stock broking business. Not only did Michael Tang attempt to effect this appointment, but at the end of the meetings he presented an invoice to our former CEO for the cost of his business class flights from Beijing to Sydney.

GERD’s requisition speaks of a desire for independence, good corporate governance and preventing an ‘incestuous’ corporate culture. Their expressed priorities in this requisition are inconsistent with their actions. GERD’s requisitions would give it 100% of the Board with 10.7% of the shares on issue.

**It is clear that Mr Tang and Mr Magnus, through GERD’s investment, would like to take control of our Company by controlling the Board without making a takeover offer and paying a control premium for all of the shares on issue.**

### **Board Augmentation**

Management and the Board considers that further Board experience and capacity will be positive as our Company grows into a material Northern Territory focused upstream oil and gas company. To that end the Company announced on 8<sup>th</sup> November 2018 that a search was underway for a candidate with suitable oil and gas geological and other expertise. We are currently considering a number of suitable candidates and will update our Shareholders in due course.

### **How you should vote**

A vote for GERD’s resolutions is a vote for handing control to a shareholder which owns 10.7% of our Company without paying for it. GERD has no interest in acting in the interests of all shareholders. It is seeking to establish a Board which will act in the interests of GERD at the expense of all shareholders. With volatility in global markets expected to continue it is vital that we have a stable, experienced Board with demonstrable expertise guiding companies through these challenging conditions while leveraging our growth opportunities.

**I urge you to vote:**

- **against the resolutions of GERD, except for the resolution to remove Linda Tang from the Board; and**
- **for the removal of Linda Tang.**

I will continue to work tirelessly to further your best interests and unlock the substantial value in our Company's Northern Territory assets.

If you would like to speak to me directly about these matters, please do not hesitate to contact me.

Yours sincerely,



Alex Underwood

Chief Executive Officer and Managing Director

Empire Energy Group Limited

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## KEY MESSAGES

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Your Directors (other than Linda Tang) unanimously recommend that shareholders vote AGAINST resolutions 1 – 10 (other than resolution 5).

### 1. Board priorities

- The focus of our CEO and current Board has been on the successful restructuring of our balance sheet and reduction of previous unsustainable levels of debt to enable us to advance our Northern Territory exploration program.
- The Board is currently exploring a number of options that will further realise value with respect to our USA assets.
- This includes the possible sale of part, or all, of our USA assets which would result in a material reduction of debt and would free up capital to enable us to pursue growth opportunities in Australia's Northern Territory.
- Our McArthur Basin assets are strategically located in a world class emerging petroleum shale play and provide highly prospective commercial opportunities since the lifting of the Northern Territory Fracking Moratorium and Northern Territory Government support for shale gas exploration activities.

GERD assertions	The Company's response
USA assets should be sold to retire debt and the Company should focus its strategy on wealth creation of the Northern Territory assets.	<p>The Board agrees and is already actively pursuing a strategy to restructure the balance sheet and focus on growth opportunities in the Northern Territory.</p> <p>However, market conditions are challenging, and to this end, the Board will only sell the USA assets for fair value.</p>

### 2. Board composition and governance

- Our Board is comprised of professionals with significant investment and financing expertise including within the oil and gas sector.
  - Mr Underwood has extensive expertise in the valuation of, and investment in, oil and gas sector assets, especially in Australia and the USA.
  - Mr Espie and Mr Gerahty have long and distinguished careers in corporate Australia and extensive experience guiding Australian resources companies through periods of significant growth.
- The Board is responsible for the appointment of Directors and the CEO. Appointments are made in accordance with the Company's constitution and the Corporations Act and ASX Listing rules.
- The expertise of our current Board has been instrumental in enabling us to successfully restructure our balance sheet, reduce debt and position us well to pursue the significant commercial opportunities available in the Northern Territory.
- As announced in November 2018, a search remains underway to fill a further Board position with a candidate who has suitable oil and gas expertise to help us optimise our Northern Territory opportunities. A number of suitable candidates are currently being considered.

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GERD assertions	The Company's response
<p>Lack of governance around the formulation of the CEO remuneration package.</p>	<ul style="list-style-type: none"> <li>• This assertion is false and defamatory.</li> <li>• An independent leading Australian remuneration consultant was engaged to advise on a remuneration package for the CEO.</li> <li>• Major shareholders, including GERD, were consulted on the composition of the remuneration package.</li> <li>• GERD sought modifications to the remuneration package.</li> <li>• The Chairman of the Remuneration Committee, Mr Sutton, did not agree with those changes.</li> <li>• Mr Underwood did not create any modifications to his remuneration package.</li> <li>• There is currently no finalised CEO employment contract in place. The Board continues to work with the independent remuneration consultant regarding the optimal structure of the remuneration package.</li> </ul>
<p>The importance of independent Board representation.</p>	<ul style="list-style-type: none"> <li>• There is a serious question in relation to the independence of the Requisitioning Shareholder's nominated directors.</li> <li>• At least one of the proposed directors has a close personal association with GERD and its principals.</li> <li>• In addition, there is evidence to suggest long standing commercial relationships between the principals of GERD and several of the proposed directors.</li> <li>• Based on the extremely brief and intentionally vague information provided by GERD in respect of its proposed nominees, our Company is unable to form a view as to their suitability to execute our Company's strategy.</li> <li>• Linda Tang, GERD's current Board representative is the daughter of Michael Tang, who we have reasonable grounds to believe (and no reason to believe otherwise) is the beneficial owner and/or effective controller of GERD.</li> <li>• GERD has previously sought a second Board representative, requesting the appointment of Bart Magnus, the son of GERD's Chairman, Frank Magnus. The Board declined on the basis that he had no appropriate corporate experience or qualifications.</li> </ul>

**It is evident that GERD would like to take control of our Company by controlling the Board of Directors without making a takeover offer and paying a control premium for all of the shares on issue.**

### 3. Capital Management

- The Company's recently appointed Board members have a strong focus on actively reducing debt.
- In August 2018 following an extensive tender process, the Company's maturing 3-year debt facility was successfully refinanced.
- The August recapitalisation resulted in the successful reduction of debt by more than 30% to more sustainable levels which has strengthened our Company's balance sheet.
- Our Company has successfully reduced corporate overhead by approximately 50% under the stewardship of the new management and Board.
- GERD has not proposed an alternative capital management plan or demonstrated that they can create superior value to that achieved under the supervision of the current Directors.

GERD assertions	The Company's response
<p>Equity raisings that have taken place over the last two years have blown the issued capital of the Company out 6.5 times with no change in the underlying assets.</p>	<ul style="list-style-type: none"> <li>• Under the terms of our Company's 3-year debt facility refinanced in August, a US\$7.5m cash principal repayment was required to be funded by an equity capital raising.</li> <li>• The August recapitalisation resulted in the successful reduction of debt by more than 30% to more sustainable levels which has strengthened Empire's balance sheet.</li> <li>• GERD has participated in every capital raising over the last two years and has not previously expressed dissatisfaction.</li> <li>• Mr Espie and Mr Gerahty were not Directors of the Company at the time of any capital raising over the last two years.</li> <li>• Mr Underwood was a Director only at the time of the August capital raising but not for any other capital raisings over the last two years.</li> <li>• Ms Tang, GERD's representative on the Board, was a Director at the time of the February and August 2018 capital raisings. She became a Director following GERD becoming a major shareholder post the May 2017 capital raising.</li> </ul>
<p>One of the capital raisings over the last two years was conducted at a 40% discount to the prevailing market share price. GERD further claims that the capital raising was mispriced and resulted in existing shareholders being unnecessarily diluted.</p>	<ul style="list-style-type: none"> <li>• This statement is factually incorrect. No capital raisings over the last two years have been carried out at a 40% discount to market price.</li> <li>• An independent, highly respected Australian stockbroking firm, Baillieu Holst, advised on the structure and pricing of the capital raising in February 2018.</li> <li>• Two independent, highly respected Australian stockbroking firms, Baillieu Holst and Bell Potter Securities, advised on the structure and pricing of the capital raising in August 2018.</li> </ul>

Your Directors (other than Linda Tang) unanimously recommend that shareholders vote IN FAVOUR of resolution 5.

1. GERD nominated Linda Tang, daughter of Michael Tang, the beneficial owner and/or effective controller of GERD, as its representative on the Board once it became a major shareholder in 2017.
2. Ms Tang is based in USA and has a number of other responsibilities which direct her attention.
3. Ms Tang has provided limited input into the Company's strategic direction.
4. Ms Tang has breached Board confidentiality by divulging confidential Board and Remuneration Committee discussions to GERD.
5. It is the Company's view that Ms Tang does not act in the best interests of ALL shareholders, but rather acts in the interests of GERD.

Ms Tang has advised that she disagrees with assertions 1, 4 and 5 above.

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**EMPIRE ENERGY GROUP LIMITED**  
ABN 29 002 148 361

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**NOTICE OF MEETING**

Notice is hereby given that the General Meeting of shareholders of Empire Energy Group Limited (ABN 29 002 148 361) (the "**Company**") will be held at Nexia Australia, Level 16, 1 Market Street, Sydney NSW 2000 at 11:00am (AEDT) on Wednesday, 6 February 2019 (the "**Meeting**") ("**Notice of Meeting**").

The Explanatory Memorandum to this Notice of Meeting provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice of Meeting.

All of the resolutions are ordinary resolutions, meaning that they can be passed by a simple majority of votes cast by shareholders entitled to vote.

**How to Vote**

You may vote by attending the meeting in person, by proxy or corporate representative.

**Voting in Person**

To vote in person, attend the Meeting on the date and place as set out in this Notice of Meeting.

**Voting by Proxy**

To vote by proxy, please complete and sign the Proxy Form enclosed within this Notice of Meeting, so that it is received no later than 11:00am (AEDT) on Monday, 4 February 2019, being 48 hours prior to the Meeting. Proxy forms received later than this time will be invalid. Two proxy forms accompany this Notice of Meeting.

The Chair of the Meeting ("**Chair**") intends to vote all undirected proxies:

- against each of the Resolutions (other than Resolution 5); and
- in relation to Resolution 5, in favour of Resolution 5.

**Green Proxy Form**

The green proxy form accompanying this Notice of Meeting is a pre-completed form appointing the Chair of the meeting (proposed to be David Sutton or in his absence, Alexander Underwood) as your proxy and is completed to direct the Chair of the meeting (proposed to be David Sutton or in his absence, Alexander Underwood) to vote:

- against each of Resolutions (other than Resolution 5); and
- in relation to Resolution 5, in favour of Resolution 5.

If you wish to support the Board's recommendation and would like to appoint a representative of the Board as your proxy, then you may simply use the green proxy form.

**White Proxy Form**

Alternatively, you may complete the white proxy form accompanying this Notice of Meeting, which is an open form, by appointing up to two proxies to attend and vote on your behalf or by appointing the Chair as your proxy.

If you wish to appoint two proxies, a second open proxy form can be obtained from the Company's share registry or you may copy the proxy form provided. Both forms should be completed with the nominated number of voting rights each proxy is appointed to exercise. If you appoint two proxies and the appointment does not specify the number of votes the proxies may exercise, each proxy may exercise one half of the shareholder's votes.

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Hand deliveries:  
Computershare Investor  
Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

Postal address:  
Computershare Investor  
Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001

Alternatively, you can fax your proxy form so that it is received no later than 11:00am (AEDT) on Monday, 4 February 2019 on the fax number listed below.

Fax Number: 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia)

Similarly, a shareholder who wishes to appoint their proxy electronically through [www.investorvote.com.au](http://www.investorvote.com.au) (or [www.intermediaryonline.com](http://www.intermediaryonline.com) for relevant intermediaries who participate in the Intermediary Online service) must do so by no later than 11:00am (AEDT) on Monday, 4 February 2019.

#### **Proxy Forms Enclosed**

This is an important document. Please read it carefully. If you are unable to attend the Meeting please complete an enclosed Proxy Form and return it in accordance with the instructions set out on that form.

#### **Votes of Members**

On a show of hands, each shareholder present in person or by proxy (or, in the case of a body corporate, by a representative) at the Meeting shall have one vote. On a poll, every member present in person or by attorney or by proxy (or, in the case of a body corporate, by a representative) at the Meeting shall have one vote for each share held provided that all shares are fully paid.

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## AGENDA

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### **Resolution 1: Removal of David Sutton as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to section 203D of the Corporations Act, David Sutton be removed as a director of the Company with effect from the close of the meeting."*

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### **Resolution 2: Removal of Alexander Underwood as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to section 203D of the Corporations Act, Alexander Underwood be removed as a director of the Company with effect from the close of the meeting."*

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### **Resolution 3: Removal of Paul Espie as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to section 203D of the Corporations Act, Paul Espie be removed as a director of the Company with effect from the close of the meeting."*

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### **Resolution 4: Removal of John Gerahty as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to section 203D of the Corporations Act, John Gerahty be removed as a director of the Company with effect from the close of the meeting."*

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### **Resolution 5: Removal of Linda Tang as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to section 203D of the Corporations Act, Linda Tang be removed as a director of the Company with effect from the close of the meeting."*

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### **Resolution 6: Removal of all other persons appointed as a Director on or after 0900 hours on the date of the Requisition up to and including the commencement of the Meeting**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That, pursuant to section 203D of the Corporations Act, all persons appointed as a Director of the Company on or after 0900 hours on the date of the Requisition up to and including the commencement of the General Meeting be removed as a director of the Company with effect from the close of the meeting."*

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**Resolution 7: Appointment of Edward (Ted) Patrick Jacobson as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That Edward (Ted) Patrick Jacobson be appointed as a director of the Company with effect from the close of the meeting."*

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**Resolution 8: Appointment of Joseph Samuel Graham as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That Joseph Samuel Graham be appointed as a director of the Company with effect from the close of the meeting."*

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**Resolution 9: Appointment of James Eric Hulme as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That James Eric Hulme be appointed as a director of the Company with effect from the close of the meeting."*

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**Resolution 10: Appointment of Bruce Montgomery Garlick as a Director**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

*"That Bruce Montgomery Garlick be appointed as a director of the Company with effect from the close of the meeting. "*

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## EXPLANATORY STATEMENT

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This Explanatory Memorandum has been prepared to explain the resolutions set out above and to provide information that the Board of Directors believes is material to shareholders in relation to the resolutions. The Company recommends that shareholders read this Explanatory Memorandum and the enclosed statements before making any decisions in relation to the resolutions.

This Explanatory Statement should be read in conjunction with the Notice of Meeting.

### BACKGROUND

On 10<sup>th</sup> December 2018, the Company received a notice (the "**Requisition Notice**") under section 249D of the Corporations Act 2001 (Cth) ("**Corporations Act**") from Global Energy and Resources Development Limited of 39 Kirwan Street, Floreat, Western Australia (the "**Requisitioning Shareholder**") proposing resolutions for the removal of David Sutton, Alexander Underwood, Paul Espie, John Gerahty, Linda Tang (the "**Directors**"), and all other persons appointed as a director of the Company on or after 0900 hours on the date of the Requisition Notice up to and including the commencement of the Meeting, being resolutions 1 to 6 in this Notice of Meeting. The Requisition Notice further proposed resolutions for the appointment of each of Edward (Ted) Patrick Jacobson, Joseph Samuel Graham, James Eric Hulme and Bruce Montgomery as directors of the Company (the "**Proposed Directors**"), being resolutions 7 to 10 in this Notice of Meeting.

At the time of lodging the Requisition Notice, the Requisitioning Shareholder held approximately 10.7% of the voting power in the Company.

### AUTHORITY TO CONVENE THE MEETING

Any shareholder (or group of shareholders) holding more than 5% of the votes that may be cast at a general meeting is entitled to requisition pursuant to section 249D of the Corporations Act that a general meeting be called to have resolutions considered.

Having received the notice given under section 249D, the Company must call a general meeting of the Company within 21 days after the requisition. The meeting must be held no later than 2 months after the notice under section 249D is received.

### REASONS FOR CALLING THE MEETING

The Requisitioning Shareholder has requisitioned the Meeting because, as a shareholder, it has concerns regarding:

- a) the equity capital raisings which have taken place over the two previous years, including the issuance in August 2018 to raise \$15 million; and
- b) the composition of the Board of the Company.

A full statement from the Requisitioning Shareholder pursuant to section 249P of the Corporations Act can be found below.

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## CURRENT BOARD AND APPOINTMENT DETAILS

The Company currently has five Directors – David Sutton, Alexander Underwood, Paul Espie, John Gerahty and Linda Tang.

The resolutions to be considered at the Meeting are in the form required by the Requisitioning Shareholder.

The tenure of the current Directors is as follows:

Director	Appointment Date	Last Re-elected at an Annual General Meeting
Alexander Underwood	30 August 2018	N/A as appointment post last AGM
Paul Espie	8 November 2018	N/A as appointment post last AGM
John Gerahty	8 November 2018	N/A as appointment post last AGM
Linda Tang	2 June 2017	31 May 2018
David Sutton	17 January 1997	31 May 2018

## ABOUT THE CURRENT DIRECTORS

### David Sutton

#### Introduction

Resolution 1 relates to the removal of Mr David Sutton as a Director of the Company. This resolution has been proposed by the Requisitioning Shareholder.

#### Information concerning Mr Sutton

Mr Sutton has many years experience in sharebroker and investment banking. This includes as a director and partner of several ASX participant firms. His career focus has been on the resources sector which has included positions as a director of several ASX listed companies.

He is CEO of APC Securities Pty Ltd, a boutique financial services company and currently he is a director of several public and private unlisted companies.

Mr Sutton holds a B.Comm and ACIS.

### Alexander Underwood

#### Introduction

Resolution 2 relates to the removal of Mr Alexander Underwood as a Director of the Company. This resolution has been proposed by the Requisitioning Shareholder.

#### Information concerning Mr Underwood

Mr Underwood joined Empire Energy on 6<sup>th</sup> March 2018 as Chief Executive Officer of its wholly owned subsidiary Imperial Oil & Gas Pty Limited. Mr Underwood was appointed as Chief Executive Officer and Managing Director of Empire Energy Group Limited on 30<sup>th</sup> August 2018.

Mr Underwood has nearly 15 years of specialist upstream oil and gas investing and financing experience. Previously he spent 2 years with the Commonwealth Bank of Australia in Singapore as Director in the Natural Resources Division and 9 years with Macquarie Bank in Sydney and Singapore and Sydney as Associate Director in the Energy Markets Division. He commenced his career at BHP Billiton Petroleum in Perth and Melbourne.

He holds Bachelor Degrees in Commerce (Accounting) (Honours) and Laws (Certificate of Specialisation in Corporate and Commercial Law).

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## **Paul Espie AO**

### **Introduction**

Resolution 3 relates to the removal of Mr Paul Espie AO as a Director of the Company. This resolution has been proposed by the Requisitioning Shareholder.

### **Information concerning Mr Espie AO**

Mr Espie AO was the founding principal of Pacific Road Capital, a manager of private equity funds investing in the resources sector internationally, in 2006. He was Chairman of Oxiana Limited during the development of the Sepon copper/gold project in Laos (2000 to 2003) and prior to that Chairman of Cobar Mines Pty Ltd after a management buy-out in 1993. Mr Espie was previously responsible for Bank of America operations in Australia, New Zealand and Papua New Guinea and Chairman of the Australian Infrastructure Fund.

He is a Director of Aurelia Metals Limited, a Fellow of the Australian Institute of Company Directors, Trustee of the Australian Institute of Mining & Metallurgy, Educational Endowment Fund, and a Director of the Menzies Research Centre.

## **John Gerahty**

### **Introduction**

Resolution 4 relates to the removal of Mr John Gerahty as a Director of the Company. This resolution has been proposed by the Requisitioning Shareholder.

### **Information concerning Mr Gerahty**

Mr Gerahty is a former investment banker and company director with wide experience in business and commerce. He was a Founding Director of Macquarie Bank and has served as a director of a considerable number of publicly listed companies, including roles as Chairman of AFP Group PLC and MPI Mines Ltd.

He is currently Chairman of Hardie Grant Pty Ltd publishing group, its major shareholder Associated Media Investments Pty Ltd, and an associated company AMI Advertising Media Pty Ltd. He is also a Director of Kaplan Partners Pty Ltd and Kaplan Funds Management Pty Ltd, as well as his family owned Liangrove group companies. He was formerly a Director (and Chairman) of the Sydney Swans, a Director of Cricket NSW, and a Trustee of the SCG Trust.

## **Linda Tang**

### **Introduction**

Resolution 5 relates to the removal of Ms Linda Tang as a Director of the Company. This resolution has been proposed by the Requisitioning Shareholder.

### **Information concerning Ms Tang**

Ms Tang was afforded the opportunity to include her resume in this Explanatory Statement and requested that it not be included.

Ms Tang was also afforded the opportunity to provide a written statement under section 203D of the Corporations Act as to why she should not be removed as a Director of the Company. Ms Tang declined to make any written statement.

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## **ABOUT THE PROPOSED DIRECTORS**

### **Ted Jacobson - BSc (hons) Petroleum Geophysicist. Semi-retired.**

The following statement was provided by the Requisitioning Shareholder:

"Over 40 years in the petroleum industry with positions in Total, Union Oil, Santos, Ranger (Petroz), Tap Oil (Founding Director) and Carnarvon Petroleum (CEO). Highly regarded in the industry, Ted was awarded the Lifetime Achievement Award in 2012 by his peers.

Ted's particular talent is interpretation of seismic lines, locating traps and optimum drilling locations. This talent will be particularly required in understanding the structures of the McArthur/Beetaloo Basins. At Carnarvon, Ted was instrumental in identifying the Phoenix oilfield, and at Tap, the Woollybutt discovery in 2000."

The Company has not received any other information concerning Mr Jacobson's credentials and experience, or his plans for the Company. As such, the Directors are unable to comment on the suitability of Mr Jacobson to act as a director, nor the skills he would bring to the Board.

### **Jim Hulme -BSc (hons) Petroleum Engineer. Semi-retired.**

The following statement was provided by the Requisitioning Shareholder:

"Currently based in Cheshire UK, Jim has worked all over the world for 48 years. From his post graduate training with Shell in Holland, Jim has an extraordinary CV of working as Drilling Manager/Superintendent/Reservoir Engineer with some 28 world oil companies in every continent. He specialises in full well design and accounting both on and offshore drilling.

In his semi-retirement, Jim is lecturing and preparing bid proposal work for a Project Management Company. He loves Australia and relishes a grass roots opportunity."

The Company has not received any other information concerning Mr Hulme's credentials and experience, or his plans for the Company. As such, the Directors are unable to comment on the suitability of Mr Hulme to act as a director, nor the skills he would bring to the Board.

### **Bruce Garlick - BComm, LLB, CPA, FCIS.**

The following statement was provided by the Requisitioning Shareholder:

"Bruce has worked for 37 years variously in audit, as CFO, Company Secretary roles with experience in ASX listed companies. In his capacity as CFO of a Hong Kong listed company, he successfully negotiated loans for the company for acquisition of new oil tenements and is entirely familiar with mining company accounts.

The Company has not received any other information concerning Mr Garlick's credentials and experience, or his plans for the Company. As such, the Directors are unable to comment on the suitability of Mr Garlick to act as a director, nor the skills he would bring to the Board."

### **Joe Graham - BSc. Petroleum Engineer (Proposed CEO of Empire Energy).**

The following statement was provided by the Requisitioning Shareholder:

"Particular expertise in full field modelling and highly advanced use of specialised software. At various times, Joe has worked with Woodside, Normandy Oil, Pemex (Mexico), Apache, Shell, Chevron and Helix RDS (UK) over a period of 25 years. Joe is entirely familiar with field valuation and negotiating acquisitions and farm-ins.

The Company has not received any other information concerning Mr Graham's credentials and experience, or his plans for the Company. As such, the Directors are unable to comment on the suitability of Mr Graham to act as a director, nor the skills he would bring to the Board."

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# STATEMENT BY REQUISITIONING SHAREHOLDER PURSUANT TO SECTION 249P OF THE CORPORATIONS ACT

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Global Energy and Resources Development Limited (**Requisitioning Shareholder**), being the registered holder of at least 5% of the votes that may be cast at a general meeting of Empire Energy Group Limited (**Company**), has requested the Company convene a general meeting of shareholders to consider resolutions to remove David Sutton, Alexander Underwood, Paul Espie, John Gerahty and Linda Tang as directors and to appoint four new directors, Edward (Ted) Patrick Jacobson, Joseph Samuel Graham, James Eric Hulme and Bruce Montgomery Garlick.

The Requisitioning Shareholder has requisitioned the general meeting because, as a shareholder, it has significant concerns regarding:

1. the equity capital raisings which have taken place over the past 2 years, including the dilutive, under-priced and value-destroying issue in August 2018 to raise \$15 million; and
2. the composition of the Board.

## Equity capital raisings

Over the past 2 years the issued capital of the Company has blown out 6.5 times with no change in the underlying assets. The bulk of the funds raised by the issue of new equity has been spent on excesses and massaging the still huge debt to Macquarie Bank.

One of these capital raisings was done at a staggering 40% discount to the prevailing market share price. At the time there was ample capital available within the shareholder group or capacity to place funds at the normal 10% discount to market. The greater proportion of those shares went to 'friends of the Board'. That exercise resulted in existing shareholders being unnecessarily diluted by the issue of 40 million new shares.

## Composition of the Board

Bruce McLeod was the long term Executive Chairman and CEO of the Company from 1996 until late August 2018. He was able, without challenge or scrutiny, to nominate his own Board. He appointed David Sutton, who is a stockbroker and close personal friend, to the Board in January, 1997. In March this year Bruce McLeod persuaded Alexander Underwood to join the group as CEO of a subsidiary of the Company, with promises of financial compensation for leaving a solid job as a banker.

When it became apparent that Bruce McLeod could not continue in his roles due to ill-health, he appointed Alexander Underwood as acting CEO of the Company and David Sutton the acting/ interim Chairman.

Linda Tang was appointed a director of the Company in June 2017 at the request of the then largest shareholder group in the Company which includes the Requisitioning Shareholder. She is a banker resident in New York but as a lone voice on the Board she has been severely limited in her capacity to improve corporate governance standards.

In a Notice of General Meeting dated 17 August 2018, convened by the Board to ratify the most recent equity raising, a Resolution was unexpectedly included to approve the introduction of an Executive Incentive Plan. Under pressure from the Requisitioning Shareholder and other shareholders, that Resolution was withdrawn prior to the meeting. We were informed that the Executive Incentive Plan was originally shaped by Bruce McLeod and had supposedly been 'ratified' by the Remuneration Committee consisting of David Sutton and Linda Tang. However, in fact David Sutton and Linda Tang had never had either a telephone conversation or email exchange on any subject let alone approval of this proposed Executive Incentive Plan.

A new Remuneration Package for Mr Underwood, the CEO, was subsequently shaped with some consultation with the major shareholders. Mr Underwood then created his own modifications and, without any further consultation, submitted it to the Remuneration Committee for ratification. Not surprisingly, the vote there was 1-1 so we don't know what has happened to that.

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Most recently, and perhaps the most damning proof that this adverse culture at the Board level is continuing, is the recent announcement of two new Directors, Paul Espie and John Gerahty. Both undoubtedly fine gentlemen but they are both close personal friends of the CEO, Alexander Underwood, and indeed, Paul Espie is his Uncle!

### **What the Company needs**

Key requirements for any reputable public company Board are independence and knowledge of, or experience in, the industry in which the company operates. Self-interest has no place and the best interest of all shareholders must be the guiding principle.

Quite apart from the excessively close composition of the Board, its composition is entirely inappropriate for an exploration oil and gas company. The Board should consist of a mixture of petroleum geologist, petroleum engineer, mining accountant, oil and gas/corporate lawyer etc. Not one of these vital disciplines are a part of this Board. Indeed, there seems not a shred of on-the-ground experience in the oil and gas industry amongst them.

The Requisitioning Shareholder holds a strong belief that the US assets should be sold in the near term to retire all existing debt and the Company should focus its strategy for wealth creation for shareholders on the Northern Territory assets. But these assets must be handled by professionals with experience in the oil and gas sector.

The actions of the Board over the past 2 years have exceeded the bounds of sensible decision-making and there has been a complete failure in corporate governance standards being attained in the re-constitution of the Board over the past several months. As a result, we have completely lost any confidence in the judgment of the Board.

We hope you will support us in this endeavour to replace the entire Board with suitable people with the proper experience and qualifications to ensure that the best interests of all shareholders are taken into account and past cronyism is brought to an end.

The McArthur Basin and Beetaloo sub-Basin asset is a 'once-in-a-lifetime' oil and gas asset and the lifting of the fracking restrictions leaves the way open for a great future for the Company, provided it is handled by the right group of experienced oil and e-as professionals.

**Frank Magnus**  
**Director**  
**Global Energy and Resources Development Limited**

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## **BOARD RECOMMENDATION AND APPROVAL**

This Notice of Meeting and Explanatory Statement has been approved by Messrs Sutton, Espie, Underwood and Gerahty (being four of the five directors of the Company).

This Notice of Meeting and Explanatory Statement has not been approved by Ms Tang.

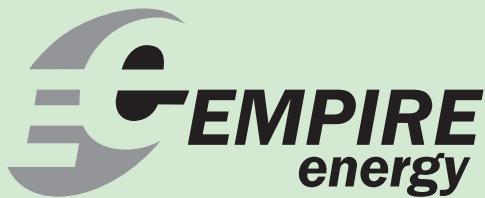
## **RECOMMENDATION**

**Your Directors (other than Linda Tang) unanimously recommend that shareholders vote:**

**AGAINST resolutions 1 – 10 (other than resolution 5)**

**IN FAVOUR of resolution 5 – the removal of Linda Tang**

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<p><b>Your access information that you will need to vote:</b></p> <p><b>Control Number: 999999</b></p> <p><b>SRN/HIN: I9999999999      PIN: 99999</b></p> <p>PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.</p>	

**For your vote to be effective it must be received by 11am (AEST) on Monday, 4 February 2019**

**How to Vote on Items of Business**

All your securities will be voted in accordance with your directions.

**Appointment of Proxy**

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

**Signing Instructions for Postal Forms**

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

**Attending the Meeting**

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

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## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Empire Energy Group Limited hereby appoint

the Chairman of the Meeting **OR**  **David Sutton (or in his absence, Alexander Underwood)**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Empire Energy Group Limited to be held at Nexia Australia, Level 16, 1 Market Street, Sydney NSW 2000 on Wednesday, 6 February 2019 at 11am (AEST) and at any adjournment or postponement of that meeting.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
Resolution 1	Removal of David Sutton as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution 8	Appointment of Joseph Samuel Graham as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Removal of Alexander Underwood as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution 9	Appointment of James Eric Hulme as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Removal of Paul Espie as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution 10	Appointment of Bruce Montgomery Garlick as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Removal of John Gerahty as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>					
Resolution 5	Removal of Linda Tang as a Director	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Resolution 6	Removal of all other persons appointed as a Director on or after 0900 hours on the date of the Requisition up to and including the commencement of the Meeting	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>					
Resolution 7	Appointment of Edward (Ted) Patrick Jacobson as a Director	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote proxies against each item of business (other than Resolution 5, where he will vote in favour). In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /



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- Follow the instructions on the secure website to vote.



**Your access information that you will need to vote:**

**Control Number: 999999**

**SRN/HIN: I9999999999      PIN: 99999**

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

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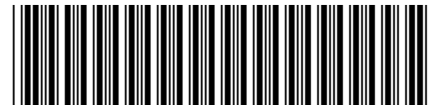
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## STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Empire Energy Group Limited hereby appoint

the Chairman of the Meeting OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Empire Energy Group Limited to be held at Nexia Australia, Level 16, 1 Market Street, Sydney NSW 2000 on Wednesday, 6 February 2019 at 11am (AEST) and at any adjournment or postponement of that meeting.

## STEP 2 Items of Business

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Resolution 7	Appointment of Edward (Ted) Patrick Jacobson as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies against each item of business (other than Resolution 5, where he will vote in favour). In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / /