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ASX Announcement

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HIGHLY ENCOURAGING INITIAL RESULTS FROM KANSAS PRODUCTION ENHANCEMENT PROGRAM

Empire Energy Group Limited ("Empire" or the "Company") is pleased to advise that the initial results from the Kansas Production Enhancement Program have resulted in a substantial increase in oil production.

The results are summarised in the table below:

Well Name	Working Interest (%)	Net Revenue Interst (%)	Net Capital Investment	Gross Production Rate	Working Interest Production Rate	Net Revenue Interest Production Rate
Carmichael A #15	93%	79%	$ 14,296	3 BOPD	3 BOPD	2.4 BOPD
Kollman #15	84%	71%	$ 14,142	1 BOPD	0.8 BOPD	0.7 BOPD
Carm-Koll WU #3	93%	77%	$ 12,215	1.5 BOPD	1.4 BOPD	1.2 BOPD
Carmichael A #16	93%	79%	$ 54,452	N/A	N/A	N/A
Kirkman #2	91%	77%	$ 48,759	47 BOPD	43 BOPD	36 BOPD
Helmers Unit #1	86%	73%	$ 41,972	50 BOPD	43 BOPD	36.5 BOPD
			$ 185,836	**102.5 BOPD**	**91 BOPD**	**77 BOPD**

The current net revenue interest ("NRI") production rate of the work to date net to Empire (after all royalties) is 77 barrels of oil per day ("BOPD").

By way of comparison, as at 30 November 2018, prior to the production contribution from these wells, Empire's NRI production in Kansas was 331 BOPD.

The payback period at current oil prices and production rates of these activities is less than 2 months, despite the recent precipitous decline in oil prices.

Under the terms of Empire's new credit facility with Macquarie Bank Limited, it is entitled to spend up to US$440,000 on the Production Enhancement Program. However, given current oil price weakness it will only carry out further activities which demonstrably generate strong expected returns at current oil prices.

STRONG US GAS PRICES LARGELY OFFSET SIGNIFICANT DROP IN US OIL PRICES

NYMEX Henry Hub natural gas prices recently rallied from an average of less than US$3 per mmbtu prior to the commencement of the winter season, to as high as US$4.71 per mmbtu in late November. Prices have since declined to US$3.70 per mmbtu but remain elevated compared to the trend over the last four years. Factors driving US gas price strength include strong US demand, market expectations for a cold winter season, and the lowest US gas storage levels in 15 years at the start of the winter season. Low storage levels are due in part to the emerging US LNG export sector which has started drawing gas out of the domestic market. This is expected to increase as additional LNG export facilities go online.

Empire is currently benefitting from strong US gas prices as it produces at steady rates across its New York State gas production assets.

The majority of Empire's gas production is priced at a small discount to the prior month's NYMEX Henry Hub futures contract. For the month of December 2018, Empire is enjoying a NYMEX Henry Hub futures settlement price of US$4.71 per mmbtu on the majority of its gas production.

The Company currently has approximately 55% of its gas production for the remainder of 2018 hedged at US$4.11 per mmbtu with the remainder priced off market prices. In 2019, Empire's gas hedging program will comprise of put options which means that the minimum NYMEX Henry Hub gas price received on hedged production will be US$2.50 per mmbtu, with no cap on upside to prices.

The strength of the gas market is having a strong offsetting effect on overall revenues, noting that US WTI oil spot prices have fallen by nearly 40% from a high of over US$76 per barrel in early October to US$46 per barrel today.

The impact of oil price weakness on Empire's revenues is expected to be temporary, with oil hedging kicking in from the beginning of January 2019. Over 90% of Empire's forecast oil production in 2019 has been hedged at a fixed WTI crude oil price of US$66.50 per barrel (less oil quality and transportation differential of US$4.90 per barrel), a premium of approximately US$19.50 per barrel over current market prices.

Empire's long standing and prudent approach to hedging is designed to ensure that the Company can cover its costs of production and debt facility servicing costs throughout the oil and gas price cycle.

Alex Underwood, Chief Executive Officer and Managing Director of Empire, said:

"I am delighted to see the very encouraging initial results that our Kansas team has achieved on the Production Enhancement Program. It is a testament to their expertise in the management of oil fields in Kansas and their keen focus on carrying out development activities that generate strong economic returns for shareholders.

Management and the Board are mindful that the recent steep declines in oil price require our keen attention to ensure that any capital investment is carried out in a manner which maximises returns to all shareholders. We are taking a conservative approach to further capital investment in the current environment to preserve shareholder value at this time of significant market volatility."

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 over the past 5 years 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.