



ACHIEVING SIGNIFICANCE IN THE OIL & GAS INDUSTRY
US Presentation, August 2011



EMPIRE ENERGY GROUP LIMITED

www.empireenergygroup.net

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In accordance with Chapter 5 of the ASX Listing Rules, all reserves and resources have been calculated by Ralph E Davis Associates Inc, Petroleum Consultants of Houston, Texas.

Corporate Snapshot (as at August 1, 2011)



❑ Key Board & Management (refer to last slide)

❑ Key Financial Ratio's

- ❑ EV/Field EBITDA = 5.7x
- ❑ EV/EBITDA = 6.8x
- ❑ Mkt Cap/EBITDA = 3.5x
- ❑ Mkt Cap/Net Debt = 1.0x
- ❑ F'cast EBITDA/interest = 3.8x

❑ Key Valuation Multiple

- ❑ EV/2P Reserves = \$5.90

❑ Major Shareholders

- ❑ Macquarie Bank Limited 9.7%
- ❑ Imperial Investments P/L 5.4%
- ❑ WYT Nominees P/L 4.1%
- ❑ PA Ternes 3.1%
- ❑ Eastern & Pacific Cap P/L 1.7%
- ❑ John Wardman & Associates P/L 1.6%
- ❑ Top 20 shareholders 38.9%

Corporate Structure

Australian Securities Exchange (ASX)	ASX:EEG
Shares on issue	278.2 mm
Share Price	US\$0.18
Market Cap	US\$50.5 mm
Debt	US\$61.6 mm
Cash & liquids	US\$ 13.0 mm
Enterprise Value	US\$99.1 mm
PV10 (3P)	~US\$187 mm
Options Outstanding (av exercise price = \$0.15)	40.2mm



Valuation Brief



- ❑ Shares on issue = 278,197,016
 - ❑ Market Cap = US\$50.5 MM (EEG @ US\$0.18)
 - ❑ EV = US\$99.1 MM
 - ❑ PV10 (3P) = US\$187 MM

- ❑ Estimated Earnings – 2011
 - ❑ Field EBITDA = US\$17.5 MM (US\$8.7 MM 1st 6 months)
 - ❑ EBITDA = US\$14.5 MM
 - ❑ EBITDA/Share = 5.2c
 - ❑ Mkt Cap/EBITDA = 3.5x
 - ❑ EV/EBITDA = 6.8x

- ❑ Reserves/Resources
 - ❑ 1P = 14.4 MMBoe (36% Oil)
 - ❑ 2P = 16.8 MMBoe (36% Oil)
 - ❑ 3P = 18.2 MMBoe (37% Oil)
 - ❑ 4P = 254.4 MMBoe (30% Oil) – refer to slide 13

- ❑ Reserve Multiples
 - ❑ EV/1P = US\$6.88
 - ❑ EV/2P = US\$5.90
 - ❑ EV/4P = US\$0.39

Operations



❑ Central Kansas Uplift

- ❑ Field operations based in Wichita, KS
- ❑ Operating ~256 wells
- ❑ Commenced drilling program June 2011
 - FY 11 – budget includes 10 development wells and 5 polymer recompletions
 - 4th well spudded mid July 2011
 - Well target:- 30-40Boe/d; +50,000 Bbl/well; F&D \$8.40/well
- ❑ Seeking opportunities to book new 1P & 2P reserves by:
 - Reviewing existing assets and targeting formations (behind pipe)
 - Identifying new assets for farm-in or acquisition of development acreage

❑ Williston Basin, ND (non operator)

- ❑ 2 well drilling program to commence August 2011
 - Well target:- 70Boe/d; +170,000 Bbl/well; F&D \$8.24/well
 - 17,000 acres, Empire NRI = 27%

❑ Appalachia

- ❑ Operating ~1,800 wells
- ❑ Continuing program to upgrade transportation network
- ❑ Expect steady production through improved operational efficiencies
- ❑ Marcellus and Utica exploratory programs being implemented

❑ McArthur Basin – Australia

- ❑ Early stage exploration – 14 million acres shales targeting +12Tcfe

❑ Corporate

- ❑ Production tracked daily utilising through proprietary and licenced systems
- ❑ US operations centralised in Pittsburgh, PA

Key Milestones

- ❑ Skill base to build business to 10,000 Bbl/d by 2015
- ❑ Growth since establishment



2006 –
Initial USA entry
in gas JV: 20 wells
drilled, PA

Dec 2007 –
US\$8.85MM
acquisition: 160 gas
wells Hawthorne, PA

Dec 2009 –
US\$38.0MM
acquisition: 1,800 gas
wells, Mayville PA /NY

July 2010 –
US\$24.6MM
partial sale of shale
assets, PA

Dec 2010 –
(i) US\$56.25MM
acquisition: 245 oil
wells, Kansas
(ii) 17,000 (gross)
acres Nth Dakota



2009 Actual:
Net Oil : 0 Bbls
Net Gas: 0.4 Bcf

Net Oil Rev: \$0
Net Gas Rev:\$2.3mm

2010 Preliminary:
Net Oil : 55 mBbls
Net Gas: 2.0 Bcf

Net Oil Rev: \$4.5mm
Net Gas Rev:\$12.6mm

2011 Forecasts:
Net Oil : 200 mBbls
Net Gas: 2.1 Bcf

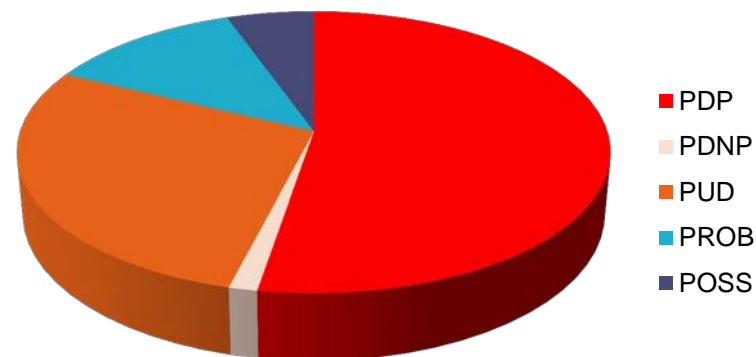
Net Oil Rev: \$18.5mm
Net Gas Rev:\$12.1mm

Reserves & Operations



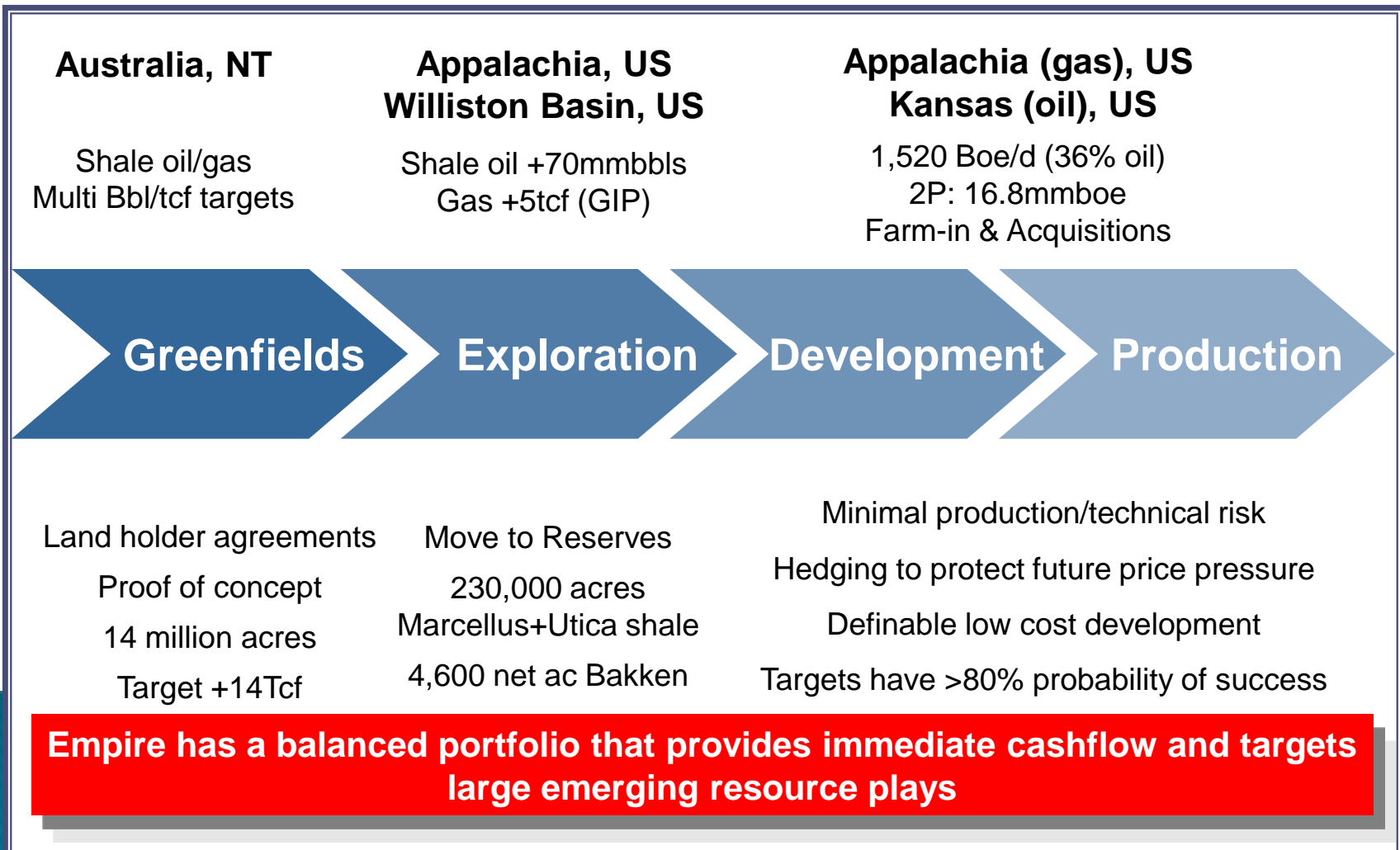
- Current Average Equiv Production (6:1 oil:gas)
 - ~1,400 Boe/d (36% Oil)
- Current Average Net Production:
 - KS – 490 Bbl/d
 - PA, NY – 5,350 Mcf/d
- Lifting Costs
 - \$20.40 /Bbl (incl taxes \$3.13)
 - \$2.48 /Mcf (incl taxes \$0.26)
- Estimate Field EBITDA = US\$17.5mm (2011)
- Empire Energy operator of ~99% of all assets
- Utica & Marcellus Shale, Pennsylvania & New York
 - Prospective Reserves/Resource* – Marcellus Oil +70 MMBbls (RF = 3%)
 - Prospective Resource* – Utica Gas +5Tcf (GIP unrisked)
- Williston Shale (Williston), North Dakota
 - Target = +170 MBbl/well
 - Multiple locations over 17,000 acres
- McArthur Basin – Australian Shale
 - 14 million acres with numerous gas, oil and bitumen shows
 - Preliminary target resource +14Tcf

3P Reserves = 18.2 mmBoe



*Natural gas and oil reserves/resources have been certified Ralph E Davis Associates, Inc, Houston, petroleum engineers .

Development Pipeline



Development Strategy



The Development Pipeline demonstrates:

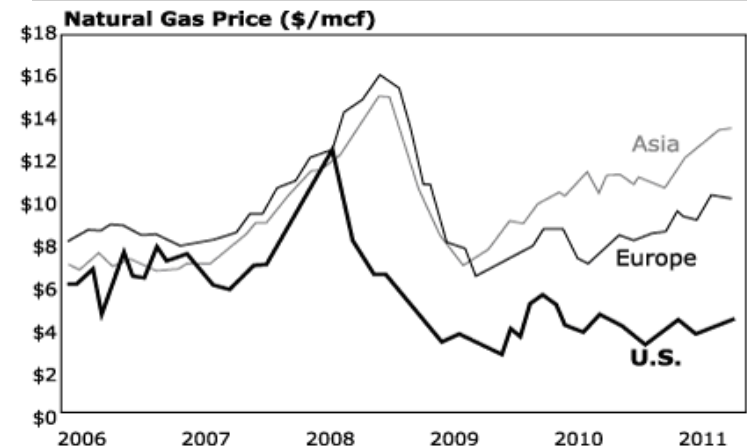
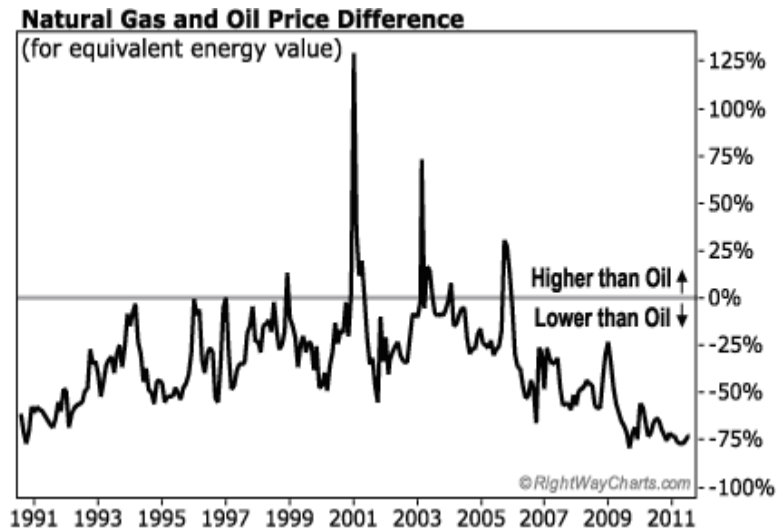
- Initial entry into gas production
- Focus now on building up oil reserves
- Long term focus on gas reserves

Short term strategy:

- Gas:oil price differential strongly in favour of oil
- Target oil acquisitions and development

Medium Term:

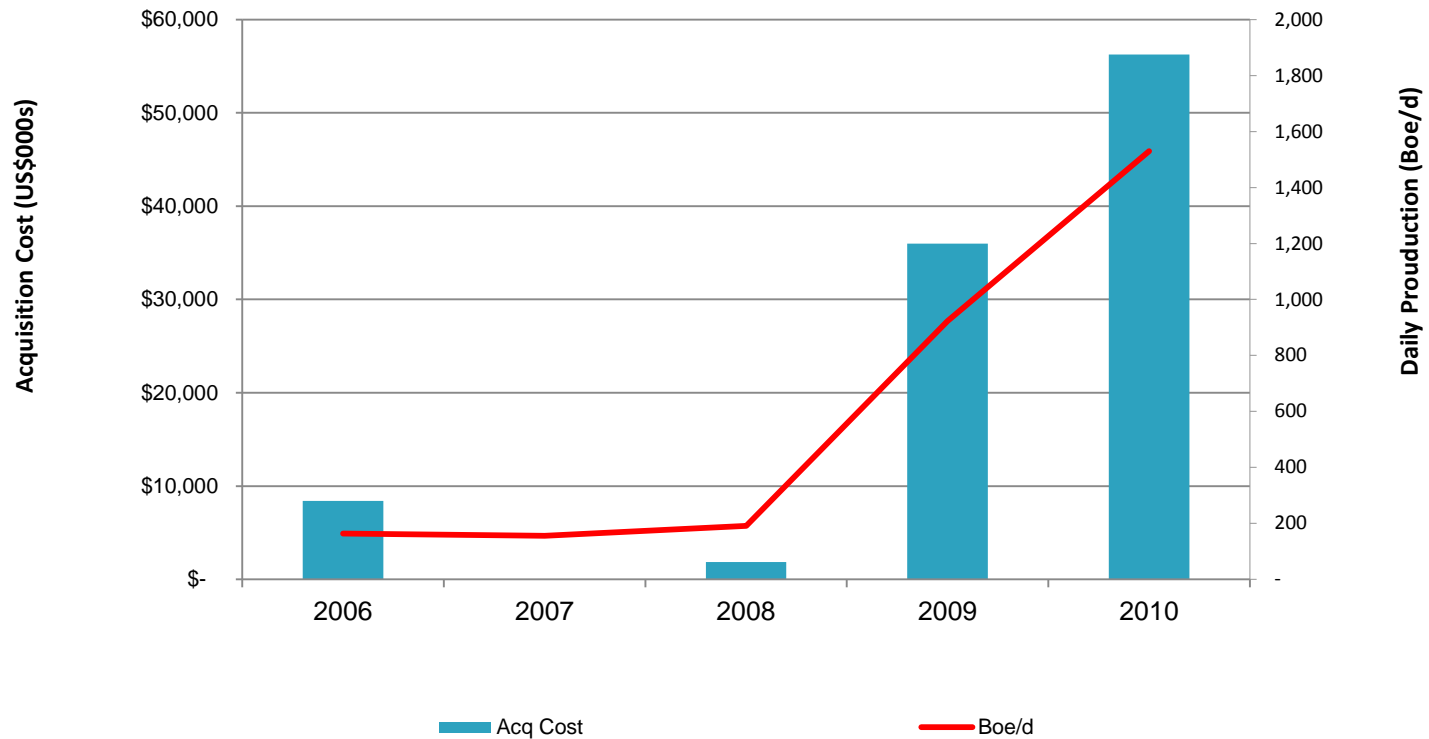
- Assume ongoing demand for oil
- Market mechanics will move gas energy equivalents back towards oil
- In addition, US gas prices to close gap between world gas prices



Growth – Production



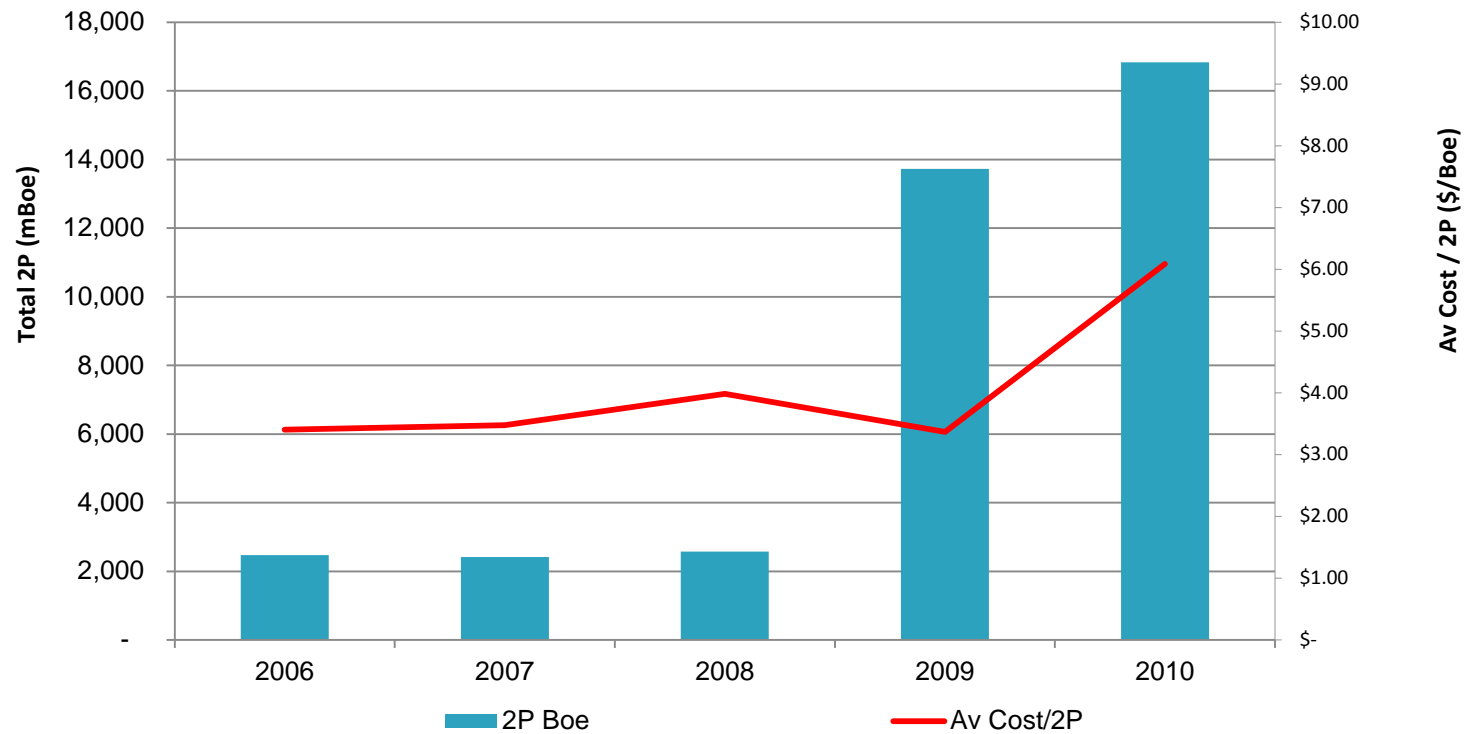
Acquisiton History



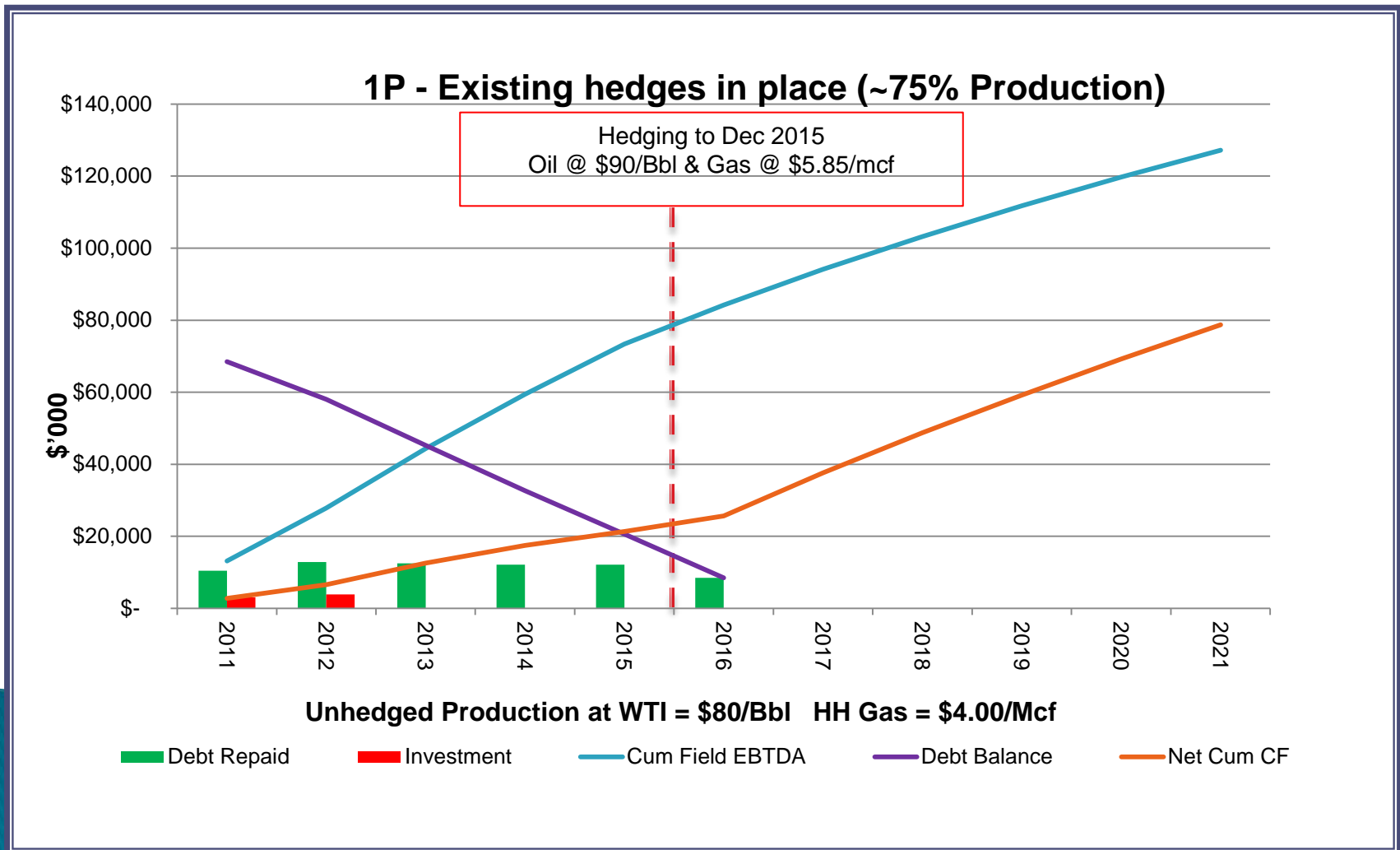
Growth – 2P Reserves



2P Boe Growth



Controlled Debt Structure

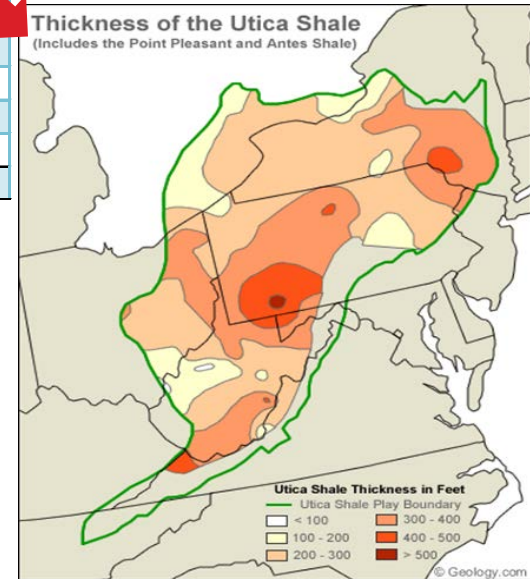
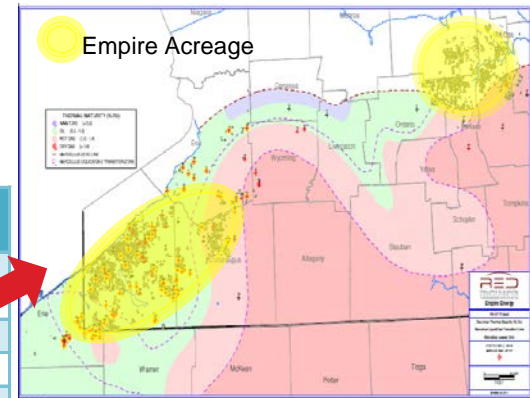


Appalachian Shale Assets



- ❑ The hydraulic fracturing moratorium in New York State to be lifted

FORMATION	Type	Reserve Type***	P50 BCF	ML* MMBbl	Acres calculated	Actual Acres (Gross)	Actual Acres (Net)
Marcellus	Gas	Poss/Res	49.5		20,006	230,000	186,240
Marcellus	Oil	Poss/Res		70.3	100,422	230,000	186,240
Utica Shale	Gas	Res	925.7		18,571	224,759	175,788
Theresa**	Gas	Poss/Res	75.6		16,691		
Trenton**	Gas	Poss/Res	3.7		1,116		
TOTAL			1,054.5	70.3			



* Most likely on acreage specified at a 3% recovery factor
 ** The Theresa and Trenton Black River formations are not shales.
 *** Poss = Possible; Res =Resource

- ❑ Marcellus Shale considered in be in the wet gas/oil transition zone
- ❑ Utica Shale considered in be in the dry/wet gas transition zone
- ❑ Above reserves do not include existing operating 2P = 73.5 Bcf

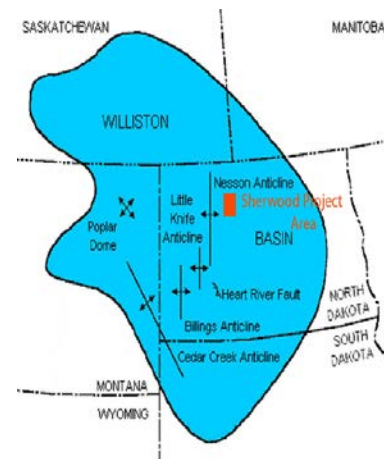
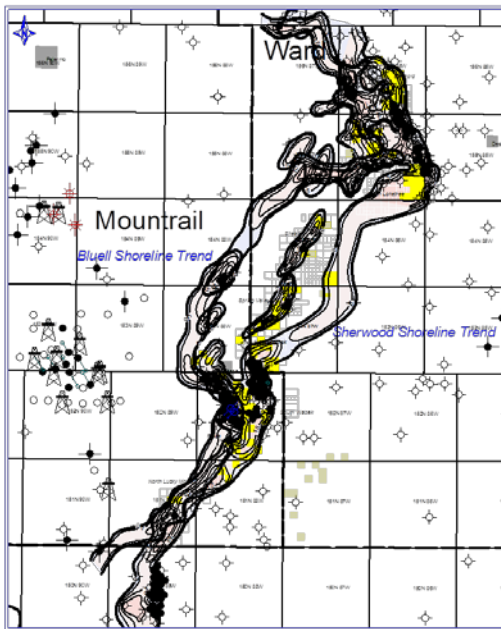
*Reserves/resources have been certified Ralph E Davis Associates, Inc, Houston, petroleum engineers

Williston Basin Assets



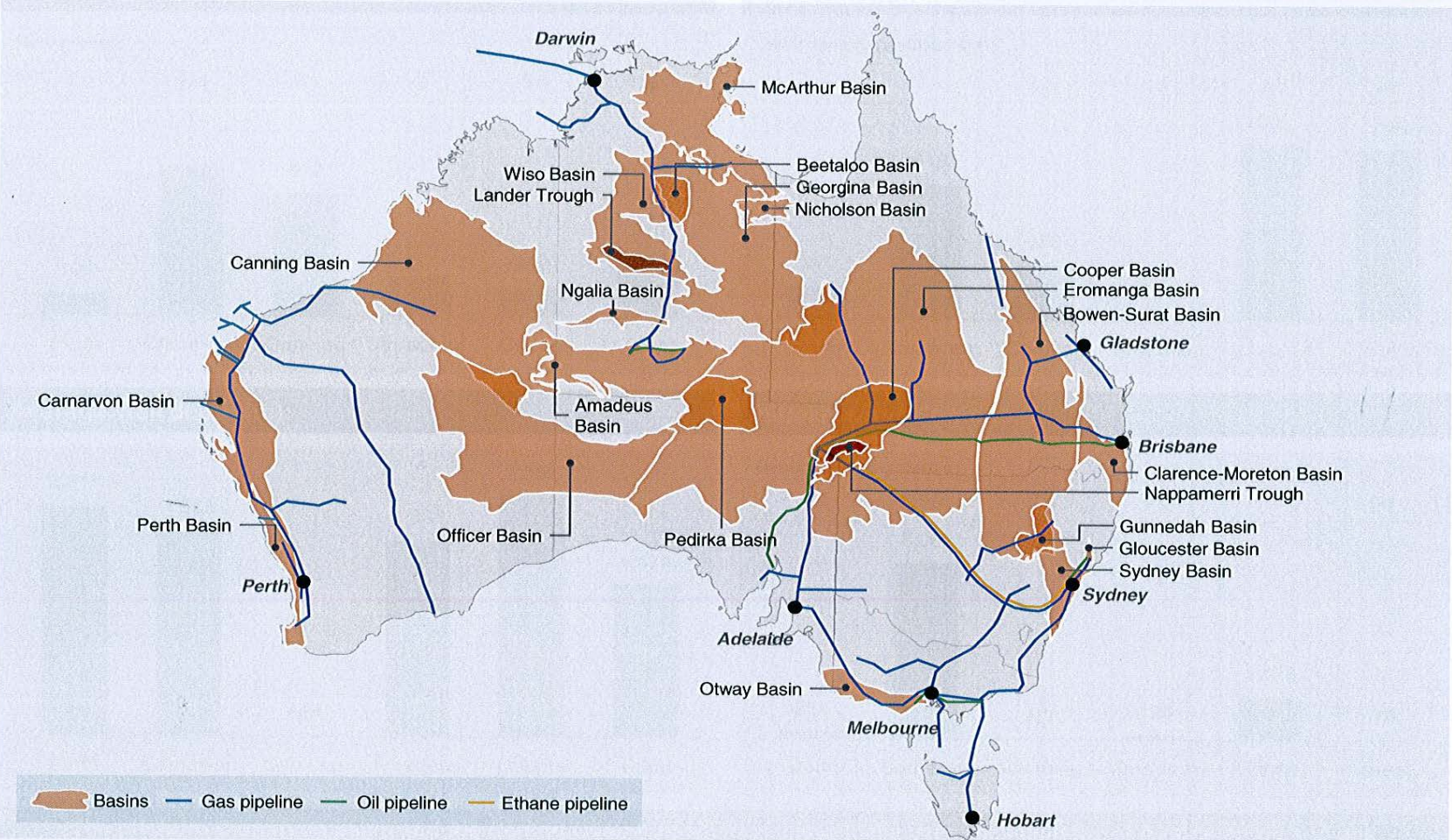
Sherwood Shoreline JV

- ❑ 17,000 acre exploration project in the Williston Basin, North Dakota
- ❑ Target is a stratigraphic trap with updip pinch-outs of impermeable dolomitized carbonate that line the low-energy shoreline from north to south.
- ❑ The project region consists of a number of producing wells with an average depth of 7,000–7,500 ft
- ❑ Drilling of the wells is expected to start in August 2011
- ❑ Target production of +170,000 Bbl/well based on existing production in the analogous fields
- ❑ EEG's Working Interest (WI) for the Williston Basin is 35%, NRI= 27%
- ❑ Vecta Oil & Gas Inc, Denver, operators



Major Australian Shale Basins

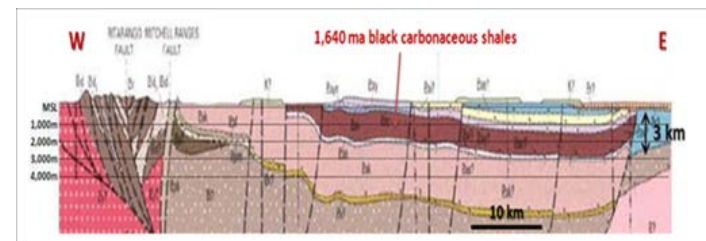
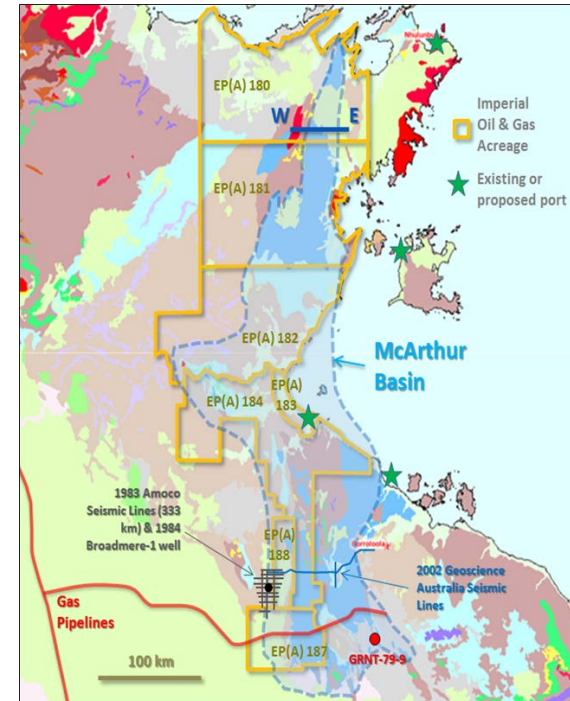
Basin and pipeline locations



According to the U.S. Energy Information Administration, Australia has estimated technically recoverable shale gas resources of 396Tcf

McArthur Basin–Shale

- ❑ Held by Imperial Oil & Gas (100% owned subsidiary)
- ❑ 14.6mm acres in the MacArthur & Georgina Basins, NT
- ❑ Large scale shale oil & gas exploration play
- ❑ Low historic exploration maturity
- ❑ Target – organic rich black oil and gas shales of the Barney Creek Formation of Palaeo– and Meso–Proterozoic age
- ❑ Shales up to 4,000 ft thick in regions
- ❑ Oil and bitumen bleeds in core
- ❑ Proven to be gas–prone. A mineral exploration well GRNT–9 (in adjacent lease) ignited and produced a 6m flare for 6 months. Estimated 0.5Bcf flow over the 6 months
- ❑ Initial exploration areas of interest identified and negotiations commenced. First Licences expected commencing 2012
- ❑ Licence Categories:
 - ❑ 1: EP(A) 187 – gas pipeline passes through
 - ❑ 2: EP(A) 180 to 184, 187 (Aboriginal Land)
 - ❑ 3: EP(A) 188 (Native Title)
- ❑ Target +12Tcf

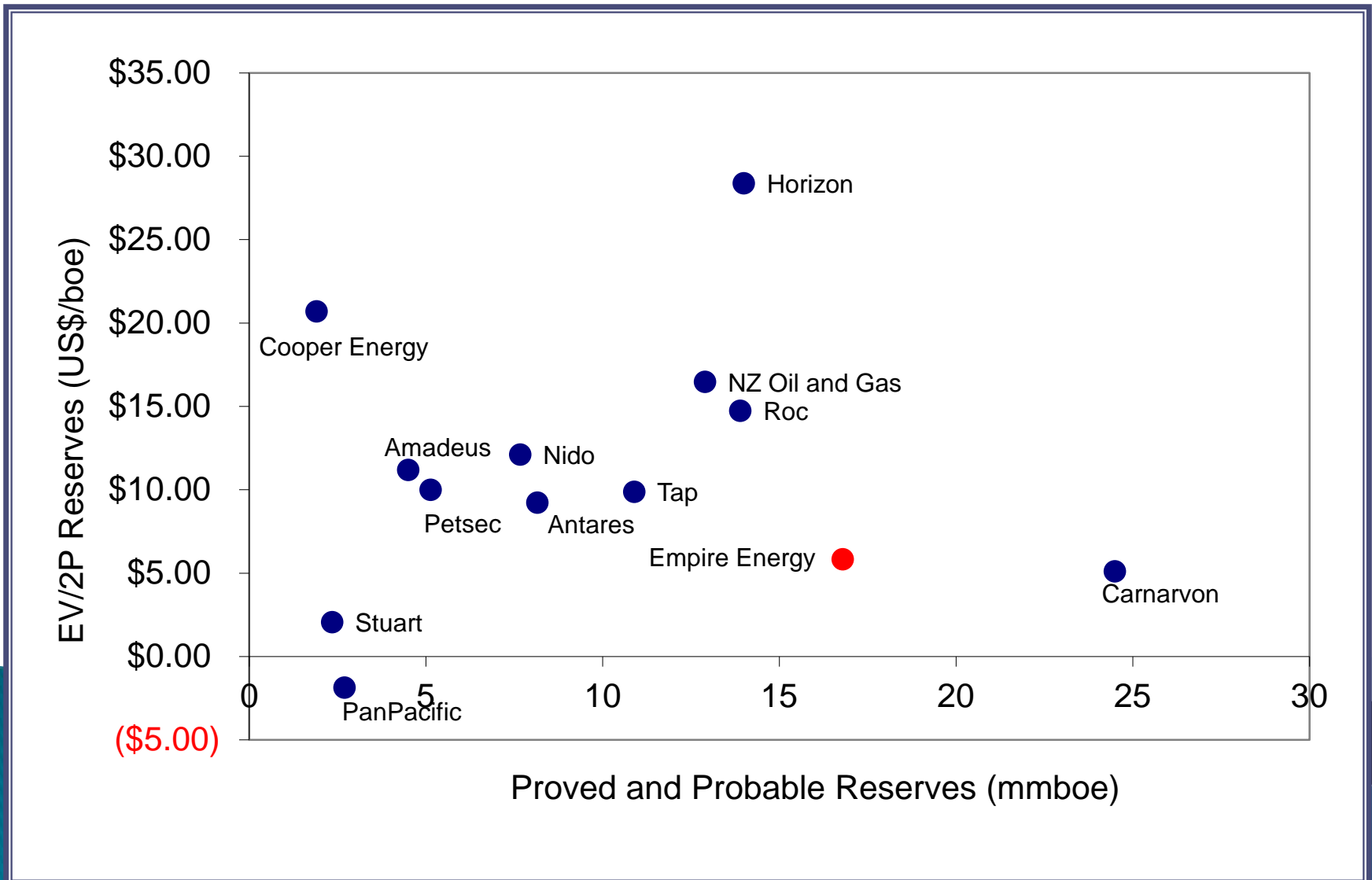


Australian Shale Explorers



	Empire Energy (EEG:ASX)	Buru Energy (BRU:ASX)	New Standard Energy (NSE:ASX)	Rodinia Oil (ROZ:TSX)	PetroFrontier (PFC:TSX)	Central Petroleum (CTP:ASX)	Falcon Oil & Gas	Beach Energy (BPT:ASX)	Tamboran Resources	Armour Energy
Mkt Cap	A\$46 MM	A\$121 MM	A\$48 MM	C\$140 MM	C\$204 MM	A\$61 MM	N/a	A\$1,047 MM	N/a	N/a
Basin	McArthur Georgina	Canning	Canning Cararvon	Officer	S. Georgina	Amadeus S. Georgina Pedirka	Beetaloo	Nappamerri	McArthur Pedirka Beetaloo Ngalia	McArthur Nicholson
Net Acreage	14,579,219	9,266,453	13,343,692	18,656,458	8,648,689	69,436,617	2,223,949	518,921	13,785,369	29,652,648
Resource Targets	Shale oil/gas	Shale oil/gas	Shale oil/gas	Shale oil/gas	Shale oil/gas Conventional oil	Shale oil/gas Conventional oil	Shale oil/gas Conventional oil & gas	Shale Gas	Shale oil/gas	Shale oil/gas
Farm-in Info	Operator: EEG	Operator: BRU Mitsubishi to earn 50% for A\$152.4MM	Operator: NSE ConocPhillips to earn 75% for A\$109.4MM	Operator: ROZ	Operator: PFC	Operator: CTP	Operator: Hess Hess to earn 62.5% for A\$20MM cash & \$40MM exp	Operator: BPT ADE 10% interest	Operator: Tamboran	Operator: Armour
Comments	Thick, indications up to 4,000ft. Numerous shows of gas, condensate, oil and bitumen shows	Thick, high quality source rocks. Existing conv oil production	Several shale formations - wet gas/liquids. Thickness up to 1,000ft	Several distinct plays	120ft thick Cambrian source rocks. Oil mature window	Extensive potential oil, gas, shale and coal formations	Widely distributed oil & gas shows. Thick, up to 2,400ft	Saturated gas. Thickness 450ft. In July 2011 announced successful vertical well 2.0MMcf/d	Live shows of oil & gas in Basins	Numerous shows of gas, condensate, oil and bitumen.

ASX Comparables



SWOT Analysis



Strengths

- Recent oil acquisition balances production
- Long life, slow decline oil & gas production
- Production from 1800 gas & 256 oil wells
- +50 oil locations / reworks in Kansas
- ~75% production hedged at attractive prices
- 2P = 16.8MM Boe –strong cash flow generation
- Cash/liquids availability of ~ US\$13 MM
- Operating in known and developed regions
- Strong development & exploratory pipeline
- Experienced management & operational team
- Proprietary operational systems
- US\$150 MM credit facility, drawn to US\$61 MM

Weaknesses

- Low gas prices
- Low 2P/3P reserves
- Oil = ~30% 2P reserves (oil % to be increased)

Opportunity

- Accretive acquisitions in Appalachia & Kansas
- Marcellus & Utica Shales – 230,000 acres in NY and PA indicating significant oil, wet & dry gas development opportunities
- Drilling program in Williston Basin commences in August 2011 (Empire Energy WI 35%)
- Very large shale oil & gas exploration play with low historic exploration maturity in the McArthur Basin, Australia

Threat

- Unknown guidelines following lifting of fracking moratorium in NY State
- Uncertainty relating to land owner negotiations and structure in the McArthur Basin, Australia

Board & Management



- ❑ **Bruce W McLeod – Executive Chairman & CEO, B.Sc (Maths), M.Com (Econ)** – extensive experience in the Australian Corporate and Resource Capital markets. Over the past 20 years he has been involved in the acquisition and rationalisation of listed and unlisted companies, as well as raising debt and equity capital for projects and companies. Prior to this he spent six years with the Bank of America subsidiary BA Australia Limited, where he was Executive Director, responsible for the financial and capital markets operations.
- ❑ **David Sutton – Non Executive Director**
- ❑ **Kevin Torpey – Non Executive Director**
- ❑ **Dr David Kahn –Advisor to Board, B.Eng, M.Eng (Chemical & Petroleum), PhD (Chemical & Petroleum)** – 15 years of diverse experience in the petroleum industry. He has developed expertise in property evaluations, business analysis and development, budgeting and strategic planning, reservoir engineering with particular emphasis on enhanced oil recovery. Dr Kahn has worked for Baker Hughes, Halliburton and Texaco E&P. Dr Kahn is currently a director of Iskander Energy Limited and an advisor to 3P International Limited.
- ❑ **Dr John Warburton –Director & CEO Imperial Oil & Gas Pty Ltd, FGS, MAICD** – 27 years of technical and leadership experience in International Petroleum E&P including 11 years with BP and 4 years as General Manager Exploration & New Business for LASMO–ENI in Pakistan. John's petroleum expertise covers the Middle East, Kazakhstan, Azerbaijan, North & West Africa, Pakistan, Europe, Australia, New Zealand, PNG, SE Asia, China, Korea and Japan. He has published 28 internationally recognised technical articles with particular focus on petroleum exploration in complex fold and thrust belts.
- ❑ **Al Boyer – SVP & COO** – involved in the natural gas business for +40 years. Operates over 40 privately owned wells. In early 2000's involved in a well drilling program (200 wells in 20 months) and the consolidation of field operations for Somerset Oil & Gas Inc until its takeover by EOG Resources. Has drilled 1,000's of wells in western PA, NY, OH and WV.
- ❑ **Rob Kramer – VP – Mid Continent Operations, B.Sc (Ind. Eng)** – responsible for the Company's Mid-Continent operations in Kansas and North Dakota. Prior to joining Empire Energy Rob was a Completions and Production Engineer for Anshutz Exploration Corp, USA. Prior to that Rob played a key role in the establishment of Sanjel (USA) Inc in the Mid Continent where he was Lead Engineer for well design including cementing, fracturing, acidizing as well as coil tubing operations. Rob began his E&P engineering career with Schlumberger where he was a Field Engineer for Well Stimulation Services
- ❑ **Tim Hull – VP – Appalachia Operations** – responsible for Appalachian operations. Tim has been involved in the North Eastern US natural gas industry for over 20 years. He is a director member of IOGA (New York).
- ❑ **Tony Crisafio – CFO** – serves as Contract Chief Financial Officer. Tony is an independent business consultant, providing financial and operational advice to 8 businesses. Prior, Tony was the Chief Operating Officer to Cinema World, Inc. and a Partner with Ernst & Young. Tony is also a Director and Chairman of the Audit Committee of Petroleum Development Corporation Inc, an E&P company with operations in the Appalachians, Michigan and the Rocky Mountain Region.