



# EMPIRE ENERGY GROUP LIMITED



USA Investor Presentation  
April 2015

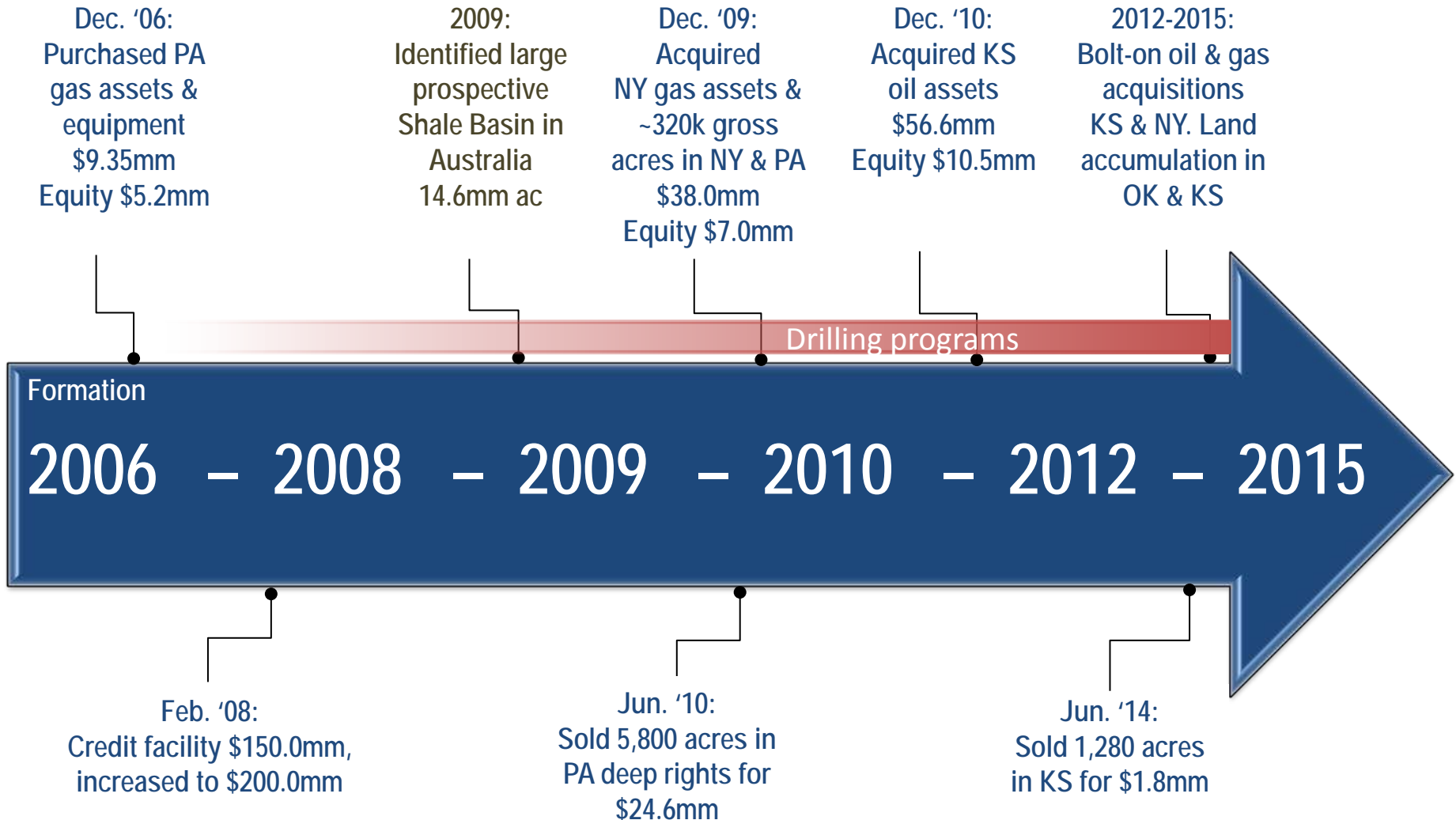
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All amounts in this presentation are US\$ unless otherwise stated. Empire Energy’s presentation currency is \$US.



**With Development  
Options  
&  
Identification of  
unique World Class  
frontier petroleum**

- Focused on oil & gas assets with low production risk
- Balanced reserve base on value: 70% oil & 30% gas
- Quality asset base with significant oil exposure in the Mid-Con, USA
- Large, concentrated acreage position with significant operational control in Appalachia, USA
- Access to multiple takeaway pipelines
- In Australia seeking partner for World Class shale basin development

**Proven Operations &  
Efficient Cost  
Structure**

- Fully hedged through 2015, partial hedging 2017/18 (see later slide)
- Infrastructure enables growth with little additional G&A
- Disciplined allocation of capital focused on rates of return

**Experienced  
Management  
& Board**

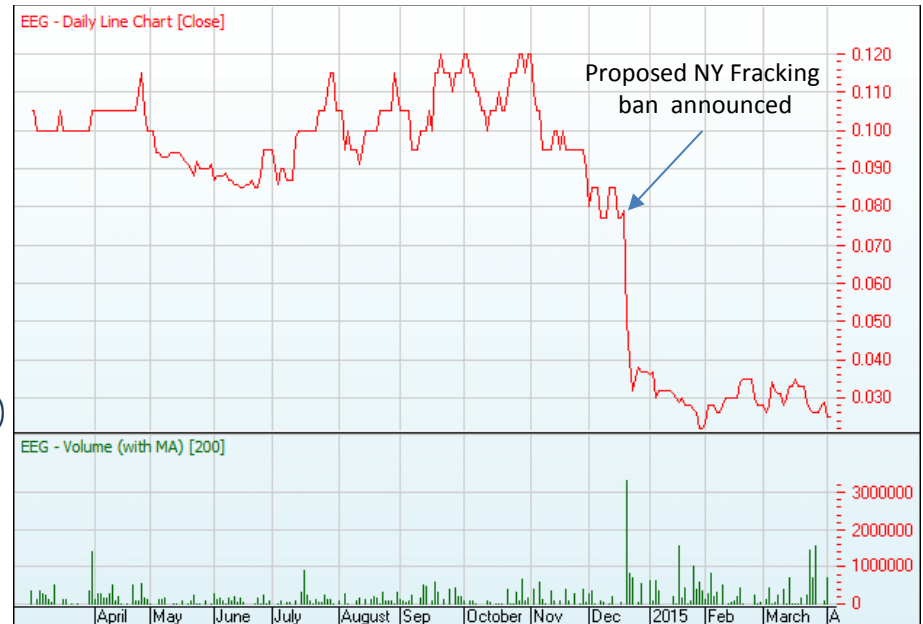
- Strong board & management with extensive industry experience
- History of working together in identifying, executing and integrating acquisitions
- Experience operating public companies

**Strong Financial  
Performance with  
Flexible Balance  
Sheet**

- Consistent, predictable cash flow via long life assets with low development/production risk
- FY2014 EBITDA of \$7.2mm (Excludes one-off expenses \$2.2mm)
- PV10 (2P) = \$87mm
- EV/2P = \$3.15/Boe
- Balance sheet capacity to facilitate growth (~\$160m of a \$200m credit facility untapped)

- **ASX:EEG**                      **OTC-QX:EEGNY**
- Share Price                      = US\$0.02
- Mkt Cap                            = US\$6mm
- Debt                                = US\$42mm
- Cash                                = US\$ 3mm
- Unrealised Hedges            = US\$10mm
- EV                                  = US\$45mm
- FY2014 EBITDA                = US\$7.2mm\*
- \* Excludes one-off items & write-offs of \$2.2mm
- EV/EBITDA                      = 6.2x
- EV/2P                              = \$3.15/Boe
- Shares issued                    = 308mm
- Options issued                 = 16.75mm (12.5mm insiders)
- **Shareholders:**
- Macquarie Bank                17.4%
- HSBS Custody Nominees      8.4%
- WYT Nominees                 3.6%
- Armco Barriers                1.9%
- Insiders                        2.3%
- Total Shareholders            ~2,827
- Av. Daily Volume (60 days)   ~248,000

Share price/volume over the past 12 months





- **USA – conventional oil & gas production**

- NY, PA, KS, OK: 2P ~14.3MMBoe

- **USA – unconventional development**

- NY: 3P ~93MMBoe<sup>(1)</sup>
- Prospective Resource P(50) (unrisked): 203 MMBoe <sup>(1)(2)</sup>

- **Australia – conv. & unconventional oil & gas exploration**

- Prospective Resource P(50) (unrisked): 1,846 MMBoe, or ~11 Tcfe<sup>(2)</sup>

<sup>(1)</sup> Subject to NY fracking moratorium (a fracking ban was announced early December 2014, although not in place)

<sup>(2)</sup> The estimate of Prospective Resources must be read in conjunction with the cautionary statement on page 7.

## Reserves/Resources \*

Reserves - As of Jan 1, 2015	Oil (Mbbbls)	Gas (MMcf)	MBoe	Gross Wells	Capex US\$M	PV0 US\$M	PV10 US\$M
<b>Region (Reserves) - USA</b>							
Proved Developed Producing	1,792	26,716	6,245	2,108	\$0	\$107,097	\$45,549
Proved Developed Non-producing	324	26	328	45	\$2,334	\$12,733	\$5,471
Proved Behind Pipe	0	38	6	1	\$31	\$92	\$25
Proved Undeveloped	387	2,143	744	76	\$11,871	\$10,273	\$2,211
<b>Total 1P</b>	<b>2,503</b>	<b>28,923</b>	<b>7,324</b>	<b>2,230</b>	<b>\$14,236</b>	<b>\$130,195</b>	<b>\$53,256</b>
Probable	2,925	24,174	6,954	265	\$70,699	\$143,599	\$33,404
<b>Total 2P</b>	<b>5,428</b>	<b>53,097</b>	<b>14,278</b>	<b>2,495</b>	<b>\$84,935</b>	<b>\$273,794</b>	<b>\$86,660</b>
Possible	1,436	3,820	2,072	234	\$28,811	\$37,587	\$7,943
Possible - Shale (NY)	90,740	12,600	92,840				
<b>Total 3P</b>	<b>97,604</b>	<b>69,517</b>	<b>109,190</b>	<b>2,729</b>	<b>\$113,746</b>	<b>\$311,381</b>	<b>\$94,603</b>
Prospective Resource P(50) – Australia **	198,000	9,891,000	1,846,500				
Prospective Resource P(50) - Shale (NY)**	0	1,220,800	203,467				
<b>Total Reserves &amp; Resources</b>	<b>295,604</b>	<b>11,181,317</b>	<b>2,159,156</b>		<b>\$113,746</b>	<b>\$311,381</b>	<b>\$94,603</b>

\* Please refer to reserve disclosures at the end of this presentation

\*\* Prospective Resource P(50) - unrisked, is the estimated quantities of petroleum that may potentially be recovered by the application of future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.



- Focus - conventional, long-lived, predictable, oil and gas assets
- Focus - development NOT exploration
- Development provides low risk opportunities
- Operating statistics
  - Net production: ~1,291 Boe/d (65% oil by value)
  - Unaudited - 1P reserves ~7.3MMboe (60% oil by value)
  - Unaudited - 2P reserves ~14.3MMboe (70% oil by value)
  - ~180 wells (Mid-Con) & ~1,800 wells (Appalachia)
  - Lifting Costs + Taxes - Appalachia ~\$2.11/Mcf
  - Lifting Costs + Taxes - Kansas ~\$28.20/Bbl
- Acreage overview
  - Mid-Con: ~24,500 net acres KS, OK
  - Appalachia: ~282,000 net acres NY, PA
- Unconventional
  - Significant oil & gas (Marcellus/Utica subj. to NY fracking ban)
    - Possible Reserves = 92.8MMBoe
    - Prospective Resource (P50) = 203MMBoe

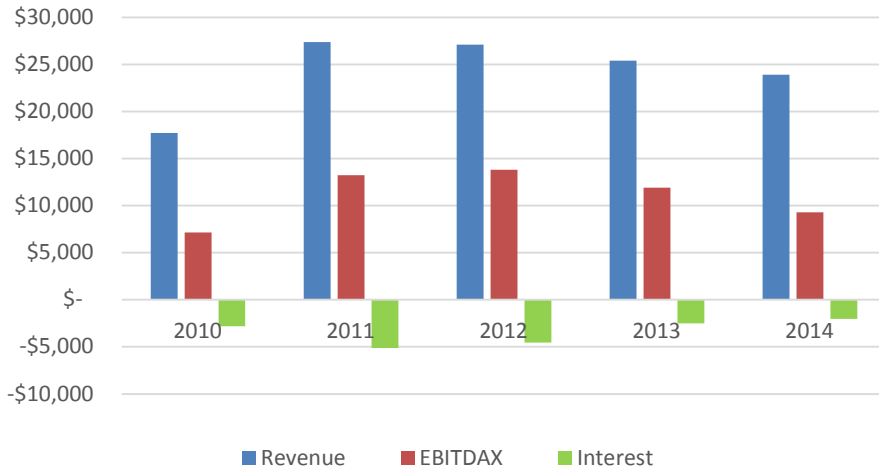


- **GROWTH - Net Conventional Drilling**
  - Mid-Con
    - ~137 net oil & gas locations
    - F&D cost ~ \$8.75/Boe
    - D&C cost ~ \$500,000(av)
  - Appalachia
    - ~336 net NY oil & gas locations
    - F&D cost ~ \$6.00/Boe
    - D&C cost ~ \$110,000(av)

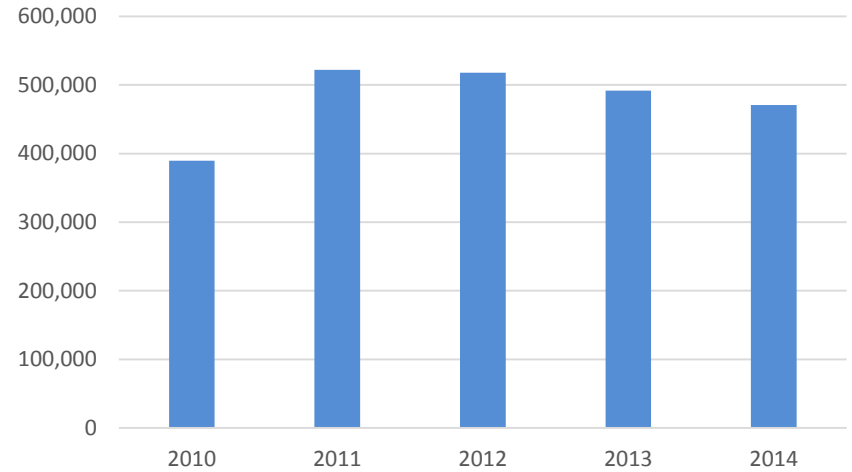
**EV/2P = \$3.15/Boe**



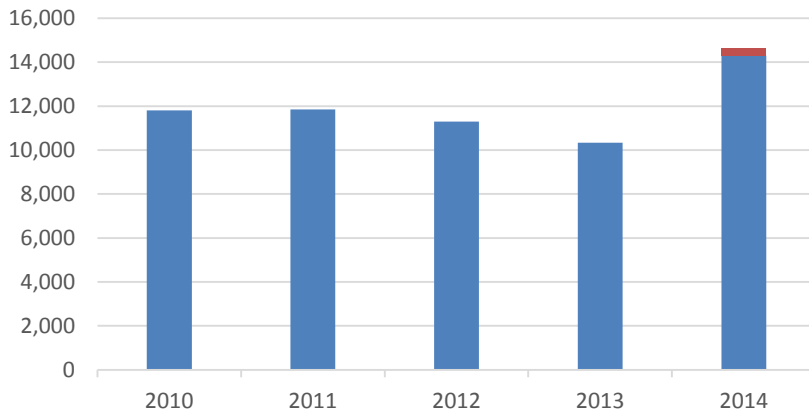
## Six Monthly Cash Flow - \$M



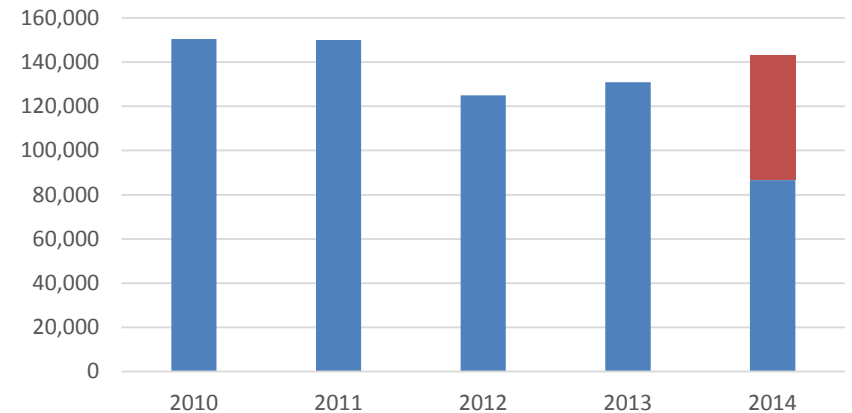
## Annual Production - Boe



## Reserves - 2P (Mboe)



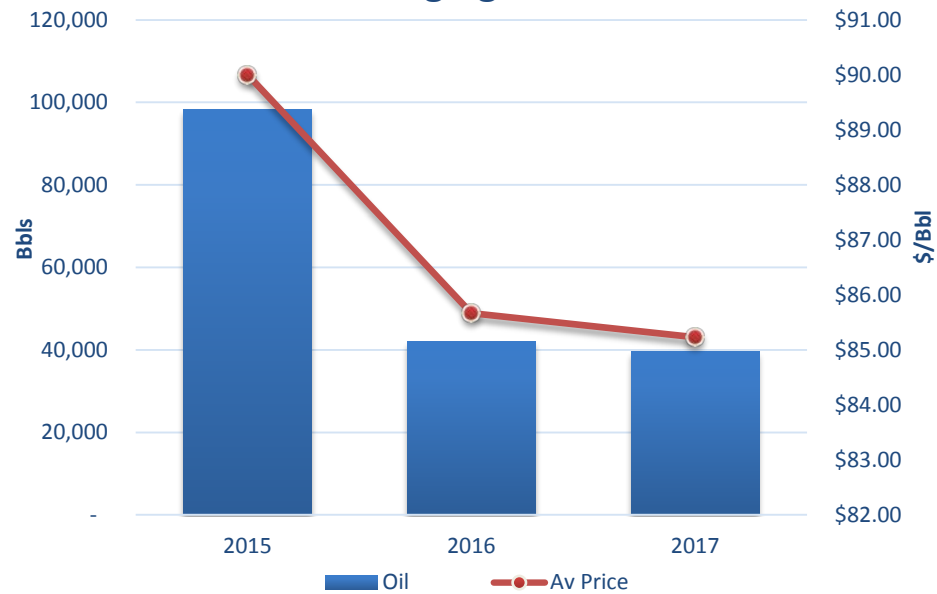
## PV10 - 2P (\$M)



2014 - 2P & PV10 calculated at NYMEX strip at Dec 31, 2015, **NOT** SEC pricing. For comparative with USA companies, red blocks show additional reserves/value if at December 31, 2104 SEC pricing.

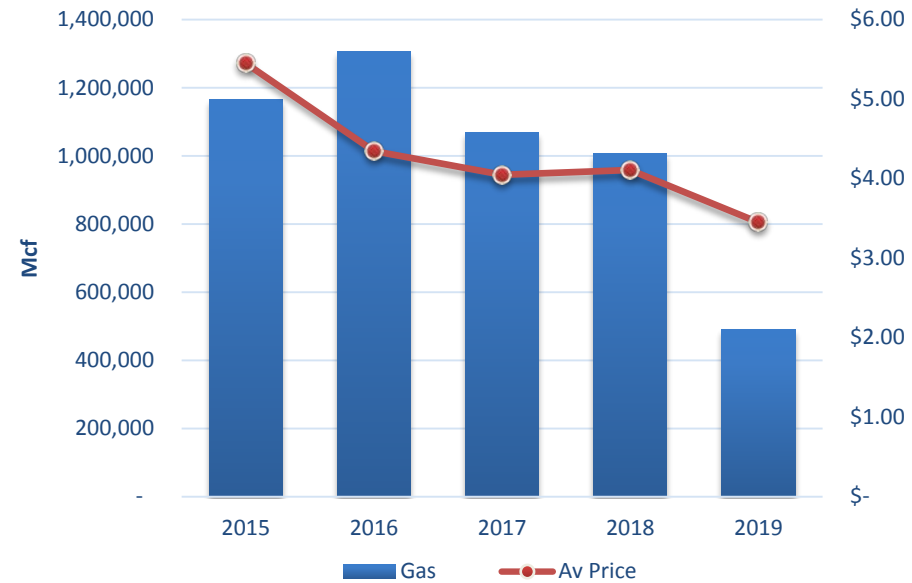
## Oil Hedges

### Hedging - Oil



## Natural Gas Hedges

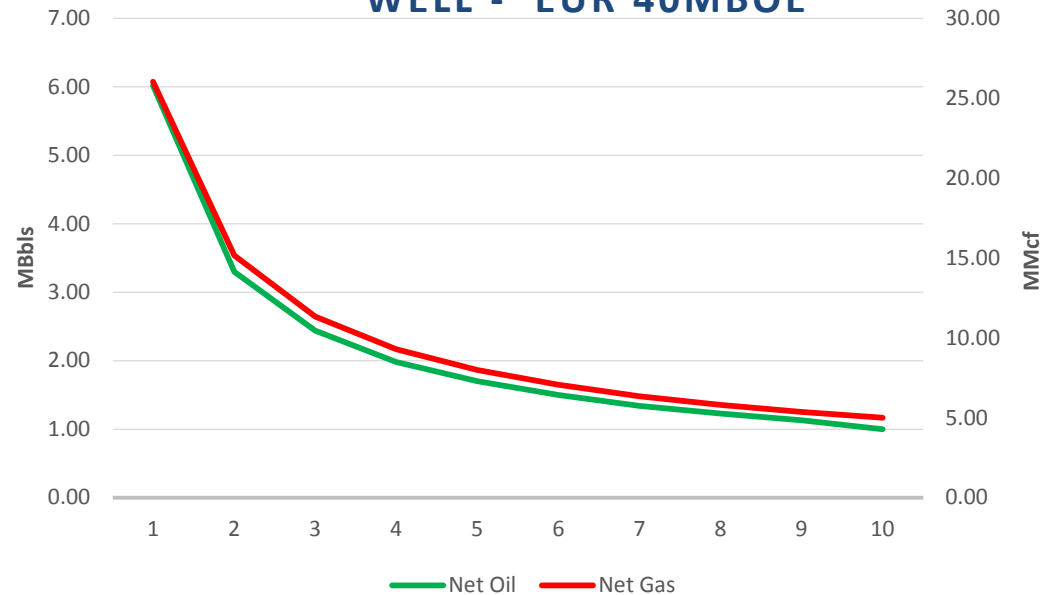
### Hedging - Natural Gas



- **Grow reserves, production and cash flow with low-risk vertical drilling**
  - Mid Con – producing oil/gas assets
  - Appalachia – producing oil/gas assets
  - New targets – production focus on Mid-Con & Western Texas
  - Drill bit – development as opposed to exploration
  
- **Evaluate/pursue oil-weighted acquisitions**
  - Add value through existing management/expertise
  - Target PDP assets with associated immediate cash flow
  - Leverage existing \$200 million credit facility (currently drawn to \$42mm)
  - Accretive, with little additional G&A
  
- **Maintain a disciplined, growth-oriented financial strategy**
  - Operational and strategic fit
  - Target payback for acquisitions of ~5 years on proved assets (1P)
  - Self-funded development to positive free cash flow in near to medium term
  - Seek upside from ‘non-valued’ attaching development opportunities
  
- **Continuously improve capital and operating efficiency**
  
- **Strategic natural gas production, pipeline and acreage acquisition in Appalachia**
  
- **Maintain New York land holdings by production until fracking ban lifted**

- Region – Northern Oklahoma
- Proven Mississippian oil field
- Joint Venture:
  - ~200 well locations
  - Empire 50% WI; NRI 81.25%
  - Empire Operator
  - Current ~7,400 ac
  - Target 10,000 to 12,000 ac
  - ~40 acre spacing
  - Forecast EUR ~40MBoe<sup>1</sup>
  - 60% Oil & Liquids
- Adjacent third party wells:
  - EUR ~65MBoe<sup>2</sup>
- D&C ~\$500,000 per well
- F&D ~ \$9.50/Bbl
- LOE ~ \$8.00/Boe<sup>3</sup>

**STANDARD TYPE CURVE FOR VERTICAL WELL - EUR 40MBOE**



	<b>NYMEX (flat) <sup>1</sup></b>	<b>IRR</b>	<b>Payback</b>	<b>PV10</b>
	\$40.00	-	-	-
	\$50.00	4.7%	4.2 yrs	-\$34M
	\$55.00	15.7%	2.9 yrs	\$38M
	\$60.00	25.8%	2.5 yrs	\$125M
	\$65.00	37.5%	1.9 yrs	\$192M

<sup>1</sup> Differential = -\$2.00/Bbl & Gas Constant= \$3.00/Mcf

<sup>2</sup> Typical EUR for regional vertical wells

<sup>3</sup> For Year 1 - similar to other vertical wells in region

**Bruce W. McLeod**  
*Chairman & CEO*

- Founded Empire Energy in 2006
- 20 years experience in financing resource and property projects in Australasia/Asia
- Prior, Executive Director for BA Australia Limited a subsidiary of Bank of America, responsible for the financial and capital markets operations
- B.Sc (Maths), B.Com, M.Com (Econ), University of Auckland

**Robert Gustafson**  
*CFO*

- In depth Financial Accounting, including SEC reporting with Wheeling Pittsburgh Steel
- Prior extensive accounting experience with T.W. Phillips Gas, Columbia Energy Services, Equitable Resources Energy Company and Gulf Oil Inc.
- B.Sc. Accounting, Rider University

**Anthony Crisafio**

- An independent financial consultant, providing financial oversight to a variety of companies
- Currently Director of PDC Energy Inc., an oil and gas company with operations in the Appalachians, Michigan and the Rocky Mountain Region and CFO for MDS Associated Companies; previously a Partner with Ernst & Young.

**Denise Cox**  
*Senior Geologist*

- Exploration and development geoscientist specializing in the application of technology to carbonate reservoirs and unconventional resources. Strong leadership in project design, implementation, technical evaluation and maximizing economic value.
- 1984 to 2004 with Marathon Oil Inc., resigning as Advanced Senior Geologist. Based in Denver and Houston worked throughout the Mid-Con and Gulf regions. Received 13 Marathon Oil Company Excellence Awards
- M.S. Geology, University of Colorado; Association for Women Geologists Scholarship, B.S. Geology (honors), State University of New York, Binghamton, NY

**Allen C. Boyer,  
SVP Field  
Operations**

- Extensive experience in all operational aspects of the oil and gas industry, including well site activities, leasing and land agreements, pipeline and compressor construction.
- Previous experience with US Energy Exploration, EOG Resources Appalachia, Inc., Rochester & Pittsburgh Coal Company (Fortune 500 Company), Canyon Natural Gas Inc., Turm Oil, Inc., and Peoples Natural Gas Company

**Jim Farthing, VP  
Mid-Con Region**

- From 1979 to 2012 with Conoco-Phillips in North America.
- Retired in 2012 as Operations Manager Conoco-Phillips L48 E&P Central Region/Gulf Coast.
- 20 years in a supervisory capacity operating shallow low pressure wells in Kansas, deep high pressure wells (18000' / 13000# BHP) in Texas, gathering systems, pipelines, booster stations, water floods and associated facilities and plants.

**Tim Hull, VP  
Appalachia  
Region**

- Involved in all aspects of the oil and gas exploration, production and transportation sector in North Eastern USA for over 25 years.
- District Manager for Range Resources LLC., responsible for day to day management of all New York State oil and gas operations. Prior gained experience as a lease operator in 1983 working for Envirogas, Dest Exploration, Chautauqua Energy and Berea Oil & Gas Inc.

**David Hale,  
Consulting  
Geologist &  
Geophysicist**

- From 2005 lead geologist and manager of geosciences for Kansas assets held by Empire Energy.
- Developed prospects, designed and supervised 3-D seismic acquisition, interpreted seismic and incorporated geological models to develop prospects.



# Australian Asset Overview

## McArthur Basin, Northern Territory

100% owned subsidiary  
Imperial Oil & Gas Pty Ltd



# Asset Overview

- Tenements cover 14.6 million acres
- 100% working interest
- Royalties ~12% at wellhead
- Barney Creek & Velkerri Shale Basins ~2.5 million prospective acres identified
- Proven hydrocarbon system - strong liquids potential - *Recent wells in adjacent leases drilled within target formations naturally flowed gas*
- Gas composition C1 77%, C2 11%, C3 11%, C4 0.6%, C5 0.2%, CO2 negligible
- Extensive data base of petroleum and mineral wells, seismic, remote sensing, geochemistry and outcrop data in region
- Risk Segment Mapping / 3D modelling completed
- Tenements EP 184 & 187 awarded, negotiations for remaining EPAs nearing completion
- EPAs 180/181/182/188 & EP187 Aboriginal Land
- Empire seeking JV Partner to develop asset

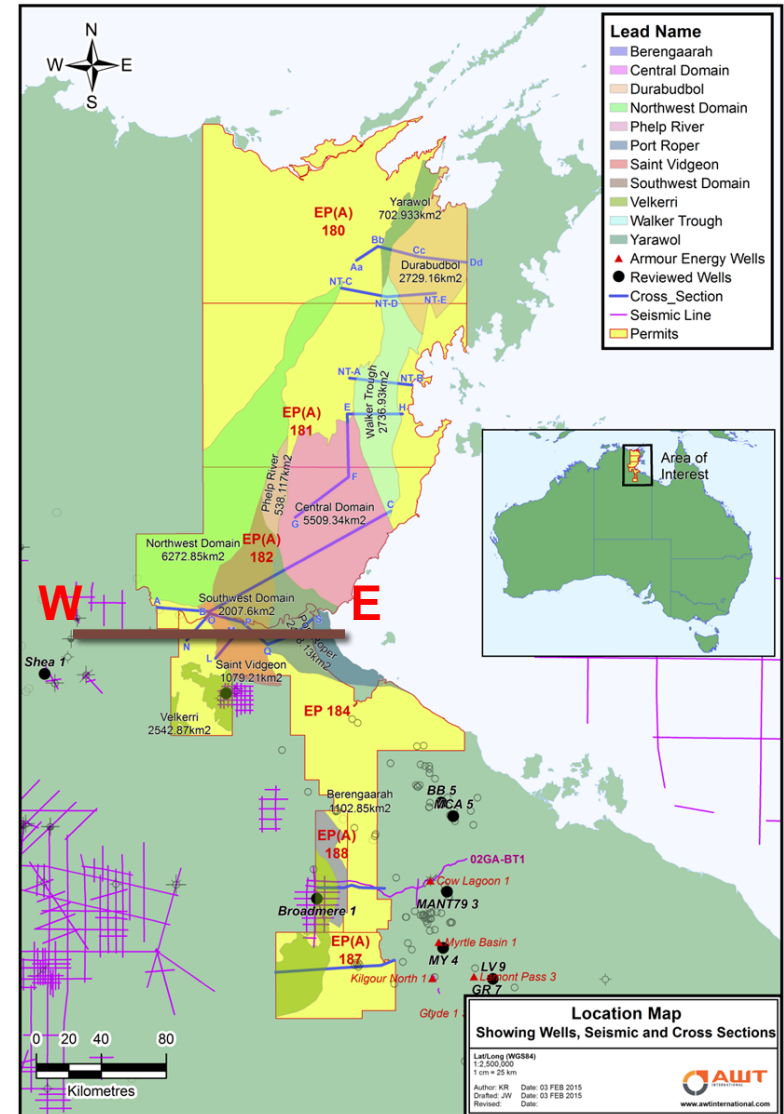
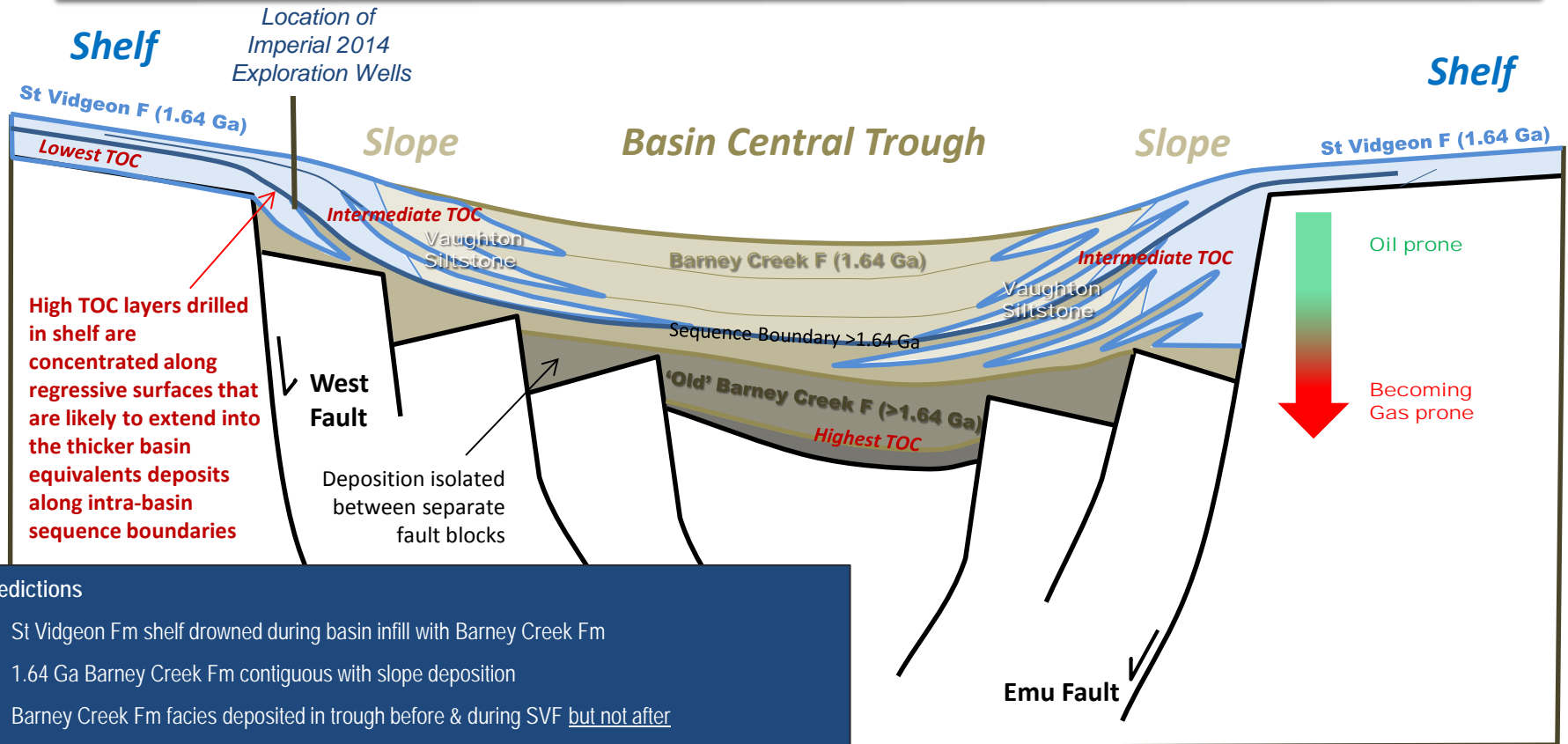


FIGURE 01

# Predicted McArthur Basin Architecture



**Predictions**

- St Vidgeon Fm shelf drowned during basin infill with Barney Creek Fm
- 1.64 Ga Barney Creek Fm contiguous with slope deposition
- Barney Creek Fm facies deposited in trough before & during SVF but not after
- Vaughton Siltstone inferred as 'intermediate' slope facies time equivalent to Barney Creek & St Vidgeon Fms
- VS slope is genetically linked to SVF shelf and BCF basin so high TOC events are likely to continue from shelf (thin) to basin (thick)
- Deep basin centre likely to house highest organic carbon in 'older' Barney Creek Fm



# Prospective Resource



- Empire WI = 100%
- Royalties = ~12%
- Resource estimate considered conservative:
  - Av. thickness of Velkerri & Barney Creek Shale assumed ~350ft, but in some sections up to 1,200ft thick
  - No inclusion of conventional reservoirs in underlying or overlying formations

## Estimated Prospective Resources (Unrisked)

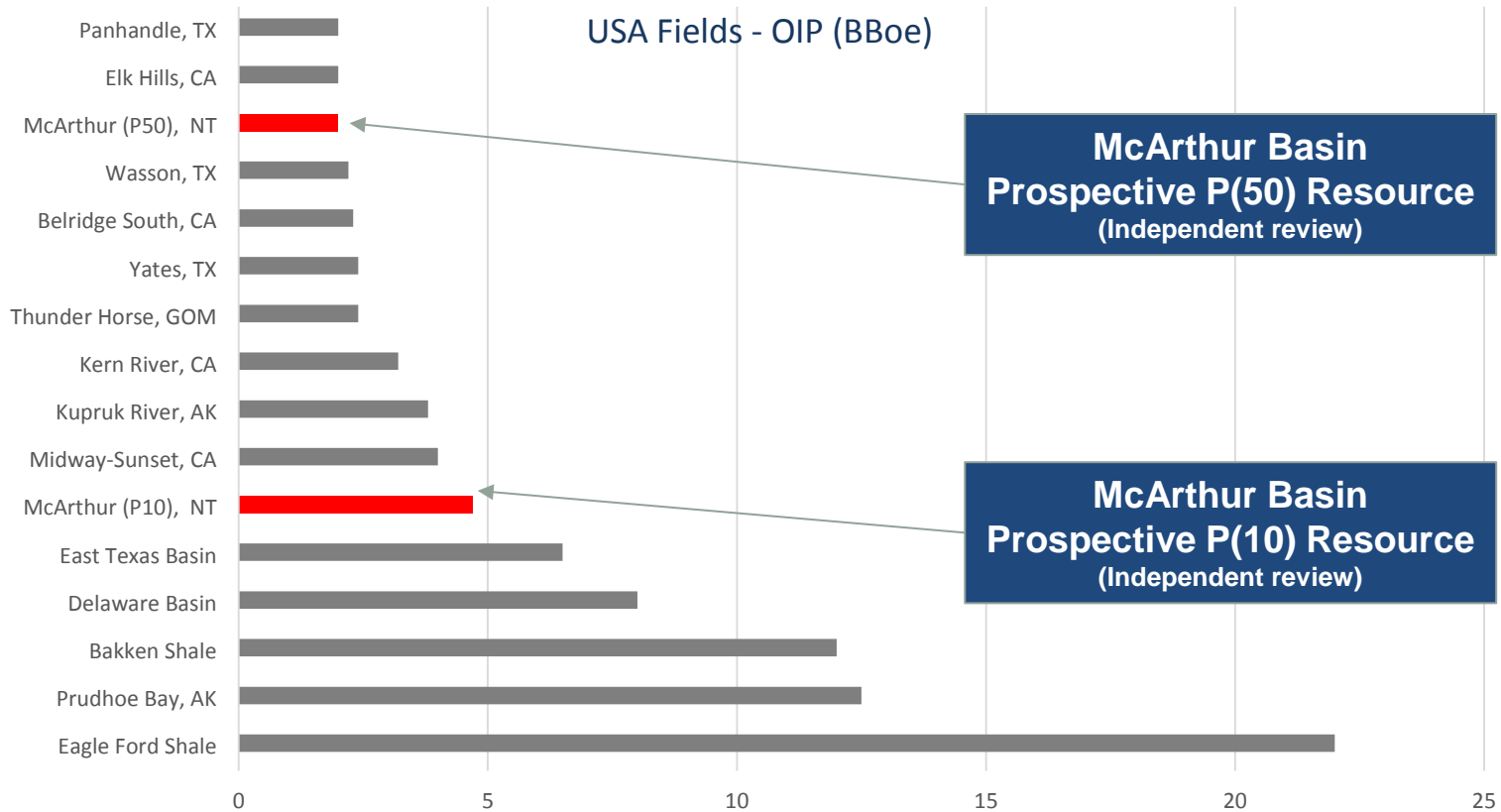
### INDEPENDENTLY CERTIFIED ESTIMATED PROSPECTIVE RESOURCE (Unrisked)

IDENTIFIED	LEASES (EP or EPA)	AREA (Acres)	P90 (MMBOE)	P50 (MMBOE)	P10 (MMBOE)
Barney Creek Formation	180 to 184	2,117,000	617	1,623	3,765
Velkerri Formation	187 & 188	357,000	72	223	576
<b>TOTAL</b>		<b>2,474,000</b>	<b>689</b>	<b>1,846</b>	<b>4,341</b>

The Prospective Resource (total hydrocarbon resource) - estimated by Muir and Associates Pty Ltd (MAA) & Fluid Energy Consultants (FEC)  
 "Prospective Resource" – This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on page 7.



# Prospective Resource (Unrisked) (Compared to USA Petroleum Fields)



# Early Commercialisation

## Commercialisation

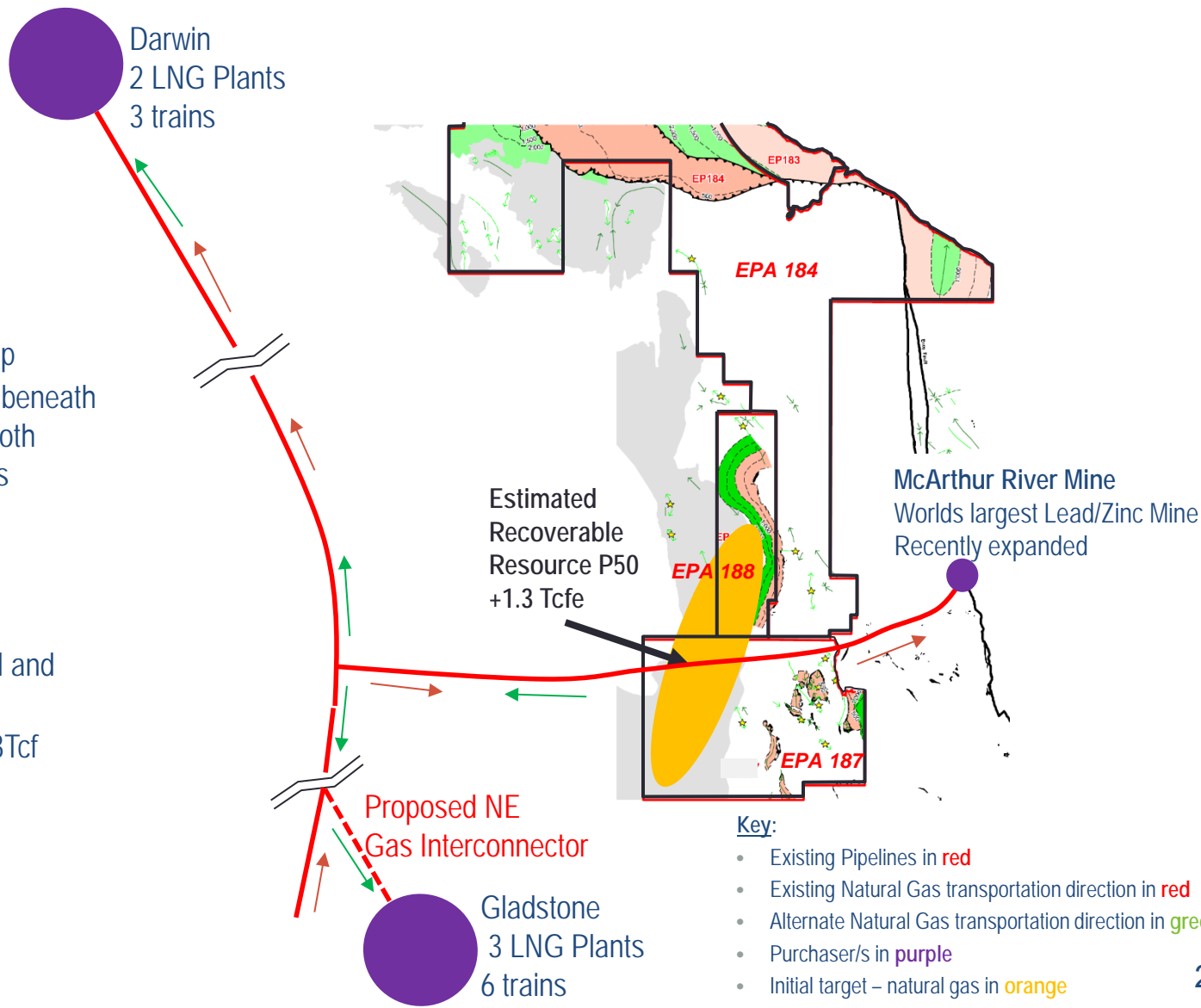
- Unique opportunity for initial development along-side pipeline to existing markets

## Velkerri Shales

- Shown in grey shading on map
- Sandstone reservoirs directly beneath and above shale formation – both known to contain hydrocarbons elsewhere in the basin

## Velkerri Shale Potential

- Potentially both conventional and unconventional play
- Potential P50 Resource +1.3Tcf
- Volumes based on:
  - Formations in EP187
  - >390ft thick pay zone
  - TOC up to 7.5%
  - Maturity Oil, Oil/gas



# Increasing Gas Demand

## Darwin LNG (1 train)

- Approval for 2 additional LNG trains
- ConocoPhillips, the operator of Darwin LNG is presently searching for new gas supply to backfill its existing train whose contracts run out in 2023, when gas from the offshore Bayu-Undan field that feeds it starts to run low
- **Additional trains require new gas supply**

## Ichthys LNG Project Darwin (2 trains)

- Two trains are currently under construction with room for a further 2 trains. Option exists to acquire surrounding land to expand further by adding 2 more trains
- Total Oil is the upstream & downstream operator
- **Additional trains will require new gas supply**

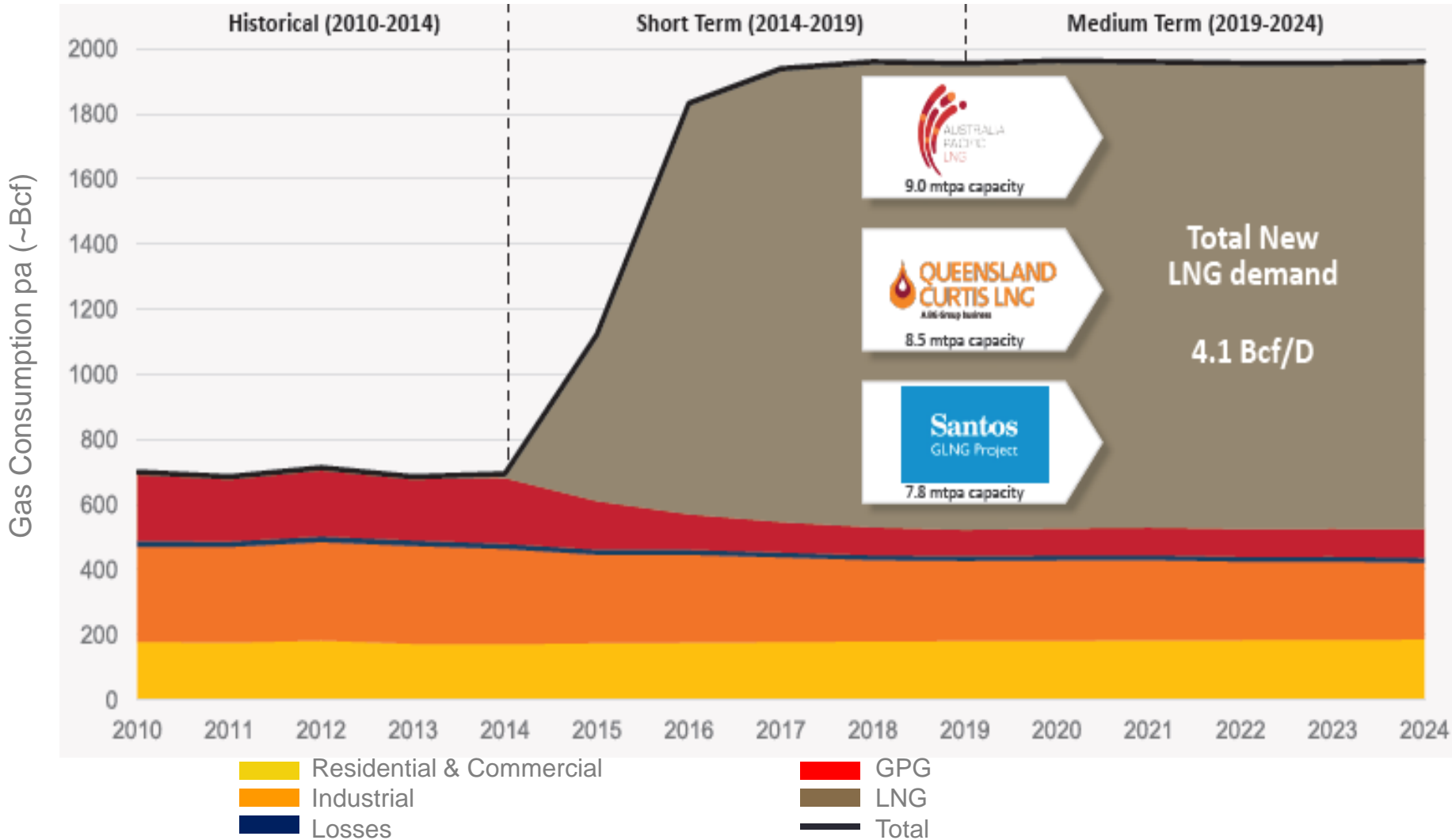
## East Coast Gas Markets / Gladstone LNG (3 x 2 trains)

- The development of 3 LNG facilities at Gladstone to be completed by 2016
- Total offtake for 3 Gladstone LNG facilities is 25.3mtpa
- LNG requirements are projected to increase east coast gas demand by 4.1Bcf/d.
- A significant gas shortfall is looming in the Australian east coast market (next page)
- **"The NE Gas Interconnector is a critical piece of economic development infrastructure - a priority Major Project" Chief Minister Adam Giles, 3 Mar 15**

## Northern Australian Markets

- Opportunity to supply surrounding mines with energy
- Gas is the principal fuel stock for electricity generation in Northern Australia

# East Coast Demand Shock



Source: AEMO

Annual Consumption for Eastern & SE Australia



# Reserves Information

## Notes to Reserves

- The scope of the Reserve Studies reviewed basic information to prepare estimates of the reserves and contingent resources.
- The quantities presented are estimated reserves and resources of oil and natural gas that geologic and engineering data demonstrate are “In-Place”, and can be recovered from known reservoirs.
- Oil prices are based on NYMEX West Texas Intermediate (WTI).
- Gas prices are based on NYMEX Henry Hub (HH).
- Prices were adjusted for any pricing differential from field prices due to adjustments for location, quality and gravity, against the NYMEX price. This pricing differential was held constant to the economic limit of the properties.
- All costs are held constant throughout the lives of the properties.
- The probabilistic method was used to calculate P50 reserves.
- The deterministic method was used to calculate 1P, 2P & 3P reserves.
- The reference point used for the purpose of measuring and assessing the estimated petroleum reserves is the wellhead.
- “PV0” Net revenue is calculated net of royalties, production taxes, lease operating expenses, and capital expenditures but before Federal Income Taxes.
- “PV10” is defined as the discounted Net Revenues of the company’s reserves using a 10% discount factor.
- “1P Reserves” or “Proved Reserves” are defined as Reserves which have a 90% probability that the actual quantities recovered will equal or exceed the estimate.
- “Probable Reserves” are defined as Reserves that should have at least a 50% probability that the actual quantities recovered will equal or exceed the estimate.
- “Possible Reserves” are defined as Reserves that should have at least a 10% probability that the actual quantities recovered will equal or exceed the estimate.
- “Bbl” is defined as a barrel of oil.
- “Boe” is defined as a barrel of oil equivalent, using the ratio of 6 Mcf of Natural Gas to 1 Bbl of Crude Oil. This is based on energy conversion and does not reflect the current economic difference between the value of 1 Mcf of Natural Gas and 1 Bbl of Crude Oil.
- “M” is defined as a thousand.
- “MM” is defined as a million.
- “MMBoe” is defined as a million barrels of oil equivalent.
- “Mcf” is defined as a thousand cubic feet of gas.
- All volumes presented are net volumes and have had subtracted associated royalty burdens.
- Utica shale gas potential resources have only been calculated for the region where drill data is available. Very few wells have been drilled into the Utica in Western NY and NW Pennsylvania. Estimates for GIP have been made were the few existing wells have been drilled. Empire holds additional acreage outside the current potential resource region. It is expected that as with shale characteristics, the shale formations will continue within the remaining acreage. The potential GIP should increase if more data was available.

## Qualified petroleum reserves and resources evaluators

*The information in this report which relates to the Company’s reserves is based on, and fairly represents, information and supporting documentation prepared by or under the supervision of the following qualified petroleum reserves and resources evaluators, all of whom are licensed professional petroleum engineer’s, geologists or other geoscientists with over five years’ experience and are qualified in accordance with the requirements of Listing Rule 5.42:*

Name	Organisation	Qualifications	Professional Organisation
Allen Barron	Ralph E Davis Associates, Inc	BSc	Society of Petroleum Engineers
William Kazmann	LaRoche Petroleum Consultants, Ltd	MSc	Society of Petroleum Engineers
John P Dick	Pinnacle Energy Services, LLC	BPE	Society of Petroleum Engineers
Wal Muir	Muir and Associate P/L	BSc,MBA	Petroleum Exploration of Australia