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ASX Announcement

21 August 2015

US\$75 MILLION FARM-IN AGREEMENT UPDATE – MCARTHUR BASIN

The Directors of Empire Energy Group Limited (“**Empire**”) are pleased to be able to provide further detail in relation to the ASX announcement on Tuesday 18th August 2015 in relation to the Letter of Intent (“**LOI**”) signed for the proposed McArthur Basin, Northern Territory Farm-in arrangement.

HIGHLIGHTS OF THE FARM-IN AGREEMENT:

- A non-binding LOI setting forth the terms of the Farm-In Agreement has been entered into between Imperial Oil & Gas Pty Ltd, (a 100% owned subsidiary of Empire) (“**Imperial**”) and American Energy – Acquisitions, LLC (“**AEAQ**”), an affiliate company of American Energy Partners, LP (“**AELP**”).
- AELP is an oil and gas operating and asset management company founded by Aubrey K. McClendon and based in Oklahoma City, Oklahoma.
- The LOI includes 100% of Imperial’s petroleum tenements covering 14.6 million net acres of the McArthur Basin (“**Tenements**”).
- Imperial is to receive an upfront cash payment of US\$7.5million (A\$10.3 million) to offset expenditures undertaken to date.
- AEAQ will carry 100% of Imperial’s working interest of expenditures during the first phase work program of US\$60 million (A\$82 million) over a three year period (“**Phase One**”).
- On completion of Phase One, AEAQ will earn an 80% working interest in the Tenements and the parties will enter into an industry standard Joint Operating Agreement.
- Imperial has the opportunity to receive a further US\$7.5 million (A\$10.3 million) in cash payments subject to a series of benchmarks being achieved.
- AEAQ will assume operatorship on the signing of the definitive documents. Imperial has the option to reassume operatorship if AEAQ does not earn at least a 50% working interest in the Tenements over Phase One.
- Over the Phase One period, AEAQ will maintain the Tenements in good standing with an estimated expenditure requirement of up to US\$15 million (A\$21 million) over the first 2 years.
- At signing, Empire will issue to AEAQ options equivalent to 7.5% of the total current number of Empire outstanding shares. The Empire options will be exercisable at A\$0.125 per share, expiring 5 years after the date of issue.
- The LOI is subject to the completion of definitive documents over the next 120 days.

Bruce McLeod, Empire's Executive Chairman and CEO commented *"The ability to attract one of the world's most experienced unconventional oil and gas development teams to Australia demonstrates the potential of the McArthur Basin. This is further supported with yesterday's announcement by Armour Energy and their proposed Farm-in with AEAQ in relation to its tenements immediately to the South East of Imperial's tenements.*

The role of AELP in identifying and negotiating to secure, (subject to completion of documentation and due diligence), such a strategically important position of over 36 million acres covering the entire McArthur Basin Trough (which Empire believes is the major source of hydrocarbons within the McArthur Basin), along with extensive Tawallah Shale and Velkerri Shale formations of the McArthur Basin confirms the potential of the organic rich shales of these Northern Territory Proterozoic Basins.

For shareholders seeking additional information in relation to the McArthur Basin, mid next week Empire will be presenting to the South East Asia Australia Offshore & Onshore Conference in Darwin. A presentation reviewing the geology of the McArthur Basin and its potential to produce substantial quantities of hydrocarbons will be released to the ASX website at that time".

ABOUT AMERICAN ENERGY PARTNERS ("AELP")

AELP is an oil and natural gas operating and asset management company located in Oklahoma City, Oklahoma. AELP seeks to deliver best-in-class financial and operating results to investors and partners through industry-leading capabilities in developing and managing oil and natural gas assets in premier onshore USA and international oil and natural gas fields. Founded in April 2013 by Aubrey K. McClendon, AELP has grown to more than 450 employees and has raised over \$US\$14 billion in debt and equity commitments for unconventional resource development projects in the USA.

Previously, Mr. McClendon was co-founder, chairman and CEO of Chesapeake Energy Corporation from 1989 until 2013. Under his leadership, Chesapeake grew from a start-up to the second largest producer of natural gas and the eleventh largest oil producer in the USA. Under Mr. McClendon, Chesapeake was widely credited with leading the U.S. energy oil and natural gas unconventional resource revolution. www.americanenergypartners.com

ABOUT EMPIRE ENERGY GROUP LIMITED

In early 2007, the Company established Empire Energy USA, LLC a wholly owned subsidiary. Empire Energy USA is an oil and natural gas producer with operations in Appalachia (New York and Pennsylvania), Central Kansas Uplift and Oklahoma. Current normalised production is around 1,250Boe/d. The Company also holds Exploration Licences and Applications over 14.6 million acres in the McArthur Basin, Northern Territory, Australia, which is considered highly prospective for oil and gas shale.

Empire Energy holds a US\$200 million credit facility with Macquarie Bank Limited, which can be utilised for the acquisition and development of oil and gas assets in the USA. This facility has around US\$41.2m of the debt facility currently drawn.