



Level 7, 151 Macquarie Street  
Sydney NSW 2000  
Ph: 9251 1846  
Fax: 9251 0244  
(ASX: EEG)  
(OTCQX: EEGNY)  
[www.empireenergygroup.net](http://www.empireenergygroup.net)

## Quarterly Report – For the period ending 30 September 2015

28 October 2015

### 3<sup>rd</sup> QUARTER OVERVIEW

The Directors are pleased to provide the following update of the Company's operations:

- A non-binding letter of intent was signed with an affiliate of American Energy Partners, LP (AELP) for total consideration and funding of up to US\$175 million (cash payment in 2 tranches of US\$7.5 million, project expenditure US\$60 million and project financing loan of US\$100 million) to enable the Company to farm-out 80% of exploration and development on the Company's Northern Territory petroleum tenements (further detail on page 8).
- Estimated revenues US\$4.5million (2Q2015: US\$4.6million).
- Gross production
  - Oil: 55,595 Bbl (2Q2015: 52,570) +5.8%
  - Gas: 553,336 Mcf (2Q2015: 546,205) +1.3%
- Unaudited Operating EBITDAX US\$2.6million (2Q2015: US\$2.5million). For USA operations, Operating EBITDAX was 30% lower compared to the previous corresponding nine month period due to a combination of lower oil prices and extreme weather conditions in Appalachia in early 2015.
- Estimated Group EBITDAX for the period was US\$1.72million (2Q2015: US\$1.61million).
- EBITDA/Interest for the quarter at 3.81 times.
- 84 gas wells purchased in New York State along with 9,500 held by production acres.
- 50/50 Joint Venture signed in Kansas to develop 4,160 gross acres of the Company's land holdings in Gove County.
- Due diligence for the acquisition of approximately 78,000 gross acres, 78 square miles of high quality 3D seismic, 7 production wells and 2 disposal wells in Butler County, Kansas has been concluded. The Company assumed its role as operator on October 1, 2015 and interpretation of the 3D seismic commenced on the same day. The Company has arranged a deferred payment for its 60% working interest until December 30, 2015.
- The Company assumed operatorship of 16 wells in Marion County Kansas on behalf of third party owners.

During the quarter the Company undertook a 1 for 5 Non-Renounceable Rights Issue to issue new shares at \$0.023 per share. The Rights Issue closed on the 25 September 2015 with the Company having received applications for 35,450,195 new shares amounting to AUD\$815,355.95. Official ASX quotation of the new shares occurred on 2 October 2015. The shortfall for the Rights Issue was 26,323,535 shares amounting to AUD\$605,441.31. The Directors have the right to place the shortfall within 120 days of the closing date of the Offer.

### **Net Income Summary - USA Operations:**

Description	3 months to 9/30/2015	3 months to 9/30/2014	Year-to-Date 9/30/2015	Year-to-Date 9/30/2014
<b>Revenues:</b>	4,450,861	5,944,998	13,243,222	18,199,133
<b>Costs &amp; Expenses:</b>				
Production costs & taxes	1,892,684	3,064,592	6,586,560	8,653,852
Depn, Depletion, Amort & ARO	1,497,144	1,395,904	4,504,094	4,093,004
General & Administration	655,649	1,229,305	2,110,922	3,271,954
<b>Income from Operations</b>	405,384	255,197	41,646	2,180,323
Interest	499,074	492,036	1,509,427	1,499,223
(Gain)/Loss on sale of assets	(1,200)	-	617,491	(736,016)
P&A vs. ARO	-	-	143,278	-
<b>Net Income/(Loss)</b>	<b>(92,490)</b>	<b>(236,839)</b>	<b>(2,228,550)</b>	<b>1,417,116</b>

## **OPERATING REVIEW**

### **A. Empire Energy USA, LLC (100%)**

The Company's operations are in the Mid-Con (oil) and the Appalachian Basin (oil & gas).

#### **1. Appalachia (Western New York and Pennsylvania):**

- In August 2015 84 gas wells, or an estimated 1.0 Bcf, along with 9,500 held by production acres were purchased in Western New York State for a cost of \$42,000. Payback on these assets once the wells are online is expected to be approximately 3 months.
- Floods in northern Chautauqua County disrupted three main distribution lines which affected production for 6 weeks.
- In June 2015, production dropped from the Emerald Oil Field from around 60 Bbl/d to 14 Bbl/d and the wells were shut in. These wells were brought back online over the September quarter. Engineers believe that the reason for this drop in production has been resolved and the wells should produce at former production levels.
- The Company is working with a regional civil engineering firm to develop a strategy for the Company to provide gas to large farms and manufacturing facilities within the vicinity of the Company's operations. Over 30 possible end users have been identified who will

benefit from natural gas being available for electric generation, heating and running stationary machinery. These relationships will benefit both the end user and Empire.

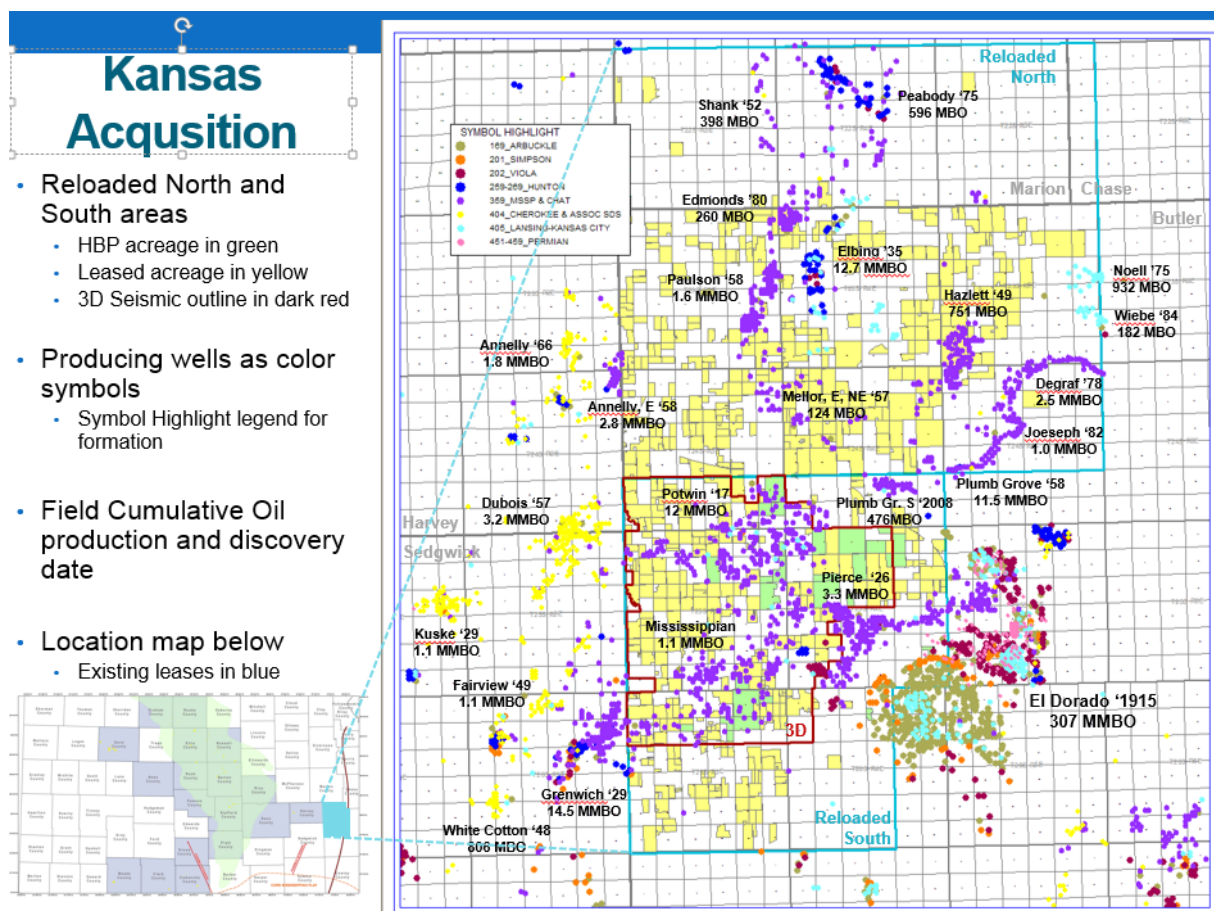
**2. Mid-Continent (Kansas and Oklahoma):**

Production was 563 BOED or 15% lower than 3rd quarter 2014 (660 BOED). Ongoing efficiency programs are reducing lifting costs, with this trend expected to continue over the remainder of the year. Several low producing wells remain shut in contributing to the short fall.

Scheduled drilling continues to be on hold with the exception of one dry hole drilled during September. Empire’s 50% stake in the well cost approximately \$58,000, which will be booked in October 2015.

**Prospects:**

- Empire Energy (60%), operator, and a regional partner (40%) entered into an agreement to acquire a strategic acreage position for low cost oil development in Butler, Marion and Harvey Counties, Kansas. The acquisition includes over 78,000 gross acres (Refer to map below) of which 6,277 acres are HBP. Also included is 3D seismic, 4 producing horizontal wells, 3 shut in horizontal wells, tank batteries and associated equipment along with two newly completed disposal wells. The horizontal wells are producing around 60 Bbl/d. The 78 square miles of 3D seismic acquired is currently being interpreted. A review of the shut in wells is currently underway.



- Empire entered into a 50/50 joint Operating Agreement (“JOA”) with Palomino Petroleum in relation to the development of the Company’s land tract of 4,160 gross acres in Gove County, Kansas. Palomino has extensive operating experience in NW Kansas, and is one of the larger oil producing companies in Kansas. Empire will be the operator.
- The Company was selected by a group of investors to assume the operatorship of 16 relatively new wells along with one disposal well and storage facility located in Marion County, Kansas. The 16 wells are in varying stages of production and completion. All wells had been shut-in under the directions of the Kansas Corporation Commission while a legal dispute between the investors and the original operator are resolved. The investors are now in control of the assets. Empire will take over management once the disputes are resolved. The project consists of a total of 2,400 acres including 3 square miles of 3D seismic data and associated process equipment. Additional acreage is available.
- Seismic acquisition was completed on a portion of acreage held in Kay County, Oklahoma and data interpretation should be completed by mid-October.

**Production Statistics**

Description	3 months to 30/09/2015	3 months to 30/09/2014	Year-to-Date 30/09/2015	Year-to-Date 30/09/2014
<b>Gross Production:</b>				
Oil (Bbls)	55,595	62,689	166,423	188,319
Natural gas (Mcf)	553,336	633,761	1,593,763	1,827,001
<b>Net Production by Region:</b>				
Oil (Bbls)				
Appalachia	1,726	1,383	3,352	2,780
Mid-Con	34,809	37,826	105,225	117,172
Total Oil	36,535	39,209	108,577	119,952
<b>Weighted Avg Sales Price (\$/Bbl)</b>				
Before Hedge	40.15	91.57	45.14	94.08
After Hedge	69.42	86.77	71.58	87.14
<b>Natural gas (Mcf)</b>				
Appalachia	428,199	487,905	1,277,644	1,413,687
Mid-Con	1,599	4,781	8,300	14,533
Total Natural Gas	429,798	492,686	1,285,944	1,428,220
<b>Weighted Avg Sales Price (\$/Mcf)</b>				
Before Hedge	2.19	3.54	2.04	4.11
After Hedge	4.17	4.80	4.01	5.08
<b>Oil Equivalent (Bbls):</b>				
Appalachia	73,092	82,701	216,293	238,394
Mid-Con	35,076	38,623	106,609	119,594
Total	108,168	121,324	322,902	357,988
<b>Boe/d</b>	<b>1,176</b>	<b>1,319</b>	<b>1,183</b>	<b>1,311</b>
<b>Weighted Avg Sales Price (\$/Bbl)</b>				
Before Hedge	22.25	43.96	23.31	47.94
After Hedge	40.03	47.54	40.04	49.49
<b>Lifting Costs (incl. taxes):</b>				
Oil - Midcon (/Bbl)	22.26	27.82	24.30	27.29
Natural gas - Appalachian (/Mcf)	1.81	2.40	1.95	2.15
Oil Equivalent (/BOE)	14.71	18.74	15.94	17.71

**Financials:**

Description	3 months to 30/09/2015	3 months to 30/09/2014	Year-to-Date 30/09/2015	Year-to-Date 30/09/2014
Net Revenue:				
Oil Sales	2,536,100	3,402,153	7,771,794	10,453,089
Natural Gas Sales	1,791,078	2,359,330	5,148,492	7,244,343
Working Interest	2,263	6,773	8,956	18,103
Net Admin Income	98,916	119,125	274,501	346,837
Other Income	22,504	57,617	39,479	136,760
<b>Total Revenue</b>	<b>4,450,861</b>	<b>5,944,998</b>	<b>13,243,222</b>	<b>18,199,132</b>
Production costs:				
Lease operating expenses - Oil	815,828	874,888	2,489,420	2,741,161
Lease operating expenses - Gas	779,451	921,268	2,342,395	2,545,363
Taxes - Oil	1,308	216,097	152,306	514,271
Taxes - Natural Gas	(2,479)	259,530	165,643	519,274
<b>Total</b>	<b>1,594,108</b>	<b>2,271,783</b>	<b>5,149,764</b>	<b>6,320,069</b>
<b>Field EBITDAX</b>	<b>2,856,753</b>	<b>3,673,215</b>	<b>8,093,458</b>	<b>11,879,063</b>

**Less:**

Inventory adjustment	(94,744)	162,344	124,990	208,941
Reserve Enhancements	14,343	49,040	16,904	300,304
Nonrecurring expenses	174,405	395,489	669,508	1,195,115
G & G Costs	572	5,936	41,396	89,423
Field Overhead	204,000	180,000	584,000	540,000
<b>Total</b>	<b>298,576</b>	<b>792,809</b>	<b>1,436,798</b>	<b>2,333,783</b>
<b>Operating EBITDAX</b>	<b>2,558,177</b>	<b>2,880,406</b>	<b>6,656,660</b>	<b>9,545,280</b>

**Less:**

Field G & A	181,977	201,396	629,197	527,454
Corporate G & A	383,513	522,963	1,204,395	1,381,863
Delay rental payments	12,764	49,898	64,549	252,639
Land Overhead & Non-leasing costs	8,299	282	8,411	1,730
<b>Total</b>	<b>586,553</b>	<b>774,539</b>	<b>1,906,552</b>	<b>2,163,686</b>
<b>EBITDAX</b>	<b>1,971,624</b>	<b>2,105,867</b>	<b>4,750,108</b>	<b>7,381,594</b>

Revenue estimates have been made for the last 2 production months of the quarter under review due to customer payment/invoice cycles. As such, there may be changes to production, revenues and operating ratios for the previous quarter as final production statements are received.

**Exploration/Acquisition Expenses:**

Description	3 months to 30/09/2015	3 months to 30/09/2014	Year-to-Date 30/09/2015	Year-to-Date 30/09/2014
<b>EBITDAX</b>	<b>1,971,624</b>	<b>2,105,867</b>	<b>4,750,108</b>	<b>7,381,594</b>
<b>Less:</b>				
Geological Services	21,056	3,838	37,793	33,534
Acquisition related expenses	48,040	50,556	149,460	629,134
Capital raise expenses	-	3,508	17,115	3,508
Dry hole expenses	-	396,866	-	442,091
<b>Total</b>	<b>69,096</b>	<b>454,768</b>	<b>204,368</b>	<b>1,108,267</b>
<b>EBITDA</b>	<b>1,902,528</b>	<b>1,651,099</b>	<b>4,545,740</b>	<b>6,273,327</b>

**Net Earnings:**

Unaudited earnings for the period are shown below:

Description	3 months to 30/09/2015	3 months to 30/09/2014	Year-to-Date 30/09/2015	Year-to-Date 30/09/2014
<b>EBITDA</b>	1,902,528	1,651,099	4,545,740	6,273,327
<b>Less:</b>				
Depn, Depl, Amort & ARO	1,497,144	1,395,902	4,504,094	4,093,004
Interest	499,074	492,036	1,509,427	1,499,223
(Gain) loss on sale of assets	(1,200)	-	617,491	(736,016)
P&A vs. ARO	-	-	143,278	-
Total Non-Cash Expenses	1,995,018	1,887,938	6,774,290	4,856,211
<b>Earnings before Tax</b>	(92,490)	(236,839)	(2,228,550)	1,417,116
<b>EBITDA/Interest (times)</b>	<b>3.81</b>	<b>3.36</b>	<b>3.01</b>	<b>4.18</b>

**Capital Expenditure/Asset Sales:**

Description	3 months to 30/09/2015	3 months to 30/09/2014	Year-to-Date 30/09/2015	Year-to-Date 30/09/2014
Capital Expenditures				
Acquisition Capital	(1,234)	14,054	50,253	14,054
New Wells - IDC	(7,624)	595,654	92,857	1,509,766
New Wells - Capital	(41,219)	213,484	22,078	537,639
Undeveloped Leases	49,561	6,001	502,827	155,249
Cash from Sale of Assets	(15,000)	-	(942,034)	(1,266,050)
Capital Expenditures	(15,516)	829,193	(274,019)	950,658

**Credit Facilities:**

At the end of the quarter the Company had US\$40.3 million drawn at an average cost of LIBOR + 4.35%. Empire Energy retains Credit Facility availability of US\$159.7 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

	Drawdown End of Qtr US\$M	Interest Rate LIBOR +
Term	\$37,247	4.50%
Revolver	\$3,000	2.50%
	\$40,247	4.35%

**Hedging:**

A hedging policy has been implemented by the Company with the underlying objective to ensure the cash flows are protected over the period the Credit Facility is drawn for the funding of a defined set of assets. Hedge contracts are a component of Empire's Credit Facility and no cash margins are required if contracts are outside the marked to market price for each commodity hedged.

The following table summarizes current hedging in place based on NYMEX – Henry Hub and WTI Contracts:

Year	Est. Net mmBtu	Hedged mmBtu	%	Average \$/mmBtu	Est. Net Bbl	Hedged Bbl	%	Average \$/Bbl
2015	424,000	212,000	50.0%	\$ 5.45	33,320	24,540	73.6%	\$ 90.00
2016	1,730,000	1,305,000	75.4%	\$ 4.35	126,000	99,600	79.0%	\$ 72.04
2017	1,675,000	1,068,000	63.8%	\$ 4.05	119,500	92,400	77.3%	\$ 72.01
2018	1,620,000	1,008,000	62.2%	\$ 4.11				
2019	1,550,000	491,500	31.7%	\$ 3.45				
	6,999,000	4,084,500	58.4%	\$ 4.16	278,820	216,540	77.7%	\$ 74.06

## B. IMPERIAL OIL & GAS PTY LTD (100%):

The Company's operations are in the Northern Territory, Australia.

In August 2015 the Company announced it had entered into a non-binding letter of intent with an affiliate of American Energy Partners, LP (AELP) to farm-out the development of 80% of the Company's Northern Territory petroleum tenements. The parties continue to work through the documentation and due diligence process with definitive documents expected to be completed within the short term. Details of the proposed farm-out are:

- A non-binding LOI setting forth the terms of the farm-out Agreement has been entered into between Imperial and American Energy – Acquisitions, LLC (AEAQ), an affiliate company of AELP.
- 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\$10.3million) 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\$7.5million (~A\$10.3million) 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\$21million) over the first 2 years.
- Imperial has the right, if required, to utilize up to US\$100 million (~A\$139million) in project financing to be provided by AEAQ.
- 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.



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](http://www.americanenergypartners.com)

### **Operations:**

Current quarter actual and accrued expenses (Company policy is to expense all exploration costs):

Description – US\$	3 months to 30/09/2015	3 months to 30/09/2014	Year-to-Date 30/09/2015	Year-to-Date 30/09/2014
Exploration Expenses – NT	180,672	1,267,668	693,944	1,823,110

### **Initial Hydrocarbon Target Identified**

Ongoing research by Imperial into the petroleum potential of the Company's acreage has highlighted a number of highly prospective areas that can be targeted for potential early resource commercialisation.

The target area selected for initial exploration activities lies in the western portion of EP187 and is in very close proximity to an existing gas pipeline and to road infrastructure. The Company has begun preliminary discussions with the Northern Territory Chief Ministers Office and the NT Power Water Commission in the event of significant gas discovery to enable the Company to gain access to the existing gas pipeline that runs through this highly prospective segment of the tenement.

This target is considered attractive for commercialization due to the optimum depth to formation, projected thermal maturity, proximity to infrastructure and relative ease of access. The Northern Land Council (NLC) on behalf of the local Traditional Aboriginal Owners and Imperial has completed an extensive survey of Aboriginal sacred sites through the exploration permit and none of these impinge on the area for operations. Recent drilling of the petroleum prospective Velkerri Formation by others in nearby regions has provided further support for the potential of this area. Continuing investigations by Imperial into the Velkerri Formation supports the conclusion of a high probability that hydrocarbon generation has occurred from these black shales. The target area covers approximately 370,000 acres (which represents only 2.6% of the entire Imperial Tenement area) and is projected to contain greater than 2.0 Tcfe of prospective unrisks<sup>1</sup> gas resource.

<sup>1</sup> *Note: >2Tcfe = Prospective Resource - unrisks, is the estimated quantity 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.*

**Development program highlights****• Agreements move closer**

Discussions continue with the NLC to finalise the agreement on tenements EP(A) 180, 181 and 182. The Traditional Owners remain extremely supportive of reaching an agreement with Imperial. The parties expect that the finalisation of the agreement will be completed before the end of the year. Finalisation of the draft agreement will allow it to progress before a NLC meeting in early 2016 for ratification.

**• Northern McArthur Basin Exploration**

Ongoing review of data continues to support the potential within the Company's northern tenement application areas EP(A) 180, 181 & 182 for high organic carbon-rich shale formations. A number of prospective conventional structures have also been identified within those areas characterised by highly organic-rich unconventional shale and siltstone formation targets (figure 1).

- The identification of outcrops of high organic carbon-rich black shales in the Balma and Roper Groups supports the interpretation that the time equivalent Vaughton Siltstone of the McArthur Group Barney Creek Formation and Roper Group Velkerri Formation are present through these tenements and that the Barney Creek (equivalent) shales in particular are present in the deeper portions of the Walker Trough.
- The Walker Trough is a continuation to the north of the gas-bearing Batten Folded Zone within the southern McArthur Basin. The Walker Trough has suffered considerably less tectonic structuring than the southern portion of the Basin and consequently the subsurface geology is likely to be more predictable when drilling, and is considered to have a much greater potential for the preservation of petroleum generative carbon-rich high organic formations.

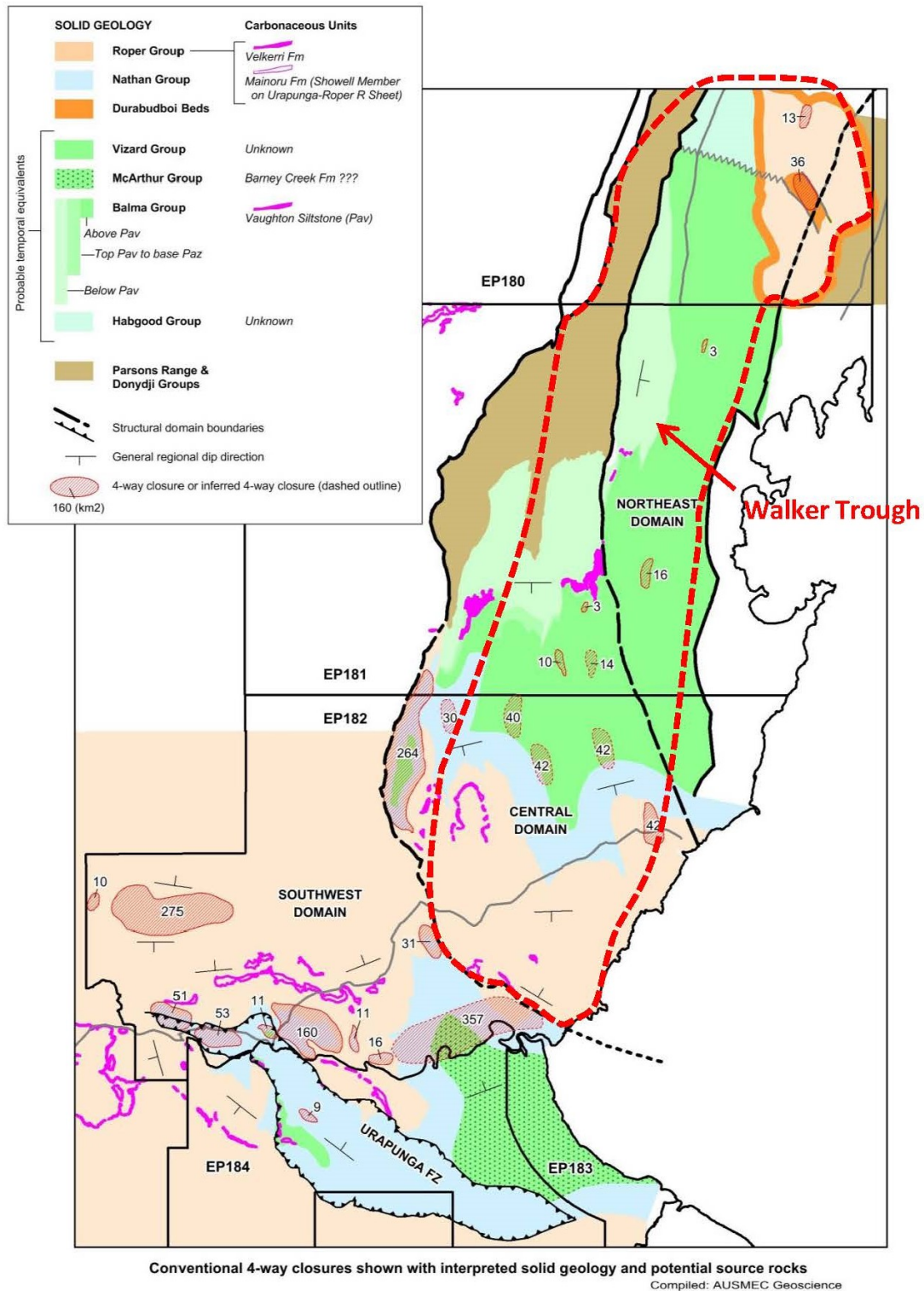


Figure 1: Conventional potentially drillable Prospects identified by Imperial within EP(A) 180, 181 and 182.

- **South Western McArthur Basin Exploration**

In support of previous drilling and geochemical studies undertaken by the Company, Imperial has recently completed a review of the cores previously obtained from a number of wells. The historical cores DD97WG002, 82/1, 82/2 and MD4 were relogged and where potential intervals were identified these shales were sampled and subjected to geochemical and mineralogical analysis. The data obtained from this core provided significant additional information on the potential of the Roper Group Velkerri Formation and on the McArthur Group Barney Creek Formation and their equivalents.

- The historical well DD97WG002 was drilled in July 1997 in the Saint Vidgeon area, in the north west of EP184. It was reported to have encountered black shales within the St Vidgeon Formation (McArthur Group). Retesting by Imperial of this core has confirmed the existence of black carbon rich high organic shales within the St Vidgeon Formation. Total organic carbon content (TOC) of samples of the St. Vidgeon Formation (Barney Creek Formation equivalent) ranges from 0.09% to 2.45% with an average of 1.08%. These levels are sufficient for the shales to be petroleum prospective.
- These encouraging TOC levels within DD97WG002 are developed over an approximate 85 foot net interval of black shales. The results are consistent with the data obtained from the Company's 2014 drilling program of the area and provide further evidence for prospective hydrocarbon generation within the region.
- Historical bore holes 82/1, 82/2 and MD4 were also relogged. These holes intersected the Velkerri Formation (Roper Group) and its equivalent the Lansen Creek Shale. This drilling established that hydrocarbon generation and migration have occurred within the McArthur Basin.
  - The presence of live hydrocarbon shows (Plate 1) strongly supports that hydrocarbons exist in volatile, recoverable form. The available analyses and core data demonstrate the Roper Group Formations of the Velkerri (and equivalents) to be highly prospective for hydrocarbons.



*Plate 1: MD4 Core displaying the classic sheen of live oil exuding from the Velkerri shales. This core has been stored within the NTGS core library sheds in Darwin since 1993 (over 22 years) and continues to weep oil.*

- Within core 82/1 total organic carbon (TOC) content is between 0.34% and 1.94% with an average TOC across a principal interval intersect of 132.8m (435.7ft) of 0.72%. Analysis results indicate that the majority of samples analysed are gas prone, at peak maturity within the oil window and having expelled hydrocarbons. The optimum TOC levels of these samples lie over an interval of 37.8m (approx. 124ft) and range from 1.10% through to a maximum of 1.94% with an average of 1.39%.

- In bore hole 82/1 between drill depth 404m MD and 457m MD many of the shale beds continue to exude high gravity oil providing an iridescent sheen to the core similar to that of the MD4 core hole shown in Plate 1.
- The historical bore hole MD4 was sampled as part of the exploration program undertaken by Imperial to evaluate the Velkerri Formation within EP187. The bore encountered the carbonaceous black organic shales of the Velkerri Formation at 127.4m drill depth and penetrated an interval of 221m (710ft) thickness of black shale without reaching the base of the formation.
- In well MD4, Imperial sampled the 149m (489ft) thick interval between 184.65m and 333.70m drill depth for source rock potential. Results of the TOC analysis show a range of organic content from 0.16wt % to 6.16wt% with an average TOC across a key target 104.4m (342.5ft) interval of intersect of 2.4wt%. TOC analysis results and the geochemical log organic richness indicate that this zone has good to very good levels of organic carbon. The TOC levels of the majority of samples in this zone range from 1.76% through to a maximum of 6.16% with an average of 3.65%.
- The Kerogen quality plot of the MD4 samples TOC indicates that the organic material is Type III gas prone. This is consistent with the results obtained from earlier research of samples obtained from the Velkerri in other areas of the basin and confirms the hydrocarbon generation potential of the Velkerri Formation in EP187.
- These drill holes further reinforce strong evidence of hydrocarbon migration within the regional framework and confirm these formations as high potential hydrocarbon source rocks.

- **South Eastern McArthur Basin Exploration**

The Company continued its desktop study program to develop a Common Risk Segment Model of the Tawallah Group, being the Wologorang and McDermott Formations within the EP184 and EP187 exploration permit area. In support of this model, research was conducted into the source rock potential of these formations and a search undertaken of any available core data to support total organic carbon contents. This research is continuing. Information currently available<sup>2</sup> on core retrieved from the 2014 drilling undertaken by the mineral explorer TNG Pty Ltd on the Mallapunyah Dome (South east of EP187) identified intervals in the core (analysed by the NTGS) that contain up to 7% TOC.

- **Ongoing program**

To facilitate the commencement of a drilling program in early 2016 in-line with the proposed farm-out agreement, the Company plans to commence an ecological assessment program across EP184 and 187 prior to the onset of the 2015/16 wet season. In addition, field mapping studies of the four main shale targets in the Roper, McArthur and Tawallah Groups will be conducted over the 4th quarter of 2015. Data will be used to update the Company's geological model.

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<sup>2</sup> NTGS DIP014 09/10/2015



Further development programs will be dependent on the finalisation of the proposed farm-out with AEAQ.

### C. EMPIRE ENERGY GROUP LIMITED

Empire Energy Group Limited's head office is located in Sydney, Australia. Operating costs cover all Group overhead, including the costs of listing on both the Australian Securities Exchange and the OTCQX Exchange, New York, USA.

Description – US\$	3 months to 30/09/2015	3 months to 30/09/2014	Year-to-Date 30/09/2015	Year-to-Date 30/09/2015
Revenue	39,072	30,128	117,968	156,996
Less Expenses:				
Consultants	92,460	76,580	229,441	311,455
Directors/Employment Costs	65,175	87,776	192,309	369,635
Listing Expenses	31,055	74,337	78,589	149,541
G&A	95,737	130,705	319,778	507,967
<b>EBITDAX – Head office (EEG)</b>	<b>(245,355)</b>	<b>(339,270)</b>	<b>(702,149)</b>	<b>(1,181,602)</b>
<b>EBITDAX – (EEUS)</b>	<b>1,971,624</b>	<b>2,105,867</b>	<b>4,750,108</b>	<b>7,381,594</b>
<b>EBITDAX – GROUP</b>	<b>1,726,269</b>	<b>1,706,597</b>	<b>4,047,959</b>	<b>6,199,992</b>

### 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 1,200Boe/d. The Company holds approximately 232,000 net acres of Marcellus Shale and 148,000 net acres of Utica Shale in western New York State and Pennsylvania. In the Mid-Con the Company holds approximately 21,647 net acres in Kansas and Oklahoma and will add a further 46,348 net acres on settlement of the Butler County assets. In addition, the Company has Exploration Licence Applications over 14.6 million acres in the McArthur Basin, Northern Territory, Australia, which is considered 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\$40.3m of the debt facility currently drawn.

For more information:

Bruce McLeod

Executive Chairman

+61 2 9251 1846

## Financial Terminology

Statements in this announcement may make reference to the terms “EBITDAX”, Field EBITDAX, “field netback” or “netback”, “cash flow” and “payout ratio”, which are non-IFRS financial measures that do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Investors should be cautioned that these measures should not be construed as an alternative to net income calculated in accordance with IFRS. Management believes that these measures provide useful information to investors and management since these terms reflect the quality of production, the level of profitability, the ability to drive growth through the funding of future capital expenditures and sustainability of either debt repayment programs or distribution to shareholders. However, management have attempted to ensure these non-IFRS measures are consistent with reporting by other similar E&P companies so useful production and financial comparisons can be made.

### Note Regarding Barrel of Oil Equivalent

Empire Energy has adopted the standard of 6 Mcf to 1 Bbl when converting natural gas to Boe. Boe may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf to 1 Bbl is based on energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a Boe conversion ratio of 6 Mcf to 1 Bbl would be misleading as an indication of value.

### Note Regarding Reserves

Reserve references in this report have been extracted from the Company’s announcement “2014 Year End Reserves Review” released to the ASX on 5 March 2015. The Company confirms that it is not aware of any new information or data that materially affects the information contained in the announcement 5 March 2015 and that all material assumptions and technical parameters underpinning the estimates in that announcement continue to apply and have not materially changed. Reserves were reported as at 1 January 2015. All volumes presented are net volumes and have had subtracted associated royalty burdens. 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.

### Note Regarding Forward- Looking Statements

Certain statements made and information contained in this press release are forward-looking statements and forward looking information (collectively referred to as “forward-looking statements”) within the meaning of Australian securities laws. All statements other than statements of historic fact are forward-looking statements.

## Glossary

<b>AFE</b>	- Authority for expenditure	<b>PDNP</b>	- Proved developed non producing
<b>Bbl</b>	- One barrel of crude oil, 42 US gallons liquid volume	<b>PDP</b>	- Proved, developed producing well
<b>Boe</b>	- Barrel of oil equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids	<b>PV10</b>	- Pre-tax value of a cash flow stream, over a defined time period, discounted at 10%
<b>Delay Rentals</b>	- Payments made to Lessor to maintain leases	<b>Royalty</b>	- Funds received by the landowner for the production of oil or gas, free of costs, except taxes
<b>GIP</b>	- Gas in place	<b>ROW</b>	- Right of way
<b>HBP</b>	- Held by production	<b>Tcf</b>	- Trillion cubic feet
<b>Mcf</b>	One thousand cubic feet (natural gas volumetric measurement)	<b>TOC</b>	- Total organic content
<b>M or MM</b>	M = Thousand, MM = Million	<b>WI</b>	- Working interest
<b>NRI</b>	- Net revenue interest		

## Changes to Lease holdings 1 July 2015 through 30 September 2015

State	Type	Operator	Empire ID	WI	NRI	Acres	Maturity	Status	Formation
NY	O&G	Empire Energy E&P, LLC	310030035	1.00	0.0875	211.99	7/28/2020	NewLease	All Horizons
OK	O&G	Empire Energy (MidCon) LLC	350710029	1.00	0.8125	160.00	7/7/2017	NewLease	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110542	1.00	0.8488	155.50	8/7/2016	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110625	1.00	0.8488	98.00	7/13/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110643	1.00	0.8488	9.70	7/17/2018	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110662	1.00	0.8750	220.76	8/10/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110665	1.00	0.8750	110.00	8/21/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110666	1.00	0.8750	143.30	8/27/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110667	1.00	0.8750	138.80	9/5/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110668	1.00	0.8750	57.00	9/6/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110669	1.00	0.8750	53.60	9/6/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310110670	1.00	0.8750	52.50	9/19/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990026	1.00	0.8488	36.00	9/12/2022	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990388	1.00	0.8488	30.55	8/5/2016	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990407	1.00	0.8488	29.00	9/6/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990593	1.00	0.8750	146.94	8/23/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990595	1.00	0.8750	95.40	8/22/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990596	1.00	0.8750	42.10	8/21/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990597	1.00	0.8750	79.50	8/29/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990598	1.00	0.8750	46.80	8/30/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990599	1.00	0.8750	66.00	8/22/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990600	1.00	0.8750	48.20	9/19/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990601	1.00	0.8750	27.48	9/20/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990602	1.00	0.8750	47.90	9/21/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990603	1.00	0.8750	75.10	9/25/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990607	1.00	0.8750	486.15	7/26/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990611	1.00	0.8750	48.00	8/2/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	311170450	1.00	0.8488	91.80	8/28/2016	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	311170565	1.00	0.8488	283.90	9/1/2018	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	311170593	1.00	0.8750	152.04	8/16/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	311170595	1.00	0.8750	23.00	8/16/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	311170596	1.00	0.8750	105.00	8/16/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	311170597	1.00	0.8750	313.98	8/23/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990594A	1.00	0.8750	70.00	8/21/2017	Released	All Horizons
NY	O&G	Empire Energy E&P, LLC	310131752	1.00	0.8488	18.00	9/19/1984	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310131832	1.00	0.8488	1.00	5/13/1986	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132187	1.00	0.8488	1.00	5/1/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132188	1.00	0.8488	1.00	5/15/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132189	1.00	0.8488	1.00	5/9/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132190	1.00	0.8488	1.00	5/6/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132191	1.00	0.8488	30.00	8/12/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132192	1.00	0.8488	1.00	4/9/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132193	1.00	0.8488	1.00	4/9/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310132194	1.00	0.8488	1.00	6/2/1998	Released - P&A	Surface Top Queenstn
NY	O&G	Empire Energy E&P, LLC	310990067	1.00	0.8488	198.20	8/29/2013	Released - P&A	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990249	1.00	0.8488	4.10	11/22/2008	Released - P&A	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990250	1.00	0.8488	1.08	11/23/2008	Released - P&A	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990251	1.00	0.8488	33.90	12/2/2008	Released - P&A	All Horizons
NY	O&G	Empire Energy E&P, LLC	310990446	1.00	0.8488	265.70	10/19/2012	Released - P&A	All Horizons
PA	O&G	Empire Energy E&P, LLC	370490953	1.00	0.8488	83.00	6/14/1986	Released - P&A	All Horizons
PA	O&G	Empire Energy E&P, LLC	370490954	1.00	0.8488	167.00	5/1/1985	Released - P&A	All Horizons
PA	O&G	Empire Energy E&P, LLC	370310020	1.00	0.8750	1.35	9/29/2015	Expired	Surface BTM Elk
PA	O&G	Empire Energy E&P, LLC	370310024	1.00	0.8750	8.00	9/29/2015	Expired	Surface BTM Elk
PA	O&G	Empire Energy E&P, LLC	370310028	1.00	0.8750	21.00	9/25/2015	Expired	Surface BTM Elk
PA	O&G	Empire Energy E&P, LLC	370310029	1.00	0.8750	3.00	9/29/2015	Expired	Surface BTM Elk
PA	O&G	Empire Energy E&P, LLC	370650013	1.00	0.8750	15.00	9/20/2015	Expired	Surface BTM Elk
KS	O&G	Empire Energy E&P, LLC	150090018	0.50	0.42438	154.77	8/5/2015	Expired	All Horizons
KS	O&G	Empire Energy E&P, LLC	151850029	1.00	0.875	160.00	7/2/2015	Expired	All Horizons

**Note:** For a full list of petroleum tenements held by the Company and its subsidiaries please refer to the ASX Announcement dated 30 March 2015 titled 'Petroleum Tenements'.