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Quarterly Report – For the period ending 30 June 2017

28 July 2017

2nd QUARTER OVERVIEW

The Directors wish to provide the following update on the Company's operations:

- Estimated revenues US\$3.4 million (1Q2017: US\$3.4 million).
- Gross production
 - Oil: 46,688 Bbl (1Q2017: 46,987) -0.6%
 - Gas: 594,061 Mcf (1Q2017: 573,704) +3.5%
- Unaudited Operating EBITDAX US\$1.6 million (1Q2017: US\$1.5 million).
- Estimated Group EBITDAX for the period was US\$854,305 (1Q2017: US\$609,186).
- Two wells successfully drilled in Kansas with IP's of 40 and 50 BOPD.
- Northern Territory program payments of ~US\$300,000 (1Q2017: US\$173,030).

OPERATING REVIEW

A. EMPIRE ENERGY USA, LLC (100%)

The Company's USA operations are in the Mid-Con (oil) and the Appalachian Basin (oil & gas). The Company remains focused on reducing operating costs and overheads.

1. Appalachia (Western New York and Pennsylvania)

During the second quarter of this year four new inter-connecting pipelines were installed between pipeline systems with high transportation charges to more favorable outlets. Three are now in service allowing 190MCF/day to move into distribution pipelines. The fourth will be moving gas mid-July and is expected to facilitate 100MCF/day.

2. Mid-Continent (Kansas and Oklahoma):

Second Quarter production for the Mid-Continent region remains flat. Operating focus is on maintaining existing wells and producing formations. Again, as was the case of the first quarter, severe weather hampered operations creating unavoidable down time. Volumes, will increase, as scheduled wells are drilled and brought on line throughout the year.

Two wells were drilled and completed during the end of the second quarter with IP's of 40 BOPD and 55 BOPD respectively. The infill wells were selected from 3D seismic shoots and were completed in the targeted Arbuckle formation. The zone is known for its proven, sustainability of long life production. The Company maintains a significant inventory of viable well locations in Kansas and Oklahoma which can be drilled quickly and inexpensively.

Production:

Description	3 months to 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
Gross Production:				
Oil (Bbls)	46,688	49,440	93,329	98,218
Natural gas (Mcf)	594,061	617,423	1,154,870	1,171,854
Net Production by Region:				
Oil (Bbls)				
Appalachia	966	738	1,626	1,674
Mid-Con	29,647	30,948	59,247	59,577
Total Oil	30,613	31,686	60,873	61,251
Weighted Avg Sales Price (\$/Bbl)				
Before Hedge	46.74	40.68	45.05	34.89
After Hedge	62.37	61.92	62.12	61.80
Natural gas (Mcf)				
Appalachia	461,839	493,452	910,137	930,562
Mid-Con	2,567	3,600	5,021	8,012
Total Natural Gas	464,406	497,052	915,158	938,574
Weighted Avg Sales Price (\$/Mcf)				
Before Hedge	2.60	1.29	2.56	1.37
After Hedge	3.03	2.83	3.02	2.93
Oil Equivalent (Boe):				
Appalachia	77,939	82,980	153,315	156,768
Mid-Con	30,075	31,548	60,084	60,912
Total	108,014	114,528	213,399	217,680
Boe/d	1,187	1,259	1,179	1,203
Weighted Avg Sales Price (\$/Boe)				
Before Hedge	24.58	16.87	23.82	15.72
After Hedge	30.95	29.41	30.67	30.02
Lifting Costs (incl. taxes):				
Oil - Midcon (/Bbl)	21.33	19.35	20.86	20.52
Natural gas - Appalachian (/Mcf)	1.63	1.52	1.61	1.59
Oil Equivalent (/BOE)	13.13	11.95	12.85	12.64
Net Back (\$/Boe)	17.82	17.46	17.82	17.38

Financials:

Description	3 months to 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
Net Revenue:				
Oil Sales	1,879,678	1,962,007	3,781,358	3,785,177
Natural Gas Sales	1,418,343	1,405,121	2,761,728	2,746,771
Working Interest	2,194	1,200	2,324	3,183
Net Admin Income	86,388	83,636	172,268	193,700
Other Income	21,032	31,764	38,044	54,839
Total Revenue	3,407,635	3,483,728	6,755,722	6,783,670
Production costs:				
Lease operating expenses - Oil	602,238	568,495	1,222,343	1,181,768
Lease operating expenses - Gas	661,107	710,216	1,349,885	1,418,024
Taxes - Oil	22,896	44,688	49,844	75,698
Taxes - Natural Gas	63,127	44,858	120,204	74,945
Total	1,349,368	1,368,257	2,742,276	2,750,435
Field EBITDAX	2,058,267	2,115,471	4,013,446	4,033,235
Less:				
Inventory adjustment	(30,948)	67,467	28,952	61,181
Reserve Enhancements	1,287	9,966	1,287	10,605
Nonrecurring expenses	132,367	264,148	304,068	490,991
G & G Costs	-	1,868	270	19,310
Field Overhead	309,000	315,000	618,000	630,000
Total	411,706	658,449	952,577	1,212,087
Operating EBITDAX	1,646,561	1,457,022	3,060,889	2,821,148
Less:				
Field G & A	136,929	194,890	294,775	356,389
Corporate G & A	397,012	440,275	774,720	878,953
Delay rental payments	61,005	76,824	79,652	100,912
Land Overhead & Non-leasing costs	-	1,625	300	4,345
Total	594,946	713,614	1,149,447	1,340,599
EBITDAX	1,051,615	743,408	1,911,422	1,480,549

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 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
EBITDAX	1,051,615	743,408	1,911,422	1,480,549
Less:				
Geological Services	-	4,937	-	12,710
Acquisition related expenses	39,300	32,170	57,229	53,460
Capital raise expenses	-	-	24,376	-
Dry hole expenses	-	-	-	-
Total	39,300	37,107	81,605	66,170
EBITDA	1,012,315	706,301	1,829,817	1,414,379

Net Earnings:

Unaudited earnings for the period are shown below:

Description	3 months to 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
EBITDA	1,012,315	706,301	1,829,817	1,414,379
Less:				
Depn, Depl, Amort & ARO	592,315	718,436	1,145,260	1,464,450
Interest	727,813	529,499	1,450,857	1,013,199
(Gain) loss on sale of assets	(500)	-	(39,395)	-
P&A vs. ARO	-	-	-	-
Bad debts	407	-	407	-
Non-Cash & Interest Expenses	1,320,035	1,247,935	2,557,129	2,477,649
Earnings before Tax	(307,720)	(541,634)	(727,312)	(1,063,270)
EBITDA/Interest (times)	1.39	1.33	1.26	1.40

Capital Expenditure/Asset Sales:

Description	3 months to 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
Capital Expenditures				
Acquisition Capital	-	(28,466)	(50)	49,034
New Wells - IDC	205,849	623,550	205,849	626,158
New Wells - Capital	52,857	6,000	52,046	16,284
Undeveloped Leases	-	15,366	56	31,025
Capital Expenditures	258,706	616,450	257,901	722,501

Credit Facilities:

At the end of the quarter the Company had US\$38.3 million drawn at an average cost of LIBOR + 6.5%. The Company repaid US\$212,207 of the Credit Facility. Empire Energy retains Credit Facility availability of US\$161.7 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	\$35,256	6.50%
Revolver	\$3,000	6.50%
	\$38,256	6.50%

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
2017	810,000	804,000	99.3%	\$3.75	62,450	57,000	91.3%	\$66.95
2018	1,620,000	1,008,000	62.2%	\$4.11				
2019	1,550,000	498,000	32.1%	\$3.45				
	3,820,000	2,310,000	60.5%	\$3.84	62,450	57,000	91.3%	\$66.95

NET INCOME SUMMARY - USA OPERATIONS

The accompanying table is for comparative purposes and consists of unaudited, condensed, consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) for interim financial information. Accordingly, they do not include all the information and footnotes required by U.S. GAAP for complete financial statements, although the Company believes that the disclosures made below are adequate to make the information not misleading.

Description	3 months to 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
Revenues:	3,407,635	3,483,728	6,755,722	6,783,670
Costs & Expenses:				
Production costs & taxes	1,761,074	2,026,706	3,694,851	3,962,522
Depn, Depletion, Amort & ARO	592,315	718,436	1,145,260	1,464,450
General & Administration	634,246	750,721	1,231,054	1,406,769
Income from Operations	420,000	(12,135)	684,557	(50,071)
Interest	727,813	529,499	1,450,857	1,013,199
(Gain)/Loss on sale of assets	(500)	-	(39,395)	-
P&A vs. ARO	-	-	-	-
Bad debts	407	-	407	-
Net Income/(Loss)	(307,720)	(541,634)	(727,312)	(1,063,270)

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

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

Operations:

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

Description – US\$	3 months to 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
Exploration Expenses – NT	13,120	494,962	13,120	494,962

The Company is planning to complete necessary On-Country meetings and Exploration Deeds with Traditional Owners for EPA 180, 181 & 182 over the next two quarters.

In addition the Company has initiated a program to further extend the required work programs over EP’s 184 & 187 while the fracking moratorium remains to place.

C. EMPIRE ENERGY GROUP LIMITED

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

Description – US\$	3 months to 30/06/2017	3 months to 30/06/2016	Year-to-Date 30/06/2017	Year-to-Date 30/06/2016
Revenue	40,921	39,114	70,323	110,413
Less Expenses:				
Consultants	65,660	85,535	132,011	168,607
Directors/Employment Costs	63,892	67,800	131,105	134,677
Listing Expenses	12,091	25,223	20,607	55,882
G&A	96,588	103,781	271,593	228,716
EBITDAX – Head office (EEG)	(197,310)	(243,225)	(484,993)	(477,469)
EBITDAX – (EEUS)	1,051,615	743,408	1,911,422	1,480,549
EBITDAX – GROUP	854,305	500,183	1,426,429	1,003,080

Corporate Update

The following corporate events occurred during the quarter:

- On the 14 December, the Company announced a fully underwritten Renounceable Rights Issue ('Offer') based on 11 New Shares for every 5 shares at an issue price of \$0.008 to raise approximately \$6.1 million before costs. The offer closed on 27 January 2017. Following shareholder approval at the Company's annual general meeting the final tranche of 187,500,000 shares was placed bring the capital raising to a close.
- On 2 June 2017 Mr Kevin Torpey resigned as a Director and Ms Lin Tang was appointed as a Non-Executive Director.
- During the quarter the Company transitioned from the OTCQB market to the OTC Pink market, this change occurred to reflect the amount of activity which occurs in the Company's stock on the OTC market.

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 Mid-Con (Kansas and Oklahoma). In 2010 the Company secured approximately 14.6 million acres in the McArthur Basin, Northern Territory, which is considered highly prospective for large shale oil and gas conventional and unconventional 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 a major Proterozoic depo-centre that forms one segment of a series of extensive prolific hydrocarbon basins extending through Oman, Siberia and southern China, and which contain resources of many billions of barrels of oil equivalent.

Financial Terminology

Statements in this announcement may refer 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 “2015 Year End Reserves Review” released to the ASX on 15 March 2016. The Company confirms that it is not aware of any new information or data that materially affects the information contained in the announcement 15 March 2016 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 2016. 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 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

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