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ASX Announcement

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COMPLETION OF KANSAS ASSETS SALE STRENGTHENS BALANCE SHEET AND SETS EMPIRE ENERGY UP FOR GROWTH IN THE NORTHERN TERRITORY

Empire Energy Group Limited (“Empire” or the “Company”) is pleased to advise shareholders that it has completed the sale of its Kansas assets to Mai Oil Operations, Inc. (“Mai Oil”) for a final sale price of US\$19.25 million¹.

The sale proceeds have been principally used to reduce debt from US\$24.81 million to US\$7.5 million with the remaining cash proceeds of approximately US\$1.5 million, after closing costs, retained for Empire’s growth projects and working capital.

Alex Underwood, Chief Executive Officer of Empire, said:

“The completion of the Kansas sale on attractive terms represents a major milestone in the execution of our wealth creation strategy for shareholders outlined in January. The execution of this strategy has enabled us to reduce net debt levels by nearly 90% over the last 12 months and materially strengthen our working capital position.

We have now received Ministerial consent for our EP187 2D seismic program in the Northern Territory and expect final work program approvals to follow soon. With seismic acquisition in our EP187 tenement in the Northern Territory expected to commence soon, and substantial news flow from our neighbours in the Beetaloo Basin anticipated, we have established a solid foundation for growth in the McArthur and Beetaloo Basins.”

¹ Final sale price includes an upward closing adjustment of US\$154,670.41 for oil inventories.

RESIDUAL PRODUCING ASSETS IN APPALACHIA, USA

Empire has retained its cash flow positive Appalachia gas production assets, and all of its interest in the Marcellus and Utica Shale acreage which underlies the New York State gas production. Empire holds its Marcellus Shale and Utica Shale acreage at minimal cost.

Empire will consider initiatives to enhance the value of the Appalachia assets while maintaining a principal focus on the core Northern Territory assets.

DEBT REDUCTION AND WORKING CAPITAL

The debt reduction process carried out over the last 12 months has reduced net debt by nearly 90%.

Total debt has fallen from US\$38m at 30 June 2018 to US\$7.5m, while net debt has fallen from US\$37 million to less than US\$4 million with current cash at bank of more than US\$3 million.

Empire has entered into a new 5 year debt facility with Macquarie Bank Limited for the residual debt on improved terms. The terms of the new facility are summarised at Appendix A.

NORTHERN TERRITORY OPERATIONS UPDATE

As previously advised to shareholders, Empire is one of the most active companies in the Beetaloo and McArthur Basins since the lifting of the moratorium in April 2018 and subsequent implementation of the regulatory framework allowing development of the basins.

Empire has received Ministerial approval for the EP187 seismic EMP and expects to receive final work program approvals imminently. Empire is expected to be the first company other than major operators Santos and Origin to recommence on ground activities in these basins since the lifting of the moratorium.

Government approvals for drilling operations are proceeding well. Empire anticipates it will have all necessary approvals to commence exploration drilling by the commencement of the 2020 dry season (early Q2 2020).

Activity by major operators continues to build with significant news flow expected in the coming months.

ABOUT EMPIRE ENERGY GROUP LIMITED

Empire Energy holds over 14.5 million acres of highly prospective exploration tenements in the McArthur & Beetaloo Basins, Northern Territory. Work undertaken by the Company since 2010 demonstrates that the Eastern depositional Trough of the McArthur Basin, of which the Company holds around 80% has enormous conventional and unconventional hydrocarbon potential. The Beetaloo sub-Basin, in which Empire holds a substantial position, has world class hydrocarbon volumes in place and is on the verge of a major ramp up in industry activity to appraise substantial discoveries already made by major Australian oil and gas operators.

Empire Energy is an experienced conventional oil and natural gas producer with operations in the Appalachia region (New York and Pennsylvania). Empire has been successfully developing and producing oil and gas since 2006.

APPENDIX A
KEY TERMS OF NEW DEBT FACILITY

Borrowers	Empire Energy E&P, LLC Empire Energy USA, LLC
Guarantor	Empire Energy Group Limited
Lender	Macquarie Bank Limited
Principal Amount	US\$7.5 million
Term	5 years
Upfront Fees	1% of Principal Amount
Interest Rate	LIBOR + 650 bps (unchanged)
Repayment Terms	No principal repayments for the remainder of 2019, then 100% of Appalachia Net Operating Cashflow subject to minimum amortisation of US\$550,000 per annum (reduced from minimum amortisation of US\$2,500,000 per annum)
Equity Kickers	None
Hedging	Empire shall maintain a rolling hedging program whereby 55% of forecast Proved Developed Producing Reserves shall be hedged for 5 years (reduced from minimum hedging of 70% of forecast production)
Key Covenants	Net Debt > 1.3x Proved Developed Producing reserves PV10 (unchanged) Interest Coverage ratio > 1.3x (reduced from 1.8x)