EMPIRE ENERGY GROUP LIMITED

and its controlled entities

ABN 29 002 148 361

HALF YEAR
FINANCIAL REPORT
30 JUNE 2017

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COMPANY INFORMATION

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Company Secretary
R V Ryan

Bankers
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Macquarie Bank Limited
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Solicitors
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Stock Exchange Listings

Australia
Australian Securities Exchange
(Home Exchange Brisbane, Queensland)
ASX Code: EEG - Ordinary Shares

USA
New York OTC Market: Code: EEGNY
Sponsor: Bank of New York
1 ADR for 20 Ordinary shares

Executive Chairman's Review of Operations

KEY POINTS FOR THE 6 MONTHS ENDING 30 JUNE 2017

- **Group EBITDAX $1.9 million** (30 June 2016: $1.4 million).
- **Production 1,170 Boe/d** (30 June 2016: 1,109 Boe/d).
- **Two new wells successfully drilled in the Central Kansas Uplift now in steady state production of ~28Bbb/d**.
- **1P PV8 reserve impairment of $7.6mm** (see 'Operations Overview', Note 3, below).
- **2P PV10 at $72.5 mm** (Dec 2016 at $91.5mm).
- **2P reserves at 14.03 MMBoe** (Dec 2016 15.01MMBoe).
- **McArthur Basin Prospective Resource increased P(50)* of 2,068 MMBoe.**
- **Payments for On-Country meetings, Northern Territory of $300,000**
- **~95% of oil hedged at a minimum $67.00/Bbl until December 2017**
- **$1.9mm of loans repaid to Macquarie Bank**
- **In June 2017, the Company completed a capital raising program for ~$4.6 million before costs**

** "Prospective Resource"- is the estimated quantities of petroleum that may potentially be recovered by the application of a 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.*

OPERATIONS OVERVIEW

1. **Mid-Continent (Kansas and Oklahoma):** Two wells were drilled and completed during the second quarter with IP's of 40 BOPD and 55 BOPD respectively. The infill wells were selected from 3D seismic and were completed in the targeted Arbuckle formation. The zone is known for its proven, sustainability of long life production. With water driven reservoirs the wells were put on small choke to prevent water coning and are now at constant production rates of around 14Bbl/d. Further well development is on hold at current oil prices. The Company maintains a significant inventory of viable well locations in Kansas and Oklahoma which can be drilled quickly and inexpensively when there is an increase in oil prices.

2. **Appalachia (Western New York and Pennsylvania):** New inter-connecting pipelines were being laid between pipeline systems with high transportation charges to more favourable outlets.

3. **Independent Review of Oil & Gas Reserves:** Over 2016, due to an improved production environment for both oil and gas, the addition of new reserves through updated seismic, additional leases, a review of behind pipe opportunities along with significantly improved prices as at December 31, 2016, saw the 1P PV8 value of oil and gas assets increase by $31.2 million to $64.0 million compared to December 31, 2015. After adjustments, this led to a non-cash write-back of approximately $29 million. At June 30, 2017 due to a decline in oil and gas prices, and a flatting of the forward price curve, a non-cash 1P PV8 impairment of $7.6 million has been recorded. Using prices as at 6 September 2017 would mean a write-back of ~$3 million. Due the significant decline in the close month gas prices it is expected this impairment will be partially written back with improved gas prices leading into the USA winter.

4. **McArthur Basin (Northern Territory):** No exploration work has been undertaken while the Government undertakes it fracking review. Work continues with finalising agreements with Traditional Owners for EPA's 180,181 and 182.

Executive Chairman's Review of Operations (Continued)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Empire Energy Group Limited's ('Empire', 'the Group' or 'the Company') oil and gas production is operated by the wholly owned US subsidiary, Empire Energy E&P, LLC. The Company maintains a small Head Office in Australia and manages the exploration program in the McArthur Basin, Northern Territory, under its 100% owned subsidiary Imperial Oil & Gas Pty Ltd ('Imperial').

A. OPERATIONS – USA

TABLE A - Production

		6 Months ended		
Operating Statistics	**Note**	**30 June 2017**	**30 June 2016**	**% change**
Gross Production:				
Oil (MBbls)		93.18	97.74	-5%
Natural gas (MMcf)		1,147.50	1,059.93	8%
Net Production by Region:				
Oil (MBbls):				
Appalachia		1.73	1.67	4%
Mid-Con		59.16	59.58	-1%
Total Oil		60.89	61.26	-1%
Weighted Avg Sales Price (/Bbl):				
Before Hedge		$45.02	$34.89	29%
After Hedge		$62.08	$61.79	0%
Natural gas (MMcf):				
Appalachia		911.09	840.07	8%
Mid-Con		4.57	6.46	-29%
Total Natural Gas		915.66	846.53	8%
Weighted Avg Sales Price (/Mcf):				
Before Hedge		$2.54	$1.47	73%
After Hedge		$3.00	$3.20	-6%
Oil Equivalent (MBoe):	1.0			
Appalachia		153.58	141.69	8%
Mid-Con		59.92	60.66	-1%
Total		213.50	202.35	6%
Weighted Avg Sales Price (/Boe)				
Before Hedge		$23.72	$16.71	42%
After Hedge		$30.57	$32.09	-5%
Net Daily Production (Boe/d)		1,170	1,109	6%
Lifting Costs (incl. taxes):	1.1			
Oil - Midcon (/Bbl)		$20.73	$21.92	-5%
Natural gas - Appalachian (/Mcf)		$1.61	$2.17	-26%
Oil Equivalent (/BOE)		$12.80	$15.72	-19%
2P Reserves (MMBoe)	1.2	14.03	13.7	2.5%
2P PV10 ($MM)		$72.5	$70.8	2.4%

Executive Chairman's Review of Operations (Continued)

Notes to Table A:

1.0 Conversion of natural gas to a barrel of oil equivalent is based on a 6:1 ratio.

1.1 **Lifting Costs** - includes lease operating expenses, production and ad valorem taxes.

1.2 **Reserves –** reserves where updated as of June 30, 2017 by Graves & Co Consulting LLC., Houston, TX (Appalachian and MidCon assets). Prices for reserve calculations were NYMEX strip as at close June 30, 2017.

EBITDAX Reporting

In addition to the information presented in the financial report, to assist stakeholders in gaining a clearer understanding of the financial and operational aspects of the Company, a presentation of financial results with reference to EBITDAX reporting has been included.

Statements may make reference to the terms "EBITDAX", Field EBITDAX, "netback", "cash flow" and "payout ratio", which are non-IFRS financial measures that do not have any standardised meaning prescribed by IFRS. 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.

IFRS accounts have been based on an accrual basis (effective date). The EBITDAX accounts, based on production date, are not meant to reconcile to the statutory accounts. However, EBITDAX prepared on an effective date basis can be reconciled to the statutory accounts. At the time of this EBITDAX report, actual numbers for production, income and expenses have been utilised. The following EBITDAX report is prepared on a production date basis.

EBITDAX represents net income (loss) before interest expense, taxes, depreciation, amortization, development and exploration and reserve growth related expenses. Management believes that:

- EBITDAX provides stakeholders with a simple and clear measure of our operating performance;
- EBITDAX is an important measure of operating performance and highlights trends in our core business that may not otherwise be apparent when relying solely on current statutory accounting and financial measures;
- Securities analysts, investors and other interested parties frequently use EBITDAX in the comparative evaluation of companies, many companies now present EBITDAX when reporting their results;
- Management and external users of our financial statements, such as investors, banks, research analysts and others, rely on the use of EBITDAX to assess:
  - the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
  - the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
  - our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
  - the feasibility of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.
- Unlike IFRS accounting policies which constantly change, EBITDAX reporting provides consistency over accounting periods to enable stakeholders to receive a precise snap shot of historic business operations.

Other companies may calculate EBITDAX differently than as presented. Based on the premises set out above, the following schedules present comparative operating statistics and financials on an EBITDAX basis:

Executive Chairman's Review of Operations (Continued)

TABLE B – Revenues and Expenses

Operations - EBITDAX		**6 months ended**	
(In $ thousands)	**Notes**	**30 June 2017**	**30 June 2016**
Net Revenue:			
Oil Sales	1.3	3,780	3,785
Natural Gas Sales	1.3	2,745	2,705
Other		212	252
		6,737	6,742
Production costs:			
Lease operating expenses - Oil		1,214	1,218
Lease operating expenses - Gas		1,349	1,511
Taxes - Oil		51	96
Taxes - Natural Gas		120	91
Total		2,734	2,916
Field EBITDAX		4,003	3,826
Field & Workover Costs		953	1,068
G&A	1.4	1,182	1,340
EBITDAX		1,868	1,418
Geo/Exploration/Acquisitions	1.5	715	612
EBITDA		1,153	806
Depn, Amort, Depletion		1,151	1,470
Loss/(Gain) on assets		-	-
EBIT		2	(664)
Interest		1,537	1,202
Bad debt expense		383	-
EBT		(1,918)	(1,866)
EBITDAX/Interest		1.2x	1.3x

Notes to Table B:

1.3 Sales include realised hedges, being $0.42 million and $1.04 million for natural gas and oil respectively.

1.4 Includes Sydney and Canonsburg, PA offices and regional field offices KS and NY. Significant USA expenses for the period were - salaries and wages $139,468; audit/tax and accounting $154,922; travel and accommodation $51,323; rent and accommodation costs $60,954; Professional Services $24,159 and Management and Director fees $178,500 (of which $75,000 was paid to Empire). Significant Australian expenses for the period were - consultants

Executive Chairman's Review of Operations (Continued)

$182,491; salaries $104,831; audit & accounting $39,020; listing related expenses $35,678; rent, communications and IT $82,477.

1.5 Geological and engineering expenses directly associated with actual and potential exploration and development project or acquisitions and may include legal, tax and financial advice, fees and mobilisation costs.

B. RECONCILIATION OF EBITDAX ACCOUNTS TO STATUTORY ACCOUNTS

At the time of this EBITDAX report, actual numbers for production, income and expenses have been utilised. This method therefore generates an additional difference between what is shown in the EBITDAX and what is represented in the statutory accounts.

The note below provides reconciliation of EBITDAX (Table B) to the financial statements.

Net Earning - Effective Date	**6 months ended**	
(In $ thousands)	**30 June 2017**	**30 June 2016**
Net Earnings- production date	**$1,867**	**$1,418**
Net Earnings- effective date	**$(2,962)**	**$(2,333)**
Intergroup management fee	$75	$75
Revenue and expenses (remaining Empire Group)		
Other Income	$7	$13
Unrealised derivative movements*	$(145)	$(4,583)
General and administration – head office	$(7)	$(55)
General and administration – other*	$76	$(16)
(Impairment of asset)/write-back*	$(7,551)	$20,555
Net (loss)/profit before income tax expense	$(10,507)	$13,656
* ***Indicates non-cash items***		

Executive Chairman's Review of Operations (Continued)

C. McARTHUR BASIN, NT – A LARGE EMERGING PETROLEUM PLAY

The McArthur Basin is an underexplored yet emerging petroleum frontier basin with direct indications of oil and gas. To date there has been very little petroleum exploration in the Batten Trough, located in the southern portion of the McArthur Basin and no petroleum exploration in the Walker Trough located in the northern portion of the McArthur Basin. The Company's wholly owned subsidiary, Imperial Oil & Gas Pty Ltd ('Imperial'), holds approximately 14.6 million acres of leases and lease applications in the onshore McArthur Basin.

Farmout Agreement

Due to the untimely passing of the Founder of American Energy Partners, LP ("AEP"), the Northern Territory Farm-out with AEGP Pty Ltd, an affiliate of AEP, did not close on April 20, 2016 and was unilaterally terminated by Imperial in early April 2017.

Ongoing program – Northern Territory

While the Labour Government undertakes a review of fracking in the Northern Territory, exploration expenditure has reduced significantly. Work in relation to the Exploration Deeds with the Traditional Owners for EPA 180,181 and 182 continues.

The Total Prospective Resource Estimates for the Company's McArthur Basin tenements are shown in the table below:

INDEPENDENTLY CERTIFIED ESTIMATED PROSPECTIVE RESOURCE* (Unrisked)						
FORMATION IDENTIFIED		**Geological Factor Discount**	**AREA M acres**	**P90**	**P50**	**P10**
Barney Creek Formation	Bcf	50-90%	3,559	3,304	8,699	20,172
	MMBO	50-90%		66	174	403
Velkerri Formation	Bcf	50%	315	383	1,192	3,086
	MMBO	50%		8	24	62
Wollogorang Formation	Bcf	90%	1,384	524	1,185	2,371
	MMBO	90%		10	24	47
TOTAL	**MMBO**			**786**	**2,068**	**4,784**

* "Prospective Resource" - This estimate of prospective resources must be read in conjunction with the cautionary statement on page 4.

Executive Chairman's Review of Operations (Continued)

D. OTHER

1.1 Hedging

Hedging outstanding at balance date.

Year	Est. Net mmBtu	Hedged mmBtu	%	Ave $/mmBtu	Est. Net Bbl	Hedged Bbl	%	Av[1] $/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				
Total	3,820,000	2,310,000	60.5%	$3.84	62,450	57,000	91.3%	$66.95

(1) *Includes av 1,767 Bbl/mth of collars*

The fair value (marked to market) of combined oil and gas hedges in place for the Period was approximately $3 million. Oil and gas hedge contracts were valued based on NYMEX Henry Hub and WTI forward curves at market close on 30 June 2017.

1.2 Exploration & Development

Capex (In $ thousands)	6 months ended 30 June 2017	30 June 2016	% change
Acquisitions	-	$49	-100%
New wells – IDC	$206	$596	-65%
New well - Capital	$52	$16	225%
Undeveloped Leases	-	$31	-100%
Northern Territory, Australia	$584	$453	29%
Capital Expenditures	$842	$1,145	-26%
Sale of Assets	$110	-	100%

1.3 Credit Facility

At the end of the period the Company had US$38.3 million drawn at an average cost of LIBOR+6.5%. Empire Energy retains Credit Facility availability of US$159.5 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

	Drawdown End of period US$M	Interest Rate LIBOR+
Term	$35,256	6.50%
Revolver	$3,000	6.50%
	$38,256	6.50%

Executive Chairman's Review of Operations (Continued)

1.4 Oil & Gas Reserves

Net 3P Reserves: An updated Independent Reserve Estimate, at NYMEX strip prices as at June 30, 2017, was completed and is summarised below.

NET RESERVES & PROJECTED CASH FLOW (NYMEX STRIP), JUNE 30, 2017

Reserves	Oil (Mbbls)	Gas (MMcf)	MBoe	Capex US$M	PV0 US$M	PV10 US$M
Region (Reserves) - USA						
Proved Developed Producing	1,487	22,975	5,316	$0	$56,268	$28,166
Proved Developed Non-producing	489	28	494	$744	$10,191	$5,874
Proved Behind Pipe	151	40	158	$582	$4,836	$1,455
Proved Undeveloped	1,001	204	1,035	$8,904	$23,655	$9,285
Total 1P	3,128	23,247	7,003	$10,230	$94,950	$44,780
Probable	3,060	23,782	7,024	$42,060	$99,637	$27,694
Total 2P	6,188	47,029	14,026	$52,290	$194,587	$72,474
Possible	1,619	3,983	2,283	$24,595	$41,939	$6,115
Possible - NY Shale	90,740	12,460	92,817			
Total 3P	98,547	63,472	109,126	$76,885	$236,526	$78,589
Prospective Resource New York Shale P(50)	203,500	1,221,000	407,000			
Prospective Resource P(50) - Australia (NT)*	222,000	11,076,000	2,068,000			
Total Reserves & Resources	**524,047**	**12,360,472**	**2,584,126**			

USA Reserves by: Graves & Co Consulting & Pinnacle Energy Services, LLC.
Northern Territory Resources by: Muir & Associates P/L
** For definition of Prospective Resource P(50) refer to page 4*

The following NYMEX price strip, as at June 30, 2017 was used to calculate reserves:

Year	$/Bbl	$/Mcf
2017	46.53	3.10
2018	47.94	2.99
2019	49.42	2.91
2020	50.81	3.08
2021	50.81	3.08
2022	50.81	3.08
2023	50.81	3.08

1.5 The New York Fracking Ban

In December 2014, the Department of Health directed by Governor Cuomo announced that hydraulic fracturing be prohibited in New York State. As a result, the Company has not been able to develop its +300,000 acres of Marcellus and Utica Shale oil & gas leases in Western New York State. The Shale rights are held by production ("HBP"). The Company continues to aggregate HBP assets when possible.

Bruce McLeod
Chairman & CEO

Note Regarding Forward- Looking Statements *- Certain statements made and information contained in this report 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.*

Executive Chairman's Review of Operations (Continued)

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 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.
- "PV8/PV10" is defined as the discounted Net Revenues of the Company's reserves using either a 8% or 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.

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*
Kent B Lina	*Graves & Co. Consulting LLC*	*BSc*	*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*

None of the above evaluators or their employers have any interest in Empire Energy E&P, LLC or the properties reported herein. The evaluators mentioned above consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors of Empire Energy Group Limited ("the Company") present their report together with the Consolidated Financial Report for the half-year ended 30 June 2017 and the Auditor's Review Report thereon.

1. PRINCIPAL ACTIVITIES

During the six month financial period ended 30 June 2017 the principal continuing activities of the consolidated entity consisted of:

- the acquisition, development, production, exploration and sale of oil and natural gas. The Empire Group sells its oil and gas products primarily to owners of domestic pipelines and refiners located in Pennsylvania, New York and Kansas.
- continued progression of conventional and unconventional exploration targets in the Northern Territory.
- reviewing new exploration, development and business opportunities in the oil and gas sector to enhance shareholder value.

2. CONSOLIDATED RESULTS

The consolidated net loss of the consolidated entity for the six-month period ended 30 June 2017 after providing income tax was US$10,534,694 compared with a net profit of US$13,628,360 for the previous corresponding period ended 30 June 2016.

3. REVIEW OF OPERATIONS

For information on a review of the Group's operations refer to the Executive Chairman's Review of Operations Report contained on pages 4 to 12 of this Interim Financial Report.

4. DIRECTORS

The following persons held office as Directors of Empire Energy Group Limited during and since the end of the financial period:

BW McLeod - Executive Chairman
DH Sutton - Non-Executive Director
L Tang – Non-Executive Director (Appointed 2 June 2017)
K A Torpey - Non-Executive Director (Resigned 2 June 2017)

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half year.

6. EVENTS SUBSEQUENT TO REPORTING DATE

On the 10 July 2017 the Company issued 13,000,000 unlisted options pursuant to the Employee Share Option Plan to executives of the Company. The options are exercisable at $0.03 and expire 30 December 2021.

With the exception of the matter referred to above there is no other matter or circumstance that has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2017 of the group;
- the results of those operations; or
- state of affairs, in financial years subsequent to 30 June 2017 of the group

Director's Report (Continued)

On 13 September 2017, the financial report was authorised for issue by a resolution of Directors.

AUDITOR'S INDEPENDENCE DECLARATION

Under section 307 of *The Corporations Act 2001.*

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 30 and forms part of the Director's Report for the six-month period ended 30 June 2017. Signed in accordance with a resolution of the Directors.

B W McLeod
Signed at Sydney this 13th of September 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2017

	Note	30 June 2017 US$	30 June 2016 US$
Sales revenue		6,817,064	7,070,396
Cost of sales		(3,981,589)	(4,430,992)
Gross Profit		2,835,475	2,639,404
Other income		64,911	90,844
General and administration expenses		(1,545,680)	(1,689,926)
Exploration expenses		(11,848)	(267,134)
(Loss)/writeback of impaired assets (non-cash)	6	(7,550,633)	20,555,100
(Loss) of impaired financial assets (non-cash)		(75,445)	-
Other non-cash expenses	4	(2,640,226)	(6,656,960)
Operating (Loss)/Profit before interest costs		(8,923,446)	14,671,328
Net interest (expense)/income		(1,583,113)	(1,015,685)
(Loss)/Profit before income tax expense		(10,506,559)	13,655,643
Income tax (expense)/benefit	3	(28,135)	(27,283)
(Loss)/Profit after income tax benefit from continuing operations		(10,534,694)	13,628,360
Other comprehensive income			
Items that will/may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(66,854)	(54,982)
Other comprehensive income for the year, net of tax		(66,854)	(54,982)
Total comprehensive income for the year		(10,601,548)	13,573,378
		Cents per share	Cents per share
Basic earnings per share	11	(1.36)	3.96
Diluted earnings per share	11	(1.36)	3.96

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2017

	Note	30 June 2017 US$	31 December 2016 US$
CURRENT ASSETS			
Cash and cash equivalents		1,895,864	641,493
Trade and other receivables		2,115,385	2,175,522
Prepayments and other current assets		656,446	437,535
Inventory		510,120	544,772
Financial assets, including derivatives		2,235,508	2,022,174
TOTAL CURRENT ASSETS		7,413,323	5,821,496
NON-CURRENT ASSETS			
Financial assets, including derivatives		903,529	1,334,091
Oil and gas properties	6	74,738,901	83,943,173
Property, plant and equipment	6	496,967	487,872
Intangible assets		68,217	68,217
TOTAL NON-CURRENT ASSETS		76,207,614	85,833,353
TOTAL ASSETS		83,620,937	91,654,849
CURRENT LIABILITIES			
Trade and other payables		3,524,716	3,871,331
Interest-bearing liabilities	7	37,131,157	38,656,987
Provisions	8	18,326	6,986
TOTAL CURRENT LIABILITIES		40,674,199	42,535,304
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	7	-	-
Provisions	8	13,153,730	12,902,647
TOTAL NON-CURRENT LIABILITIES		13,153,730	12,902,647
TOTAL LIABILITIES		53,827,929	55,437,951
NET ASSETS		29,793,008	36,216,898
EQUITY			
Contributed equity	9	78,415,335	74,239,177
Reserves		5,110,117	5,175,471
Accumulated losses		(53,732,444)	(43,197,750)
TOTAL SHAREHOLDERS' EQUITY		29,793,008	36,216,898

The above statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASHFLOWS

for the half-year ended 30 June 2017

	Six months ended June 2017 US$	Six months ended June 2016 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,937,413	7,389,440
Payments to suppliers and employees	(5,950,173)	(6,617,649)
Interest received	1,908	213
Interest paid	(1,583,113)	(882,322)
Income taxes paid	(28,135)	(27,282)
Net cash flows from operating activities	(622,100)	(137,600)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of oil and gas assets	63,864	-
Proceeds from sale of investments in equities	-	-
Payments for oil and gas assets	(342,028)	(141,886)
Payments for property, plant and equipment	(55,547)	(5,164)
Net cash flows from investing activities	(333,711)	(147,050)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuing shares	4,176,158	-
Proceeds from interest bearing liabilities	-	-
Repayment of interest bearing liabilities	(1,869,145)	-
Finance lease payments	(2,031)	(17,637)
Net cash flows from financing activities	2,304,982	(17,637)
Net increase/(decrease) in cash and cash equivalents	1,349,171	(302,287)
Cash and cash equivalents at beginning of financial period	641,493	1,126,543
Effect of exchange rate changes on cash and cash equivalents	(94,800)	(20,254)
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	1,895,864	804,002

The above statement of cashflows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 June 2017

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Total Equity
Balance at 31 December 2016	**74,239,177**	**127,396**	**(69,343)**	**5,117,418**	**(43,197,750)**	**36,216,898**	**36,216,898**
Total Comprehensive income for period							
Profit after income tax from continuing operations	-	-	-	-	(10,534,694)	(10,534,694)	(10,534,694)
Exchange differences on translation of foreign operations	-	-	(66,854)	-	-	(66,854)	(66,854)
Gain on the revaluation available-for-sale investments, net of tax	-	-	-	-	-	-	-
Net change in the fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(66,854)	-	(10,534,694)	(10,601,548)	(10,601,548)
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	4,635,835	-	-	-	-	4,635,835	4,635,835
Less: share issue transaction costs	(459,677)	-	-	-	-	(459,677)	(459,677)
Options lapsed in period, transferred to retained earnings	-	-	-	-	-	-	-
Warrants lapsed in period, transferred to retained earnings	-	-	-	-	-	-	-
Options issued during the period	-	-	-	1,500	-	1,500	1,500
Warrants issued during the period	-	-	-	-	-	-	-
Total transactions with owners	**4,176,158**	**-**	**-**	**1,500**	**-**	**4,177,658**	**4,177,658**
Balance at 30 June 2017	**78,415,335**	**127,396**	**(136,197)**	**5,118,918**	**(53,732,444)**	**29,793,008**	**29,793,008**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2017

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Total Equity
Balance at 31 December 2015	**74,240,545**	**127,396**	**(96,233)**	**4,405,702**	**(59,991,158)**	**18,686,252**	**18,686,252**
Total Comprehensive income for period							
Profit after income tax from continuing operations	-	-	-	-	13,628,360	13,628,360	13,628,360
Exchange differences on translation of foreign operations	-	-	(54,983)	-	-	(54,983)	(54,983)
Gain on the revaluation available-for-sale investments, net of tax	-	-	-	-	-	-	-
Net change in the fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(54,983)	-	13,628,360	13,573,377	13,573,377
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	-	-	-	-	-	-	-
Less: share issue transaction costs	-	-	-	-	-	-	-
Options lapsed in period, transferred to retained earnings				(173,149)	173,149	-	-
Warrants lapsed in period, transferred to retained earnings	-	-	-	(2,591,060)	2,591,060	-	-
Options issued during the period	-	-	-	32,380	-	32,380	32,380
Warrants issued during the period	-	-	-	1,020,000	-	1,020,200	1,020,000
Total transactions with owners	**-**	**-**	**-**	**(1,711,829)**	**2,764,209**	**1,052,380**	**1,052,380**
Balance at 30 June 2016	**74,240,545**	**127,396**	**(151,216)**	**2,693,873**	**(43,598,589)**	**33,312,009**	**33,312,009**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Empire Energy Group Limited ("Company") is a Company domiciled in Australia. The condensed consolidated interim financial report of the Company for the half-year ended 30 June 2017 comprises the Company and its controlled entities ("Consolidated Entity").

These general purpose financial statements for the interim half-year reporting period ended 30 June 2017 have been prepared in accordance with complied Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.* Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 *Interim Financial Reporting.*

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Due to international operations, the Company's cash flows and economic returns are denominated in US dollars ("US$").

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the normal course of business.

The Group's Statement of Financial Position reflects an excess of current liabilities over current assets of $33,260,876. Net assets of the Group are $29.79 million.

At June 30, 2017 and March 31, 2017 the Group had breached the interest cover financial covenant on its borrowings with Macquarie Bank. The interest cover ratio of 1.51 and 1.56 respectively were below the required 1.8. Refer to Note 7. This has not been rectified at the date of this report and no formal waiver has been obtained from Macquarie Bank.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will obtain a waiver for the breaches from Macquarie Bank. However, if the Group is not able to obtain a waiver, or is not able to otherwise refinance the debt, then there may be uncertainty about whether the Group is able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

Any new revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

NOTE 2 – LEASE EXPIRATION EXPENSES

A charge of $55,400 has been taken against the book value of undeveloped leases which have expired, or are to expire. The Company has an ongoing program to renew expiring leases, to take up options on expiring leases or acquire new leases if and when possible. The charge is a non-cash entry which has no effect on cash-flows.

NOTE 3 – INCOME TAX EXPENSE

Included in the income tax expense for the six-month period is an expense of $28,135 which relates to revising the estimated deferred tax liability to reflect changes made on lodgement of the Income tax Return for Empire Energy Holdings LLC.

NOTE 4 – OTHER NON-CASH EXPENSE	June 2017 $	June 2016 $
Depreciation, depletion & amortisation	1,945,373	1,248,341
Lease expiration	55,400	202,300
Non-cash interest	598,497	534,847
Change in fair value of hedges	144,869	4,582,840
Other	(103,913)	88,632
	2,640,226	6,656,960

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

NOTE 5 - OPERATING SEGMENTS

The Empire Group has two reportable segments as described below. Information reported to the Empire Group's chief executive office for the purpose of resource allocation and assessment of performance is more significantly focused on the category of operations.

	Oil & Gas		Investments		Other		Eliminations		Total	
in USD	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**	**2017**	**2016**
Revenue (external)	6,817,063	14,538,955	-	-	-	-	-	-	6,817,064	14,538,955
Other income (excluding Finance income)	56,159	219,972	-	-	8,585	(140,312)	-	-	64,744	79,660
Reportable segment profit/(loss) before tax	(7,634,159)	21,185,415	-	-	(570,823)	(1,137,179)	-	-	**(8,204,982)**	20,048,236
Finance income	1,908	298	251,378	358,972	(121,875)	738	(251,378)	(358,972)	(119,967)	1,036
Finance costs	(2,431,204)	(3,901,079)	-	-	(1,784)	(10,073)	251,378	358,972	(2,181,610)	(3,552,180)
Profit/(loss) for the period before tax									**(10,506,559)**	**16,497,092**
Reportable segment assets	81,971,011	92,267,669	2,785,248	72,361	1,573,004	203,888	(2,708,326)	(889,069)	83,620,937	91,654,849

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period. Included in Other income above are gains disclosed separately of the face of the statement of profit and loss and other comprehensive income.

The Empire Group's reportable segments under AASB 8 are as follows:

- Oil and gas operations - includes all oil and gas operations located in the USA. Revenue is derived from the sale of oil and gas and operation of wells.
- Investments - includes all investments in listed and unlisted entities, including the investment in Empire Energy Group USA LLC, (eliminated on consolidation). Revenue is derived from the sale of the investments.
- Other - includes all centralised administration costs and other minor other income.

  Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' salaries, finance income and finance expense, gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

NOTE 6 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Oil & Gas – Proved	Oil & Gas – Unproved	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$							
At 1 January 2017	117,053,631	6,584,445	30,591	328,948	755,900	669,608	125,423,123
Additions	370,948	-	-	-	52,079	3,468	426,495
New asset retirement obligation	-	-	-	-	-	-	-
Write-off of asset retirement obligation	-	-	-	-	-	-	-
Sale of wells	(109,760)	-	-	-	-	-	(109,760)
Disposals	(69,051)	-	-	-	-	-	(69,051)
Expiration costs	-	(55,678)	-	-	-	-	(55,678)
Write-off of exploration expense	-	-	-	-	-	-	-
At 30 June 2017	117,245,768	6,528,767	30,591	328,948	807,979	673,076	125,615,129
Accumulated Depreciation in US$							
At 1 January 2017	(39,430,683)	-	-	(75,357)	(643,496)	(552,291)	(40,701,827)
Depreciation and depletion	(1,896,540)	-	-	(6,277)	(27,352)	(15,204)	(1,945,373)
Sale of wells – write-off depletion	86,027	-	-	-	-	-	86,027
Disposals	-	-	-	-	-	-	-
Impairment	(7,550,633)	-	-	-	-	-	(7,550,633)
At 30 June 2017	(48,791,829)	-	-	(81,634)	(670,848)	(567,495)	(50,111,806)
Opening written down value	**77,622,948**	**6,320,225**	**30,591**	**253,591**	**108,086**	**95,604**	**84,431,045**
Impact of foreign currency adjustments	**-**	**(243,805)**	**-**	**-**	**(3,913)**	**(19,737)**	**(267,455)**
Closing written down value	**68,453,939**	**6,284,962**	**30,591**	**247,314**	**133,218**	**85,844**	**75,235,868**

NOTE 6 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Cont'd)

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2017

	Oil & Gas – Proved	Oil & Gas – Unproved	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$							
At 1 January 2016	116,883,304	7,243,258	30,591	328,948	716,286	639,941	125,842,328
Additions	115,719	74,849	-	-	39,614	29,667	259,849
New asset retirement obligation	1,022,525	-	-	-	-	-	1,022,525
Write-off of asset retirement obligation	(45,249)	-	-	-	-	-	(45,249)
Reclassifications	-	-	-	-	-	-	-
Sale of wells	(96,670)	-	-	-	-	-	(96,670)
Disposals	(791,938)	(435,062)	-	-	-	-	(1,227,000)
Expiration costs	-	(298,600)	-	-	-	-	(298,600)
Write-off of exploration expense	(34,060)	-	-	-	-	-	(34,060)
At 31 December 2016	117,053,631	6,584,445	30,591	328,948	755,900	669,608	125,423,123
Accumulated Depreciation in US$							
At 1 January 2016	(65,603,144)	-	-	(62,803)	(593,570)	(501,221)	(66,760,738)
Depreciation and depletion	(2,100,077)	-	-	(12,554)	(49,926)	(51,070)	(2,213,627)
Write-off sale of wells	8,825	-	-	-	-	-	8,825
Write-off plugged wells	19,249	-	-	-	-	-	19,249
Impairment	(696,274)	-	-	-	-	-	(696,274)
Write-back of impaired assets	28,940,738	-	-	-	-	-	28,940,738
At 31 December 2016	(39,430,683)	-	-	(75,357)	(643,496)	(552,291)	(40,701,827)
Opening written down value	**51,280,160**	**6,994,863**	**30,591**	**266,145**	**118,401**	**117,149**	**58,807,309**
Impact of foreign currency adjustments	**-**	**(264,220)**	**-**	**-**	**(4,318)**	**(21,713)**	**(290,251)**
Closing written down value	**77,622,948**	**6,320,225**	**30,591**	**253,591**	**108,086**	**95,604**	**84,431,045**

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2017

NOTE 6 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Cont'd)

At 30 June 2017, the Company impaired oil and gas properties by $7,550,633 due to the decline in oil and gas prices resulting in a reduction of the recoverable amount of those assets at prices at the end of the period.

NOTE 7 - INTEREST BEARING LIABILITIES

These accounts are presented on the basis that all borrowings have been classified as current liabilities. This treatment is as a result of a strict application of the relevant provisions of AASB *101 Presentation of Financial Statements ("AASB 101").* This accounting standard requires the Group to classify liabilities as current if the Group does not have an unconditional right to defer payment for twelve months at period end. However, the expected repayment of the borrowings is not for complete repayment within the twelve-month period. In February 2016, the Company extended the Facility for a further 3 years through to 26 February 2019.

Credit facility summary

Empire Energy USA, LLC maintains a long-term credit facility with Macquarie Bank Limited (Macquarie), which matures in February 2019, consisting of the following:

Revolver facility (revolving line-of-credit):	$50,000,000
Term Loan facility:	$150,000,000

Uses of credit facility:

Revolver:	To refinance existing debt and to undertake acquisitions. The Revolver is subject to a borrowing base consistent with normal and customary oil and gas lending practices of the bank.
Term Loan:	As an acquisition and development term credit facility to undertake acquisitions and support capital expenditure under an agreed development plan for oil and gas properties and services companies in the United States. Drawdown on the Term Facility is based on predefined benchmarks and segregated in tranches.

Credit facility structure

Revolver:	Borrowing base limit	$3,000,000
	Interest rate	LIBOR+6.5%
	Availability (1)	Nil
	Maturity	Feb 2019
	Repayment	Feb 2019

(1) the borrowing base limit changes with operations and opportunities with approval of the lender.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2017

NOTE 7 - INTEREST BEARING LIABILITIES (Cont'd)

Term Loan:	Borrowing base limit	$38,256,159
	Interest rate	LIBOR+6.5%
	Availability [1]	Nil
	Maturity	Feb 2019
	Repayment [2]	Amortization

(1) draw down is based on predefined benchmarks, with approval of the lender.
(2) repayment is monthly from net cash flow and capital transaction proceeds of USA operations, with remaining payable at maturity.

On January 19, 2017, the Company entered into a Second Amendment to the Credit Facility rollover of April 2016. This required a payment of $1,500,000 which was made in in February 2017 in accordance with the Second Amendment. Following an increase in interest rate margin from 4.7% to 6.5%, a further change to the loan covenants was an adjustment to the Interest Coverage Ratio to at least 1.8 to 1.00. This applied to the four most recent fiscal quarters beginning with the fiscal quarter ending December 31, 2016. The current Interest Coverage Ratio is 1.51 to 1.

	June 2017 $	December 2016 $
Term Facility:		
Tranche A	6,181,553	6,181,553
Tranche B	10,583,403	10,583,403
Tranche C	9,991,203	10,360,349
Tranche D	8,500,000	10,000,000
Revolver	3,000,000	3,000,000
Sub-total	38,256,159	40,125,305
Less discount on debt	-	-
Less deferred financing costs, net	(1,152,161)	(1,499,575)
	37,103,998	38,625,730
Finance Lease Liability	27,159	31,257
Total Current Debt	37,131,157	38,656,987
Current portion	-	1,500,000
Residual current balance	37,131,157	37,156,987
Current debt per balance sheet	37,131,157	38,656,987

NOTE 8 - PROVISIONS

	June 2017 $	December 2016 $
Current		
Employee entitlements	18,326	6,986
Non-current		
Asset retirement obligations	13,153,730	12,902,647
Movement in Asset Retirement Obligation		
Balance at beginning of period	12,902,647	11,496,833
Additions	-	622,802
Write-off of accrued plugging costs	-	(94,556)
Accretion in the period, included in amortisation expense	251,083	477,568
Change in estimate	-	400,000
Balance at end of period	13,153,730	12,902,647

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2017

NOTE 8 - PROVISIONS (Cont'd)

The Empire Group makes full provision for the future costs of decommissioning oil and gas production facilities and pipelines on a discounted basis on the installation or acquisition of those facilities. The provision represents the present value of decommissioning costs which are expected to be incurred up to 2050.

The estimated liability is based on historical experience in plugging and abandoning wells, estimated remaining lives of those based on reserve estimates, external estimates as to the cost to plug and abandon the wells in the future, and regulatory requirements. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works. Furthermore, the timing of decommissioning is likely to depend on when the assets cease to produce at economically viable rates. This in turn will depend upon future oil and gas prices, which are inherently uncertain.

NOTE 9 - CONTRIBUTED EQUITY	CONSOLIDATED 6 months to 30 June 2017	
	No. of shares	US$
a) Shares		
Issued Capital		
Balance at beginning of period	347,313,877	74,239,177
Movement in ordinary share capital		
- Issue of 236,538,079 fully paid ordinary shares in January 2017 @$0.008 pursuant to a Pro-Rata Rights Issue	236,538,079	1,445,342
- Issue of 196,175,000 fully paid ordinary shares in February 2017 being shortfall shares to the Pro-Rata Rights Issue	196,175,000	1,209,850
- Issue of 17,693,153 fully paid ordinary shares in February 2017 in lieu of cash payment for fees and services rendered	17,693,153	108,806
- Issue of 37,750,000 fully paid ordinary shares in February 2017 as a private placement to raise funds	37,750,000	232,148
- Issue of 74,222,500 fully paid ordinary shares in May 2017 as a private placement to raise funds	74,222,500	448,838
- Issue of 187,500,000 fully paid ordinary shares in June 2017 as a private placement to raise funds	187,500,000	1,108,500
- Issue of 13,544,567 fully paid ordinary shares in June 2017 in lieu of cash payment for fees and services rendered	13,544,567	82,351
Less costs associated with the above mention share issues	-	(459,677)
Balance at 30 June 2017	1,110,737,176	78,415,335

No shares have been issued since the end of the financial period and the date of this report.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2017

NOTE 9 - CONTRIBUTED EQUITY (Cont'd)

(b) Share Options

Total number of unissued shares under option at 1 January 2017	1,000,000
Movements	
Granted	
No options were granted during the half-year financial period. Since the end of the financial period and the date of this report the Company has issued the following options: - 13,000,000 unlisted options exercisable @ $0.03 prior to 30/12/2021	-
Exercised	
No options were exercised during or since the end of the half-year financial period.	-
Expired	
No other options have expired during or since the end of the half-year financial period.	-
Balance as at 30 June 2017	1,000,000

At the date of these accounts the Company has 14,000,000 unissued shares held under option.

(c) Performance Rights

Total number of unissued shares subject to Performance Rights at 1 January 2017	2,500,000
Movements	
No Performance Rights have been exercised or granted during or since the end of the half-year financial period.	-
Balance as at 30 June 2017	2,500,000

At balance date the Empire Group had the following securities on issue:

Shares

At balance date the Company had 1,110,737,176 listed fully paid ordinary shares – ASX Code EEG

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time are entitled to one vote per share at meetings of the Company. No dividends were paid or declared during the half-year, or since half-year end.

Options

At balance date the Company had 1,000,000 unissued shares under option.
These options are exercisable on the following terms:

Number of options	Exercise Price (A$)	Expiry Date
1,000,000 Options	$0.028	25 August 2019

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2017

NOTE 9 - CONTRIBUTED EQUITY (Cont'd)

Performance Rights
At balance date, the Company had 2,500,000 unissued shares subject to Performance Rights. The Performance Rights are subject to certain preconditions being met.

NOTE 10 - DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 11 - EARNINGS PER SHARE

	June 2017	June 2016
Basic earnings per share (cents per share)	(1.36)	3.96
Diluted earnings per share (cents per share)	(1.36)	3.96
(Loss)/Profit used in the calculation of basic and diluted earnings per share	(10,534,694)	13,628,360
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	775,998,354	344,313,877
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	775,998,354	344,313,877

NOTE 12 - CONTINGENT LIABILITIES AND COMMITMENTS

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date.

NOTE 13 – EVENTS OCCURING AFTER THE REPORTING DATE

On the 10 July 2017 the Company issued 13,000,000 unlisted options pursuant to the Employee Share Option Plan to executives of the Company. The options are exercisable at $0.03 and expire 30 December 2021.

With the exception of the matter referred to above there is no other matter or circumstance that has arisen since 30 June 2017 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2017 of the group;
- the results of those operations; or
- state of affairs, in financial years subsequent to 30 June 2017 of the group

Nexia Australia

To the Board of Directors of Empire Energy Group Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead auditor for the review of the financial statements of Empire Energy Group Limited for the six month period ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

Nexia

Nexia Sydney Partnership

Lester Wills
Partner

Sydney
13 September 2017

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DIRECTORS' DECLARATION
For the half-year ended 30 June 2017

In the opinion of the Directors of Empire Energy Group Limited:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2017 and of its performance, as represented by the results of its operations and its cash flows, for the six month period ended on that date; and

   b) complying with Accounting Standard AASB 134 "*Interim Financial Reporting*" and the *Corporations Regulations* 2001; and

2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

B W McLeod
Executive Chairman
Dated this 13th day of September 2017.

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF EMPIRE ENERGY GROUP LIMITED

We have reviewed the accompanying half-year financial report of Empire Energy Group Limited, which comprises the consolidated statement of financial position as at 30 June 2017, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Interim Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001,* and for such control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Empire Energy Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Empire Energy Group Limited is not in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Material Uncertainty Related to Going Concern

Without further modifying our conclusion, we draw your attention to Note 1 'Going concern' of the financial report, which indicates the company has an excess of current liabilities over current assets of $33,260,876 as at 30 June 2017, and which indicates the company has breached the interest cover loan covenant at 30 June 2017 and 31 March 2017. No formal waiver of the breach has been received from Macquarie Bank.

The financial report had been prepared on a going concern basis which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary course of business.

In Note 1, the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. As discussed in that note, if the Group is not able to obtain a waiver, or is not able to otherwise refinance the debt, there exists a material uncertainty as to whether the Group will be able to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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Nexia Sydney Partnership

Lester Wills
Partner

Sydney
13 September 2017