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Quarterly Report – For the period ending June 2018

26 July 2018

2nd QUARTER OVERVIEW

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

- Estimated revenues US\$3.5 million (1Q2018: US\$3.2 million).
- Gross production
 - Oil: 46,962 Bbl (1Q2018: 46,638) +0.7%
 - Gas: 588,859 Mcf (1Q2018: 540,712) +8.9%
- Unaudited Operating EBITDAX US\$1.6 million (1Q2018: US\$1.4 million).
- Continuing focus is being directed to the acquisition and bolt-on opportunities.
- Estimated Group EBITDAX for the period was US\$729,637 (1Q2018: US\$575,144).
- Northern Territory program payments of ~US\$115,000 (1Q2018: ~US\$181,000).

SIGNIFICANT SUBSEQUENT EVENT

- On 17 July 2018, the Northern Territory Government released its Implementation Plan for the regulation of fracture stimulation of unconventional onshore reservoirs and related activities. The company is engaged in active and positive discussions with the government to ensure that the implementation of regulations is done in a manner which ensures that the environment, community and key stakeholder groups' interests are protected while ensuring that the industry can recommence exploration and appraisal activities in a timely and efficient manner.
- The Company continues to carry out advanced discussions with potential joint venture partners which would fund the exploration and appraisal activities required to unlock the substantial resource potential of the Company's Northern Territory acreage.

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)

Second quarter production for the Appalachia region was 77,014 boe (net), a 2.2% reduction from the same period in 2017.

Two small acquisitions were completed during June 2018 at an aggregate cost of approximately US\$50,000.

The first acquisition was 42 wells located in southern Chautauqua County, NY producing from the Glade formation. Production predominantly consists of oil with limited amounts of brine and natural gas. All wells are produced into central tanks batteries with artificial lift.

The second acquisition was 26 Medina wells located in Cattaraugus County. Pipelines for these wells crossed existing Empire pipelines, allowing the new wells to be connected to Empire's sales points with minimal cost.

Dry weather has allowed the Company to start repairing lease roads, pipelines, and casing leaks earlier than normal. In addition, 4000 feet of pipeline that was prone to leaking has been repaired.

A change in gas marketing companies increased gas prices by \$0.20/MCF. Looking forward gas prices are expected to remain around \$3.00/MCF.

2. Mid-Continent (Kansas and Oklahoma):

Second quarter production for the Mid-Continent Region was 30,759 BOE (net) a 2.8% increase over same period in 2017.

Severe weather and abnormal rain in the central producing area brought about flooding and associated electrical problems at some of the facilities. Increased uptime in other areas and concentrated operational efforts to restore production, balanced out the unplanned interruption, resulting in a near steady output for the quarter.

Additional well stimulation candidates have been identified to receive a developing nanotechnology the Company has been experimenting with. The results so far have proven to be highly effective. The low cost stimulations are scheduled for the third quarter.

Six wells remain on the drilling schedule for the year. The seismically identified locations are classified as infield wells.

Bolt on acquisitions continue to be reviewed in the region.

Production:

Description	3 months to	3 months to	Year-to-Date	Year-to-Date
Net Revenue:	30/06/2018	30/06/2017	30/06/2018	30/06/2017
Gross Production:				
Oil (Bbls)	46,962	46,811	93,339	93,456
Natural Gas (Bbls)	588,859	582,497	1,120,632	1,143,306
Appalachia	821	1,074	1,234	1,734
Mid-Con	30,391	29,770	61,221	59,381
Total Oil	31,212	30,844	62,455	61,115
Weighted Avg Sales Price (\$/Bbl)				
Before Hedge	62.83	42.52	60.35	44.77
After Hedge	62.83	60.72	60.35	61.77
Natural gas (Mcf)				
Appalachia	457,157	465,188	883,413	913,465
Mid-Con	2,211	1,116	5,247	3,570
Total Natural Gas	459,368	466,305	888,660	917,036
Weighted Avg Sales Price (\$/Mcf)				
Before Hedge	2.33	2.61	2.48	2.58
After Hedge	3.05	3.10	3.17	3.04
Oil Equivalent (Boe):				
Appalachia	77,014	78,605	148,469	153,978
Mid-Con	30,759	29,956	62,095	59,976
Total	107,773	108,561	210,565	213,954
Boe/d	1,184	1,193	1,163	1,182
Weighted Avg Sales Price (\$/Boe)				
Before Hedge	28.11	23.30	28.38	23.85
After Hedge	31.18	30.57	31.27	30.68
Lifting Costs (incl. taxes):				
Oil - Midcon (/Bbl)	23.34	19.90	21.47	20.63
Natural gas - Appalachian (/Mcf)	1.08	1.15	1.18	1.19
Oil Equivalent (/BOE)	11.34	10.57	11.34	10.98
Net Back (\$/Boe)	19.84	20.00	19.93	19.70

Financials:

Description	3 months to 30/06/2018	3 months to 30/06/2017	Year-to-Date 30/06/2018	Year-to-Date 30/06/2017
Net Revenue:				
Oil Sales	1,960,913	1,872,940	3,769,268	3,775,145
Natural Gas Sales	1,399,741	1,443,927	2,756,757	2,787,240
Working Interest	-	2,194	58,582	2,324
Net Admin Income	80,549	86,388	164,089	172,268
Other Income	66,793	48,910	121,522	65,472
Total Revenue	3,507,996	3,454,359	6,870,218	6,802,449
Production costs:				
Lease operating expenses - Oil	663,551	592,376	1,327,991	1,212,481
Lease operating expenses - Gas	469,319	470,808	999,595	967,586
Taxes - Oil	64,780	23,874	13,218	50,822
Taxes - Natural Gas	24,402	63,130	48,941	120,207
Total	1,222,052	1,150,188	2,389,745	2,351,096
Field EBITDAX	2,285,944	2,304,171	4,480,473	4,451,353
Less:				
Inventory adjustment	(44,610)	(30,948)	(75,177)	28,952
Reserve Enhancements	3,218	1,286	13,454	1,286
Nonrecurring expenses	180,841	133,635	362,656	305,335
G & G Costs	12,480	-	12,480	270
Field Overhead	501,000	501,000	1,002,000	1,002,000
Total	652,929	604,973	1,315,413	1,337,843
Operating EBITDAX	1,633,015	1,699,198	3,165,060	3,113,510
Less:				
Field G & A	77,012	145,314	217,592	303,160
Corporate G & A	433,233	414,966	805,896	792,675
Delay rental payments	71,760	60,903	83,108	79,551
Land Overhead & Non-leasing costs	-	-	55	300
Total	582,005	621,183	1,106,651	1,175,686
EBITDAX	1,051,010	1,078,015	2,058,409	1,937,824

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 30/06/2018	3 months to 30/06/2017	Year-to-Date 30/06/2018	Year-to-Date 30/06/2017
EBITDAX	1,051,010	1,078,015	2,058,409	1,937,824
Less:				
Geological Services	-	-	217	-
Acquisition related expenses	7,196	39,300	7,196	57,228
Capital raise expenses	-	34,056	-	58,432
Dry hole expenses	-	-	-	-
Total	7,196	73,356	7,413	115,660
EBITDA	1,043,812	1,004,659	2,050,996	1,822,164

Net Earnings:

Unaudited earnings for the period are shown below:

Description	3 months to 30/06/2018	3 months to 30/06/2017	Year-to-Date 30/06/2018	Year-to-Date 30/06/2017
EBITDA	1,043,812	1,004,659	2,050,996	1,822,164
Less:				
Depn, Depl, Amort & ARO	498,496	592,315	1,016,018	1,145,260
Interest	816,245	727,814	1,584,268	1,450,856
(Gain) loss on sale of assets	(67,914)	(500)	(67,914)	(39,395)
P&A vs. ARO	(11,152)	-	(11,152)	-
Bad debts	(66,084)	382,742	(56,433)	382,743
Non-Cash & Interest Expenses	1,169,591	1,702,371	2,464,787	2,939,464
Earnings before Tax	(125,779)	(697,712)	(413,791)	(1,117,300)
EBITDA/Interest (times)	1.28	1.38	1.29	1.26

Capital Expenditure/Asset Sales:

Description	3 months to 30/06/2018	3 months to 30/06/2017	Year-to-Date 30/06/2018	Year-to-Date 30/06/2017
Capital Expenditures				
Acquisition Capital	46,636	-	47,269	(50)
New Wells - IDC	288,780	205,849	296,888	205,848
New Wells - Capital	(1,983)	52,857	58,364	52,046
Undeveloped Leases	56	-	111	56
Capital Expenditures	333,489	258,706	402,632	257,900

Credit Facilities:

At the end of the quarter the Company had US\$37.9 million drawn at an average cost of LIBOR + 6.5%. Empire Energy retains Credit Facility availability of US\$162.05 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	\$34,925	6.50%
Revolver	\$3,000	6.50%
	\$37,925	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
2018	810,000	504,000	62.2%	\$4.11	-	-	-	-
2019	1,550,000	498,000	32.1%	\$3.45	-	-	-	-
	2,360,000	1,002,000	42.5%	\$3.78	-	-	-	-

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 30/06/2018	3 months to 30/06/2017	Year-to-Date 30/06/2018	Year-to-Date 30/06/2017
Revenues:	3,507,996	3,454,359	6,870,218	6,802,449
Costs & Expenses:				
Production costs & taxes	1,874,981	1,755,161	3,705,158	3,688,940
Depn, Depletion, Amort & ARO	498,496	592,315	1,016,018	1,145,260
General & Administration	589,203	694,538	1,114,064	1,291,345
Income from Operations	545,316	412,345	1,034,978	676,904
Interest	816,245	727,814	1,584,268	1,450,856
(Gain)/Loss on sale of assets	(67,914)	(500)	(67,914)	(39,395)
P&A vs. ARO	(11,152)	-	(11,152)	-
Bad debts	(66,084)	382,743	(56,433)	382,743
Net Income/(Loss)	(125,779)	(697,712)	(413,791)	(1,117,300)

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

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

During the June 2018 quarter, Imperial carried out baseline environmental monitoring activities in EP187. Such activities are a critical precursor to exploration activities including the acquisition of seismic data and the drilling of exploration wells.

The Company is planning to complete necessary On-Country meetings with Traditional Owners in the third quarter and enter into Exploration Deeds with Traditional Owners for EPA 180, 181 & 182 given that the fracking moratorium has been lifted by the Northern Territory Government.

Operations:

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

Description – US\$	3 months to 30/06/2018	3 months to 30/06/2017	Year-to-Date 30/06/2018	Year-to-Date 30/06/2017
Exploration Expenses – NT	127,458	10,286	244,303	23,406

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 30/06/2018	3 months to 30/06/2017	Year-to-Date 30/06/2018	Year-to-Date 30/06/2017
Revenue	39,338	40,921	78,228	70,323
Less Expenses:				
Consultants	82,124	65,660	174,532	132,011
Directors/Employment Costs	58,995	63,892	155,040	131,105
Listing Expenses	15,026	12,091	24,443	20,607
G&A	204,566	96,588	338,093	271,593
EBITDAX – Head office (EEG)	(321,373)	(197,310)	(613,880)	(484,993)
EBITDAX – (EEUS)	1,051,010	1,078,015	2,058,409	1,937,824
EBITDAX – GROUP	729,637	880,705	1,444,529	1,452,831

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 Continent region (Kansas and Oklahoma) in the United States of America.

The Company has over 14.5 million acres in the McArthur & Beetaloo Basins, Northern Territory, both of which are considered highly prospective for large shale oil and gas 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 highly prospective, with key similarities to those extending through Oman, Siberia and Southern China and which contain resources of 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 “2016 Year End Reserves Review” released to the ASX on 20 February 2017. The Company confirms that it is not aware of any new information or data that materially affects the information contained in the announcement 20 February 2017 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 2017. 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		