2022 ANNUAL REPORT

EMPIRE Energy

EMPIRE ENERGY GROUP LIMITED

AND ITS CONTROLLED ENTITIES

ABN 29 002 148 361

FEATURED ON THE FRONT COVER IS
CARPENTARIA-3H DRILLING RIG

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Empire Energy Group Limited
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31 December 2022

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Directors	Paul Espie AO (Chairman) Alexander Underwood (Managing Director) Peter Cleary Paul Fudge Jacqui Clarke (Alternate Director to Paul Fudge) Louis Rozman Prof John Warburton
Company Secretary	Ben Johnston
Notice of Annual General Meeting	The details of the annual general meeting of Empire Energy Group Limited are: 30 May 2023 at 9am Level 2, 259 George Street, Sydney NSW 2000
Registered Office	Level 5 6-10 O'Connell Street Sydney NSW 2000
Share Registry	Computershare Investors Services Pty Limited Level 3 60 Carrington Street Sydney NSW 2000
Australian Auditor	Nexia Sydney Audit Pty Ltd Level 16 1 Market Street Sydney NSW 2000
US Auditor	Schneider Downs & Co. Inc One PPG Place Suite 1700 Pittsburgh PA 15222
Australian Solicitors	Baker McKenzie Level 46, Tower One International Towers Sydney 100 Barangaroo Avenue Barangaroo NSW 2000
US Solicitors	Depew Rathbun & Gillen McInteer, LLC 8301 East 21st Street North Suite 450, Wichita KS 67206-2936

Bankers	Macquarie Bank Limited 50 Martin Place Sydney NSW 2000 Australia & New Zealand Banking Group Limited 1 Chifley Plaza Sydney NSW 200 PNC Bank 249 Fifth Avenue One PNC Plaza Pittsburgh PA 15222
Stock Exchange Listing	Empire Energy Group Limited shares are listed on: Australian Securities Exchange (ASX code: EEG) New York OTC Market (Code: EEGNY) OTC#: 452869103 Sponsor: Bank of New York 1 ADR for 20 Ordinary Shares
Website	www.empireenergygroup.net

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

We are pleased to present to you Empire's 2022 Annual Report.

Domestic and international gas markets experienced significant dislocation in 2022. The Russian invasion of Ukraine caused unprecedented volatility and price spikes as global gas flows shifted to ensure adequate supply of gas to Europe. However, prices for Liquid Natural Gas ('LNG') had already risen considerably prior to the war, reflecting an increasing imbalance between growing demand for seaborne gas and limited new sources of supply. This poses an opportunity for Empire Energy to supply LNG into Asian markets in years ahead from existing LNG export infrastructure in Darwin and Gladstone.

According to Wood Mackenzie, over US$100 billion of US LNG export projects are planned between now and 2030, underscoring the enduring demand for gas in the decades ahead.

Australia was not immune from global factors affecting gas markets, with domestic prices rising by multiples over the course of the year, leading to unprecedented intervention by the Federal Government in the gas market.

In recent weeks, the Australian Energy Market Operator has called for increased gas supply to prevent forecast shortages predicted as soon as this winter and in the years ahead.

Empire's Beetaloo commercialisation strategy is aimed at contributing additional supply into Australia's domestic and Asian markets.

The addition to Empire's resources as a result of the acquisition of the Western Beetaloo properties from Pangaea Resources has complemented Empire's Beetaloo focused strategy, and field work is expected to recommence later this year.

All these factors unfolding in the international and domestic marketplaces present attractive opportunities for Empire Energy as it develops its resources.

Yours Sincerely

Paul Espie AO
Chairman
Empire Energy Group Limited

28 March 2023

MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

Dear Shareholders,

2022 was a breakout year for Empire Energy as the Company executed the most active work program in the history of the Beetaloo Sub-basin. The team executed its planned work programs on time and under budget with strong environmental and safety performance across the asset portfolio.

This progress is rapidly accelerating the Company's technical knowledge base as it moves towards pilot production. Empire has entered 2023 with a higher cash balance than previously anticipated due to strong cost control and high gas prices that drove strong cash generation in our US business. This positions the Company well as we plan for Beetaloo pilot production commencing in 2024 / 2025 and larger scale production supplying Australia's East Coast and Asian LNG markets in later years.

Empire fracture stimulated Carpentaria-2H, the largest ever in the basin, successfully stimulating 21 stages across its horizontal section. Multiple stimulation methodologies were tested. Despite the highly experimental completion design, flow rates recently announced are highly encouraging, indicating that a commercially viable development may be achievable in EP187, especially as we optimise drilling and stimulation design in future wells.

Empire drilled Carpentaria-3H to a total depth of 4,460 metres in 34.16 days, the fastest well drilled to a target depth of more than 3,500 metres within the Beetaloo Basin, with a 2,632 metre horizontal section, by far the longest horizontal section drilled to date. This milestone demonstrates that the Company can drill long laterals utilising the services of Australia's existing onshore drilling rig fleet. The US shale experience has shown that drilling long laterals can have a material positive impact on development economics.

Empire fracture stimulated Carpentaria-3H with a total of 40 stages, nearly doubling the record the Company set at Carpentaria-2H.

Empire has now successfully placed a total of 65 fracture stimulation stages out of 65 attempted, while rapidly learning which designs are most productive.

Empire successful drilled Carpentaria-4V in the Carpentaria East area which demonstrated the Velkerri shales are consistent across the block and deeper and thicker in the Carpentaria East location.

Earlier in the year, Netherland, Sewell and Associates increased the independently assessed 2C contingent resources in EP187 to 396 Billion Cubic Feet ('BFC'). Empire anticipates another material increase in EP187 resources in coming weeks following the success of the 2022 work program.

Over the course of the year, Empire's balance sheet was strengthened by a $30.5 million capital raise, execution of a $15 million credit facility with Macquarie Bank Limited that is available but undrawn, and the execution of replacement grant agreements with the Australian Government under the *Beetaloo Cooperative Drilling Program* which provided for up to $21 million to offset the cost of 25% of agreed Beetaloo work programs. Empire successfully executed those work programs on time and under budget, and the Company ended the year with $21.9 million cash at bank. We expect to receive the final grant payment of ~$7.6 million in the coming weeks.

This year Empire's focus will be on progressing EP187 towards a final investment decision to commence pilot production in EP187, and to recommence field activities in the Western Beetaloo properties. This is likely to involve substantially lower capital intensity while driving material shareholder value in the success case.

Empire's near-term goal is to be the first Beetaloo operator to enter commercial production as we commence pilot production (subject to Front End Engineering and Design ('FEED'), regulatory approvals, financing and Board approval). This will involve substantial consultation with traditional owners, pastoralists, communities, Northern Territory ('NT') based businesses and Government.

Empire will seek to develop its Beetaloo properties in a capital efficient manner while building modern surface facilities designed to minimise emissions. Successful execution would provide maiden Beetaloo revenues for Empire's shareholders while enhancing energy security across Northern Australia and putting downward pressure on prices. Thereafter, focus will turn to a material expansion of supply from Empire's properties to supply both Australia's East Coast and Asian LNG markets. Empire is focused on delivering these strategies in a manner that minimises equity dilution to its shareholders.

The successful execution of this strategy is likely to create substantial value for our shareholders.

I thank Empire's management, technical and operations teams for your hard work over the course of 2022 and our shareholders and stakeholders across all of our operating areas for your support.

Yours Sincerely

Alex Underwood
Managing Director
Empire Energy Group Limited

28 March 2023

Managing Director Alexander Underwood, Chairman Paul Espie and NT Resources Minister Hon Nicole Manison MLA on site during Carpentaria-2 Fracture Stimulation Operations

A. 2022 OVERVIEW & HIGHLIGHTS

Empire Group's functional currency is Australian Dollars. All references to dollars are Australian Dollars unless otherwise stated.

GROUP FINANCIAL HIGHLIGHTS

- Group Revenue $13.7 million (2021: $8.5 million)
- Net production 4,581Mcfe per day (2021: 4,633 Mcfe per day)
- Outstanding debt US$5.30 million (2021: US$5.85 million)
- Cash at bank $21.9 million (2021: $25.6 million)

AUSTRALIA – NORTHERN TERRITORY

- Empire holds a 100% working interest and operatorship in approximately 28.9 million acres of petroleum exploration tenements across the McArthur Basin and its Beetaloo Sub-basin in onshore Northern Territory, Australia
- In February 2022, Empire announced maiden 1C Contingent Resources of 81BCF, 2C Contingent Resources of 396BCF and 3C Contingent Resources of 1,292BCF for EP187 following completion of an updated independent resource report as assessed by Netherland, Sewell & Associates Inc ('NSAI').
- Also in February 2022, Empire's wholly owned subsidiary, Imperial Oil & Gas Pty Limited executed replacement grant agreements with the Australian Government totalling up to $19.4 million which will offset 25% of the cost of seismic acquisition and the drilling, fracture stimulation and flow testing of three horizontal appraisal wells in its 100% owned EP187 tenement, located in the Beetaloo Sub-basin, Northern Territory.
- In May 2022, Empire announced that civil works for hydraulic stimulation of Carepentaria-2H ('C-2H') had been completed and mobilisation of equipment was underway. Baseline water sampling of the shallow aquifers as required by NT environmental approvals was undertaken.
- In June 2022, Empire announced it had successfully raised $27.5 million (gross) via a single-tranche placement to existing and new institutional and sophisticated investors at $0.22 per share. Strategic investor Bryan Sheffield provided cornerstone support with a $7 million investment (Mr Sheffield was previously Chairman, CEO & Founder of Parsley Energy Inc, a major independent shale player in the Permian Basin, Texas which was later acquired by Pioneer Natural Resources Inc.). Empire Directors committed an additional $520,000. Empire also launched a Share Purchase plan ('SPP') during June 2022 to raise $2.5 million. The SPP was fully underwritten by Blue Ocean Equities Pty Limited.
- In July 2022, Empire announced that Mr Robin Polson had joined Empire as Chief Financial Officer. His prior roles included 15 years as a financial advisory partner at Deloitte focusing on the Australian east coast gas sector, 3 years as Chief Commercial Officer of Central Petroleum Limited (which has production, appraisal and exploration interests in the Northern Territory and on the east coast) and most recently as Associate Partner of Enable Advisory Pty Ltd advising Empire and other gas sector clients over the last year.
- In August 2022, Empire announced it had completed the hydraulic stimulation of C-2H. 21 stages were stimulated, which was the greatest number of stimulation stages in a single well in the Beetaloo Sub-basin to date. A total of 6.3 million pounds of proppant was successfully placed.
- In September 2022, Empire reported the C-2H average production rate over the first 30 days of testing ('IP30') of 2.4 mmscf per day, equating to 2.6 mmscf per day per 1,000 metres of horizontal section. Gas composition data confirmed significant methane and ethane contribution with very low CO_2 (0.88%). The average production rate over the first 51 days of testing was 2.2 mmscf per day (normalised to 2.4 mmscf

per day per 1,000 metres of horizontal section). Separately, Empire commenced drilling Carpentaria-3H ('C-3H').

- In November 2022, Empire announced that C-3H had been drilled to total depth of 4,460 metres on time and under budget. The total horizontal section length of 2,632 metres drilled, of which 2,374 metres was successfully placed within the target Velkerri-B shale formation, represents by far the longest horizontal section drilled in the Beetaloo to date. Empire also established a new $15 million credit facility with Macquarie to support its Northern Territory operations and provide additional liquidity. The facility is available and undrawn at the date of this report.

- Over December 2022 and January 2023, Empire completed the fracture stimulation of C-3H which comprised 40 stages across 1,989 metres of wellbore. Of these 40 stages, 35 were executed in the Velkerri-B Shale target window along an effective 1,655 metre section. An additional 5 stages were executed in other intervals of lower mud gas over the remaining 334 metres to assess those intervals' deliverability. C-3H represented the largest stimulation in the Beetaloo Sub-basin and in Australian history. In addition, Empire successfully drilled C-4V to a depth of 2,000 metres. C-4V encountered the thick, gas charged Velkerri shales according to pre-drill prognosis. The shales at C-4V are ~150 metres deeper than at the C-3H location, providing additional pressure support to drive enhanced gas flow rates in future development scenarios.

Carpentaria-2H Extended Production Test Flare

Carpentaria-2H Fracture Stimulation Operations

USA – APPALACHIA

- Empire's Appalachia operations had strong operational performance throughout the financial year with minimal production decline and minimal capital investment.

- Empire's Appalachia operations have benefited from strong Henry Hub gas prices during the financial year. The Henry Hub gas index moderated in the latter part of 2022 and into 2023 due to the outage of the Freeport LNG export facility in Texas (~2BCF per day of gas demand when operational) and a milder winter leading to growing gas in storage.

- Net gas production of 1,654,481 Mcf (2021: 1,689,464 Mcf) reflects some natural field decline.

- Net oil production of 2,919 Bbls (2021: 2,472 Bbls) reflects timing of oil sales.

B. RESERVES AND RESOURCES

US RESERVES UPDATE

The Company's USA reserves are reviewed annually by certified independent third-party reservoir engineers. The scope of the reviews is to prepare an estimate of the proved, probable and possible reserves attributable to Empire's ownership position in the subject properties.

Reserves at 30 November 2022 – USA (NYMEX Strip 30 November 2022 excluding hedges)

Reserves - As of 30 Nov 2022	Oil (Mbbls)	Gas (MMcf)	MMcfe	Capex US$M	PV0 US$M	PV10 US$M
Reserves (Reserves)						
Proved Developed Producing	53	33,871	34,189	-	61,326	28,066
Proved Developed Non-producing	-	149	149	(49)	24	14
Proved Behind Pipe	-	-	-	-	-	-
Shut-in	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-
Total 1P	**53**	**34,020**	**34,338**	**(49)**	**61,350**	**28,080**
Probable	-	-	-	-	-	-
Total 2P	**53**	**34,020**	**34,338**	**(49)**	**61,350**	**28,080**
Possible	158	14,100	15,048	(12,910)	53,675	13,027
Total 3P	**211**	**48,120**	**49,386**	**(12,959)**	**115,025**	**41,107**

USA Reserves by: Graves & Co Consulting

Notes to Reserves

- 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 deterministic method was used to calculate 1P, 2P and 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.
- "PV10" is defined as the discounted Net Revenues of the Company's reserves using a 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.
- "MMBoe" is defined as a million barrels of oil equivalent.
- "Mcf" is defined as a thousand cubic feet of gas.
- "MMcfe" is defined as a million of cubic feet of gas equivalent.
- All volumes presented are net volumes and have had subtracted associated royalty burdens.
- Reserve estimates have been prepared by the following independent reserve engineers:
    - New York & Pennsylvania (Appalachia) – Graves & Co Consulting.
- The following NYMEX prices, at November 30, 2022, were used to calculate reserves and cash flow:

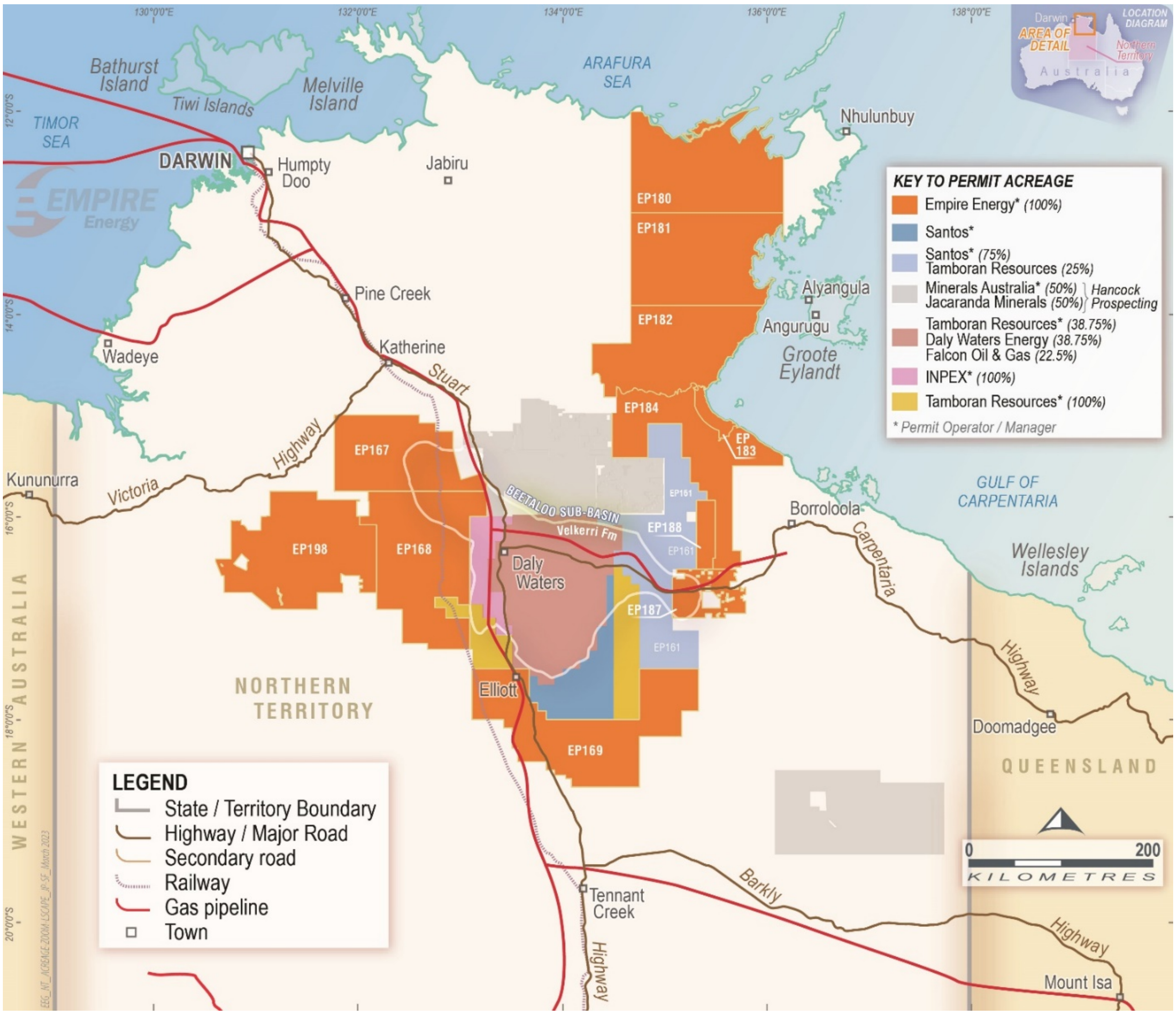
Year	US$/Bbl	US$/Mcf
2023	79.81	5.709
2024	75.28	4.781
2025	71.38	4.579
2026	68.33	4.499
2027	65.85	4.471
2028	63.70	4.522
2029	61.74	4.683
2030	59.88	4.949
2031	58.48	5.155
2032	57.42	5.332
2033	56.45	5.494
2034	56.45	5.494

NT RESERVES UPDATE

Zone	Unrisked Net Contingent Resources Liquids (MMBBL) Estimate			Unrisked Net Contingent Resources Sales Gas (BCF) Estimate			Unrisked Net Prospective Resources Liquids (MMBBL) Estimate			Unrisked Net Prospective Resources Gas (BCF) Estimate		
	Low (1C)	Best (2C)	High (3C)	Low (1C)	Best (2C)	High (3C)	Low (1U)	Best (2U)	High (3U)	Low (1U)	Best (2U)	High (3U)
Kyalla*	0.8	3.0	11.1	0.8	4.5	27.7	88	378	1,571	184	857	4,891
Mid Velkerri*	0.1	0.5	3.0	138	549	1,680	82	419	2,062	10,744	31,018	89,217
Barney Creek*	-	-	-	-	-	-	-	-	-	1,633	11,053	45,380
Total*	**0.9**	**3.5**	**14.1**	**138.8**	**553.5**	**1,707.7**	**170**	**797**	**3,633**	**12,561**	**42,928**	**139,488**

**Empire derived arithmetic summation of previous and current NSAI probabilistic resources estimations*

For further disclosure refer to Empire Energy's ASX release of 16 February 2022.



Empire Energy's Northern Territory Acreage

C. CREDIT FACILITIES

The outstanding balance of the USA Macquarie Bank Limited Credit Facility as at 31 December 2022 was US$5.30 million. Total repayments of US$550,000 were made during the financial year.

The Company's Credit Facility with Macquarie Bank Limited has the following key terms:

Principal amount	US$7.5 million (availability and outstanding loan balance US$5.3 million)
Term	5 years
Interest rate	LIBOR + 650 bps
Repayment terms	100% of Appalachia Net Operating Cashflow subject to minimum amortisation of US$550,000 per annum
Hedging	Empire shall maintain a rolling hedging program whereby 55% of forecast Proved Developed Producing Reserves shall be hedged for 3 years
Key covenants	Proved Developed Producing Reserves PV10 / Net Debt > 1.3x Current Ratio > 1.0x Working capital > 0

The Company established an additional credit facility with Macquarie Bank Limited during the year. The outstanding balance as at 31 December 2022 was $nil. Key terms of this credit facility are set out below:

Principal amount	$15 million comprising: • Facility A (Revolving Credit Facility, $10 million) • Facility B (Performance Bond Facility, $5 million)
Borrowers	Imperial Oil & Gas Pty Limited Imperial Oil & Gas A Pty Limited
Guarantor	Empire Energy Group Limited and Borrowers
Security	First ranking security over all present and after-acquired property of each Borrower First ranking security
Fees	Utilisation Fee: 1.5% of utilisation Commitment Fee: 40% of margin Margin: Facility A (5.5% p.a.), Facility B (10% p.a.)
Interest rate	Margin plus BBSW
Financial covenants	Ratio of current assets to current liabilities of at least 1.00 to 1.00 Minimum cash balance in the Borrowers and Guarantor of at least $5 million (or its equivalent in any other currency or currencies)
Repayment date	31 December 2025
Repayment arrangements	Facility A: on receipt of relevant R&D Tax Incentive payment Facility B: on release of environmental bonds after rehabilitation

D. HEDGING

Due to the risk model implemented by Empire, a comprehensive hedging strategy has been adopted to mitigate commodity price risk associated with its producing assets.

E. BUSINESS RISK

Exploration risk – Empire and its subsidiaries have interests in assets at various stages of exploration, appraisal and development. Many leases have had very low levels of exploration undertaken to date and may not yield commercial quantities of hydrocarbons. Oil and gas exploration is inherently subject to numerous risks, including the risk that drilling will not result in commercially viable oil and gas production.

Application risk – Several of Empire's Northern Territory assets are in application stage requiring native title and / or regulatory approvals to be granted as leases capable of being explored on. Such approvals may or may not be granted which could adversely impact the value of the Company.

Regulatory risk – Empire has operations spanning two states in the USA and the Northern Territory, Australia. Regulatory approvals are required to explore, appraise, develop and produce from the assets. Where such regulatory approvals are already in place, there is a risk that they could be revoked. Where such regulatory approvals are not in place, there is a risk that they may not be granted.

Debt facility risk – Empire, through its subsidiaries, has debt facilities in place with Macquarie Bank Limited. Whilst Empire has financial flexibility and expects to generate sufficient cash flow to repay the debts in full, there is a risk in the future that financial and other covenants under the debt facilities could be breached, which could result in Macquarie exercising its security rights under the facilities. The facilities mature in September 2024 and December 2025 and will need to be repaid or refinanced prior to maturity.

Commodity price risk – Empire, through its US subsidiaries, sells oil and gas at market prices to customers who price the products off US benchmark oil and gas markets. Empire is exposed to the risk of material declines in the prices of those commodities. Empire, through its Australian subsidiary, explores for oil and gas in Australia and maybe subject to domestic Australian gas price risk, LNG price risk and oil price risk.

Reliance on key personnel – Empire's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the business, financial condition, operational results and prospects.

Economic risk – General economic conditions, movements in interest rates, inflation rates and foreign exchange rates, investor sentiment, demand for, and supply of capital and other general economic conditions may have a negative impact on Empire and its subsidiaries ability to carry out its exploration, appraisal, development and production plans.

Environmental risk – The upstream oil and gas industry is exposed to environmental risks, including the risk of oil and chemical spills, the risk of uncontrolled gas venting, and other material environmental risks. If an environmental incident was to occur, it may result in Empire's subsidiaries' licenses being revoked, its rights to carry on its activities suspended or cancelled, or rectification costs, and significant legal consequences.

Title risk – Interests in onshore tenements in Australia are governed by the respective state legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments. The Northern Territory Government has declared proposed Reserved Blocks over parts of Empire's tenements which are likely to impact the Company's ability to carry out petroleum exploration and development activities on those areas.

Native title and Aboriginal land - The Tenements extend over areas in which legitimate common law native title rights of indigenous Australians exist. The ability of the Company to gain access to its Tenements and to conduct exploration, development and production operations remains subject to native title rights and aboriginal land rights and the terms of registration of such title agreements.

Reserves risk – Reserves assessment is a subjective process that provides an estimate of the volume of recoverable hydrocarbons. Oil and gas estimates are not precise and are based on knowledge, experience, interpretation and industry practices. There is a risk that the Company's reserves do not generate the actual revenues and cashflows that are currently being budgeted which could adversely impact the Company.

Services risk – Empire engages the services of third party service providers to carry out exploration, appraisal, development and operating activities. The cost of such services is subject to very high price volatility, particularly in remote areas. There is a risk that such services may not be able to be provided at a reasonable price, thereby preventing exploration, appraisal, development and operations activities from occurring.

Production risk – Empire has producing oil and gas assets in the USA. If these assets do not produce the level of production currently budgeted by Empire, then the cashflow they deliver will not materialise. The carrying values of these assets could also be adversely impacted. Production risk has the potential to adversely impact the Company.

Insurance risk – The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance against all risks associated with exploration and production is not always available and where available the costs can be prohibitive.

Acquisitions – The Company may decide to pursue potential acquisitions in the future. This may give rise to various operational and financial risks, including, but not limited to, poor integration resulting in higher than expected integration costs, and financial underperformance of the acquired assets.

Funding risk – The Company may need capital in the future to progress the development of its acreage. There can be no guarantee that future capital, debt or equity, will be available or available on suitable terms. It could adversely impact the value of the Company.

Climate change risk – Empire recognises the science supporting climate change and that the world is transitioning to a lower carbon economy in which gas has a crucial role to play. Climate change and management of future carbon emissions may lead to increasing regulation, activism, and costs. Climate change may also have a direct physical impact on our operations e.g. through changing climate patterns such as wet seasons and increased frequency of large storms.

Carpentaria-4V Drilling Operations

F. COMPETENT PERSONS STATEMENT

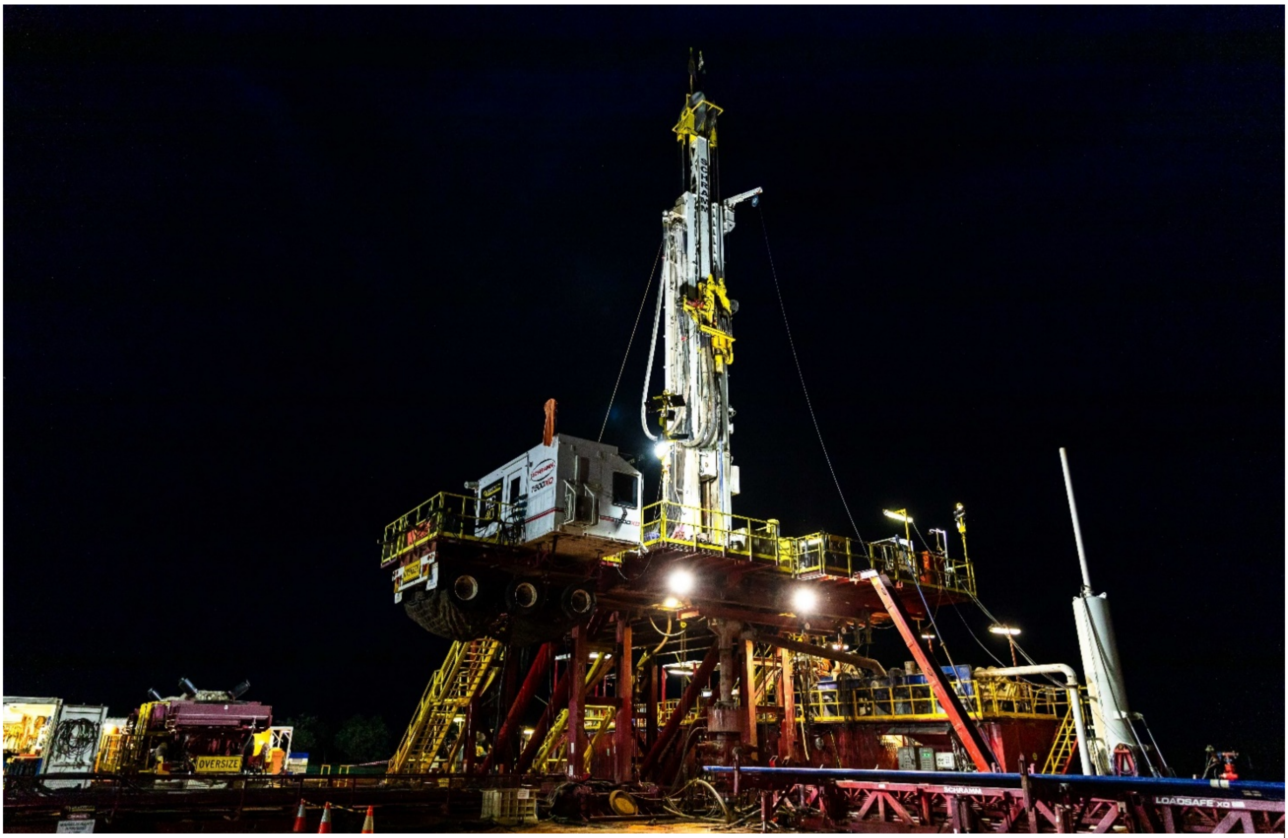
The information in this report which relates to the Company's reserves is based on, and fairly represents, information and supporting documentation prepared by or under the supervision of the following qualified petroleum reserves and resources evaluators, all of whom are licensed professional petroleum engineers, 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*
Mr William Vail Jr	Graves & Co. Consulting LLC	BSc in Petroleum Engineering, MBA	Society of Petroleum Engineers
Mr John G. Hattner	Netherland Sewell & Associates Inc	MBA, Master of Science in Geological Oceanography, BSc	Licenced Professional Geophysicist in the State of Texas, USA
Mr Joseph M. Wolfe	Netherland Sewell & Associates Inc	Master of Petroleum Engineering, BSc Mathematics	Licenced Professional Engineer in the State of Texas, USA

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.

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 historical fact are forward-looking statements.

Carpentaria–3H Drilling Operations



Carpentaria-2H Drilling Operations

Carpentaria-3H Drilling Operations

Carpentaria-2H Extended Production Test Flare

Empire Energy Group Limited
Directors' report
31 December 2022

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Empire Group') consisting of Empire Energy Group Limited (referred to hereafter as the 'Company' or 'Parent entity' or 'Empire') and the entities it controlled at the end of, or during, the year ended 31 December 2022.

Directors

The following persons were Directors of Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Paul Espie AO	Non-Executive Director and Chairman
Alexander Underwood	Managing Director
Peter Cleary	Non-Executive Director
Paul Fudge	Non-Executive Director
Jacqui Clarke	Non-Executive Director – Alternate Director to Paul Fudge
Louis Rozman	Non-Executive Director
Prof John Warburton	Non-Executive Director

Principal activities

During the financial year the principal continuing activities of the Group consisted of:

- The progression of exploration and appraisal work programs in Empire’s wholly owned and operated exploration tenements and applications located in the highly petroleum prospective Northern Territory McArthur Basin (including the Beetaloo Sub-Basin). Key activities completed during the year include the hydraulic stimulation of Carpentaria-2H, and the hydraulic stimulation of Carpentaria-3H horizontal well and drilling of Carpentaria-4V vertical well in EP187.
- The production and sale of oil and natural gas in the United States of America. The Empire Group sells its oil and gas products primarily to owners of domestic pipelines, utilities and refiners located in Pennsylvania and New York.

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Business risks

For information on the Group's business risks refer to the Operations review prior to the Directors' report.

Review of operations

The loss for the Group after providing for income tax amounted to $6,003,206 (31 December 2021: $11,047,609).

For information on a review of the Empire Group’s operations refer to the Operations review prior to the Directors' report.

Significant changes in the state of affairs

(1) On 16 February 2022, Empire announced that the successful 2021 Beetaloo work program had resulted in a substantial increase in Contingent and Prospective resources independently assessed by Netherland, Sewell & Associates Inc for EP187.

(2) On 18 February 2022, Empire issued 993,774 Performance Rights and 568,778 Restricted Rights to its employees for the 2021 financial year.

(3) On 23 February 2022, Empire provided an update regarding grants awarded under the Australian Government's Beetaloo Cooperative Drilling Program. Empire's wholly owned subsidiary, Imperial Oil & Gas Pty Limited, had executed replacement grant agreements with the Australian Government totalling up to $19.4 million which would offset 25% of the cost of seismic acquisition and the drilling, fracture stimulation and flow testing of three horizontal appraisal wells in its 100% owned EP187 tenement, located in the Beetaloo Sub-basin, Northern Territory.

(4) On 18 February 2022, Empire issued 1,200,000 ordinary shares following the exercise of 1,200,000 unlisted options at $0.30 per share. The proceeds of the conversion of the options to shares were $360,000.

(5) During the year Empire executed three fixed price swaps with EnergyMark LLC, its largest gas customer in the USA. The terms of the swaps are: 1 April 2022 to 30 September 2022 (50,000 mmbtu per month at US$4.21), 1 October 2022 to 31 March 2023 (50,000 mmbtu per month at US$5.35) and 1 June 2022 to 28 February 2023 (25,000 mmbtu per month at US$7.50) referenced against NYMEX Henry Hub.

(6) On 14 June 2022, Empire issued 125,000,000 ordinary shares at $0.22 per share under existing placement capacity.

(7) On 17 June 2022, Empire issued 275,360 Restricted Rights to Paul Espie AO and Peter Cleary for Directors fees in lieu of cash for Q3 and Q4 2021 and 509,198 to Alex Underwood for his 2021 short-term incentive bonus.

(8) On 17 June 2022, Empire issued 20,105,132 ordinary shares to Paul Fudge as part consideration for acquisition of Beetaloo assets.

(9) On 17 June 2022, Empire issued 1,451,409 Performance Rights to Alex Underwood as approved by shareholders at the AGM held 30 May 2022.

(10) On 19 July 2022, Empire issued 11,363,702 ordinary shares at $0.22 per share following completion of Share Purchase Plan to raise $2,500,000 (gross) in cash.

(11) On 9 September 2022, Empire issued 69,227,558 unlisted options for every two shares subscribed for by participants under the Placement ('Attaching Options'). The Attaching Options will be exercisable at $0.35 and expire two years from the date of allotment of Shares under the Placement.

(12) Empire also issued 2,363,638 ordinary shares to Director's to raise $520,000 at $0.22 per share on the same terms as the Placement.

(13) On 9 September 2022, Empire issued 131,493 Restricted Rights to Paul Espie AO and Peter Cleary for Directors fees in lieu of cash for Q2 2022.

(14) On 12 September 2022, Empire announced C-2H average production rate over the first 30 days of testing was 2.4 mmscf per day (a normalised rate of 2.6 mmscf per day / 1,000m horizontal section). The well was producing at a rate of 2.1 mmscf per day on day 30, with the rate of production decline reducing with the early type curve flattening, at a lower rate of decline than other wells currently flow testing in the Beetaloo.

(15) In September 2022, Empire reported the C-2H average production rate over the first 30 days of testing ('IP30') of 2.4 mmscf per day, equating to 2.6 mmscf per day per 1,000 metres of horizontal section. Gas composition data confirmed significant methane and ethane contribution with very low CO_2 (0.88%). The average production rate over the first 51 days of testing was 2.2 mmscf per day (normalised to 2.4 mmscf per day per 1,000 metres of horizontal section). Separately, Empire

commenced drilling Carpentaria-3H ('C-3H').

(16) In November 2022, Empire announced that C-3H had been drilled to total depth of 4,460 metres on time and under budget. The total horizontal section length of 2,632 metres drilled, of which 2,374 metres was successfully placed within the target Velkerri-B shale formation, represents by far the longest horizontal section drilled in the Beetaloo to date. Empire also established a new $15 million credit facility with Macquarie to support its Northern Territory operations and provide additional liquidity.

(17) Over December 2022 and January 2023, Empire completed the fracture stimulation of C-3H which comprised 40 stages across 1,989 metres of wellbore. Of these 40 stages, 35 were executed in the Velkerri-B Shale target window along an effective 1,655 metre section. An additional 5 stages were executed in other intervals of lower mud gas over the remaining 334 metres to assess those intervals' deliverability. C-3H represented the largest stimulation in the Beetaloo Sub-basin and in Australian history. In addition, Empire successfully drilled C-4V to a depth of 2,000 metres. C-4V encountered the thick, gas charged Velkerri shales according to pre-drill prognosis. The shales at C-4V are ~150 metres deeper than at the C-3H location, providing additional pressure support to drive enhanced gas flow rates in future development scenarios.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

(1) On 3 February 2023 Empire issued 613,830 Restricted Rights to its employees under the Company's Rights Plan.

(2) On 3 February 2023 Empire issued 548,234 Performance Rights to its employees as part of their 2020 Long-Term Incentive compensation which have vested.

(3) On 3 February 2023 Empire issued 1,297,209 Performance Rights to its employees for the 2022 financial year.

(4) On 3 March 2023 Empire lodged a work program update that detailed initial flow rates at Carpentaria-3H of up to 5.7 mmscf per day with an average of 2.6 mmscf per day over 27 days, an increase in Carpentaria-2H flow rates following an extended shut-in with an average of 3.24 mmscf per day over 8 days and petrophysical analysis of Carpentaria-4V results that demonstrated the Middle Velkerri shale is 20% thicker and 150 metres deeper than at the Carpentaria-2H location.

(5) On 27 March 2023, the House of Representatives passed the Safeguard Mechanism (Crediting) Amendment Bill 2023(1). Empire understands that the bill will be considered by the Senate shortly. The Safeguard Mechanism applies to facilities with scope 1 covered emissions of more than 100,000 tonnes of carbon dioxide equivalent (CO2-e) per year(2). Empire's present expectation is that its pilot project is not likely to reach the Safeguard Mechanism threshold.

It has been reported in the media that new gas entrants in the basin will be required to have net zero scope 1 emissions from entry. This is consistent with the prior Commonwealth Government's April 2022 commitments. Whilst no current impact on the company's operations, Empire's management continue to monitor these developments closely.

1. *https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r6957*
2. *https://www.cleanenergyregulator.gov.au/NGER/The-safeguard-mechanism*

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
Except for information disclosed on certain developments and the expected results of those developments included in this report under review of operations, further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

Environmental regulation
There are environmental regulations surrounding oil and gas activities which have been conducted by the Empire Group. There has been no material breach of these regulations during the financial period or since the end of the financial period and up to the date of this report.

Information on Directors

Name:	Paul Espie AO
Title:	Non-Executive Director and Chairman
Age:	78
Qualifications:	BSc, MBA
Experience and expertise:	Mr Paul Espie AO was the founding principal of Pacific Road Capital, a private equity fund investing in the resources sector internationally, in 2006. He was Chairman of Oxiana Limited during the development of the Sepon copper/gold project in Laos (2000 to 2003) and prior to that Chairman of Cobar Mines Pty Ltd after a management buy-out in 1993. Mr Espie was previously responsible for Bank of America's operations in Australia, New Zealand and Papua New Guinea and Chairman of the Australian Infrastructure Fund. He is a Fellow of the Australian Institute of Company Directors, Trustee of the Australian Institute of Mining & Metallurgy, Educational Endowment Fund. He is also Chairman of the Menzies Research Centre.
Other current directorships:	None
Former directorships (last 3 years):	Aurelia Metals Limited
Special responsibilities:	Chairman of Empire Energy Group Limited
Interests in shares:	10,135,363 ordinary shares
Interests in options:	704,546 unlisted options expiring on 14 June 2024 @ $0.35 per share
Interests in rights:	733,169 restricted rights

Name:	Alexander Underwood
Title:	Managing Director
Age:	40
Qualifications:	LLB, BCom (Hons)
Experience and expertise:	Mr Underwood has nearly 20 years of specialist upstream oil and gas investing, financing and management experience. Previously he spent two years with the Commonwealth Bank of Australia, Singapore as Director of Natural Resources and nine years with Macquarie Bank in Sydney and Singapore as Associated Director of Energy Markets Division. He commenced his career at BHP Billiton Petroleum.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chief Executive Officer of Imperial Oil & Gas Pty Limited Executive Director of Imperial Oil & Gas Pty Limited Executive Director of Imperial Oil & Gas A Pty Limited President and Managing Member of the Company's 100% wholly owned US subsidiaries
Interests in shares:	2,550,000 ordinary shares
Interests in options:	None
Interests in rights:	3,894,123 unvested performance rights 1,300,500 vested performance rights 1,000,000 service rights 1,586,579 restricted rights

Name:	Peter Cleary
Title:	Non-Executive Director
Age:	65
Qualifications:	BCom, LLB
Experience and expertise:	Mr Cleary is a leader in the oil and gas sector. He holds relationships with commercial and government entities gained over a distinguished 29-year career representing Santos, the North West Shelf Venturers and BP in Asia. His executive career was in LNG, pipeline gas and chemicals operations. Mr Cleary is currently a member of the Executive Committee of the Australia Japan Business Co-operation Committee and the Australia Korea Business Council. He is Fellow of the Australian Institute of Energy – SA Branch. He previously held positions as a Board member of the Australian Petroleum Production & Exploration Association (APPEA), the Australia China Council and the Australia Japan Foundation. He is a Graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Remuneration Committee Member of the Audit and Risk Committee
Interests in shares:	1,044,546 ordinary shares
Interests in options:	227,273 unlisted options expiring on 14 June 2024 @ $0.35 per share
Interests in rights:	328,943 restricted rights

Name:	Paul Fudge
Title:	Non-Executive Director
Age:	74
Experience and expertise:	Mr Fudge was appointed to the board of Empire in August 2021. Mr Fudge brings significant business and investment experience to Empire, having acquired vast investment experience in onshore Australian oil and gas, including being an early mover in the Queensland Coal Seam Gas industry and in the Beetaloo Sub-Basin. He is the controlling shareholder of Pangaea (NT) Pty Limited, Empire's largest shareholder.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	140,000,000 ordinary shares
Interests in options:	8,000,000 unlisted options expiring on 31 August 2024 at $0.70 per share
Interests in rights:	None

Name:	Jacqui Clarke
Title:	Non-Executive Director (Alternate)
Age:	51
Qualifications:	CA, FCA, CTA & GAICD
Experience and expertise:	Ms Clarke was appointed to the board of Empire in August 2021. With over 30 years in professional practice with the Big 4, including more than 16 years as a Partner of Deloitte, Ms Clarke is an experienced professional with extensive executive track record for building a performance culture, driving profitable growth, developing and executing on strategy and delivering results. Ms Clarke advises a broad range of groups, including private family groups, entrepreneurial growth companies and not-for-profit organisations. Presently, Ms Clarke is the Chair and Non-Executive Director ('NED') of SMEG Australia, a NED on ASX Listed BKI Investment Company Ltd, sits on the Fudge Group Advisory Board, is a Founder of Maxima Private and an author. Ms Clarke is a Chartered Accountant and Fellow of Chartered Accountants Australia and New Zealand, Graduate of AICD (Australian Institute of Company Directors), Chartered Tax Advisor and Justice of the Peace.
Other current directorships:	BKI Investments Limited
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	None
Interests in options:	None
Interests in rights:	None

Name:	Louis Rozman
Title:	Non-Executive Director
Age:	65
Qualifications:	BEng, MGeoSc
Experience and expertise:	Mr Rozman is a mining engineer and executive with 40 years' experience in operating and constructing projects internationally. He has held numerous senior executive positions in the mining and energy industries and has been a non-executive director of several ASX and TSX listed companies. Mr. Rozman's experience as Chief Executive Officer of CH4 Gas Limited ('CH4') a successful and pioneering Queensland coal seam gas developer and producer, is of direct relevance to Empire's growth plans. CH4 was one of the first companies to commercialise a Queensland coal seam methane project. CH4 merged with Arrow Energy in 2006, and the enlarged business was later acquired by Royal Dutch Shell and PetroChina for >A$3 billion. Mr Rozman is a Fellow of the Australian Institute of Company Directors, the Australasian Institute of Mining and Metallurgy ('AusIMM') and a Chartered Professional (Management). He has a Bachelor of Engineering (Mining) degree from the University of Sydney and a Masters in Geoscience (Mineral Economics) from Macquarie University.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Remuneration Committee Member of the Technical Committee
Interests in shares:	621,546 ordinary shares
Interests in options:	227,273 unlisted options expiring on 14 June 2024 @ $0.35 per share
Interests in rights:	None

Name:	Prof John Warburton
Title:	Non-Executive Director
Age:	65
Qualifications:	PhD, FGS, FPESA, MAICD
Experience and expertise:	John Warburton has 39 years of professional oil and gas experience in operated and non-operated conventional and unconventional petroleum discovery, development and in new business delivery. John has worked in Western Europe, West Africa, Central Asia, Middle East, Pakistan, Papua New Guinea and throughout the Asia Pacific Region including Australia and New Zealand. He has resided as an expatriate in a number of these regions and has a keen focus on people, safety, cultural heritage and environment. Prof Warburton's career includes 14 years of senior technical and leadership roles at BP. He was Executive General Manager for Exploration & New Business at Eni in Pakistan, and until March 2018 John was Chief of Geoscience & Exploration Excellence at Oil Search Ltd. Prof Warburton has been a Director of Empire's wholly owned Northern Territory subsidiary, Imperial Oil & Gas Pty Limited ('Imperial'), since 2011 and was its Chief Executive Officer from 2011 to 2014. He continues to serve as a Non-Executive Director of Imperial. In addition, John is Visiting Professor in the School of Earth & Environment at Leeds University UK where he has served twelve years on the External Advisory Board of Geosolutions, Leeds (formerly Petroleum Leeds) which is the focus for integrated Petroleum Engineering, Geoscience and Climate Research.
Other current directorships:	TMK Energy Limited
Former directorships (last 3 years):	Senex Energy Limited
Special responsibilities:	Non-Executive Director of Imperial Oil & Gas Pty Limited Chairman of the Audit and Risk Committee Member of the Technical Committee
Interests in shares:	772,815 ordinary shares
Interests in options:	159,091 unlisted options expiring on 14 June 2024 @ $0.35 per share
Interests in rights:	1,200,000 service rights

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary

Ben Johnston
Mr Johnston joined Empire as Vice President Business Development in November 2019. Ben is an energy sector specialist having worked across M&A, ECM and debt / project finance transactions while at leading banks including RBC Capital Markets and Commonwealth Bank. Ben is a chartered accountant having trained with KPMG and holds an MBA from the Australian Graduate School of Management.

Andrew Philips (November 2020 to 30 May 2022)
Mr Phillips has over 25 years' experience working in senior financial and commercial management positions with public and multinational companies based in Australia and New Zealand and has served as Company Secretary for a number of ASX listed companies.

He is currently Executive Director, CFO and Company Secretary of Lithium Power International Limited and holds independent directorships for ASX listed companies, Southern Cross Exploration NL and Donaco International Limited.

Meetings of Directors
The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 31 December 2022, and the number of meetings attended by each Director were:

	Full Board		Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Paul Espie AO	9	9	-	-	-	-
Alexander Underwood*	9	9	2	2	3	3
Peter Cleary	9	9	2	2	3	3
Paul Fudge	8	9	-	-	-	-
Jacqui Clarke	9	9	-	-	3	3
Louis Rozman	9	9	2	2	-	-
Prof John Warburton	9	9	-	-	3	3

	Technical Committee	
	Attended	Held
Paul Espie AO	-	-
Alexander Underwood	4	4
Peter Cleary	1	4
Paul Fudge	-	-
Jacqui Clarke	-	-
Louis Rozman	4	4
Prof John Warburton	4	4

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

* Mr Underwood excused himself from Remuneration Committee Meetings when matters relating to his remuneration were discussed.

Shares under option
Unissued ordinary shares of Empire Energy Group Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
13 August 2021	31 August 2024	$0.700	8,000,000
13 August 2021	31 August 2024	$0.700	1,696,970
9 September 2022	9 September 2024	$0.350	69,227,558
			78,924,528

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Empire Energy Group Limited issued on the exercise of options during the year ended 31 December 2022 and up to the date of this report.

Shares under Performance Rights

Unissued ordinary shares of Empire Energy Group Limited under Performance Rights at the date of this report are as follows:

Grant date	Expiry date	Number under rights
Unvested		
13 September 2013	N/A	250,000
7 August 2020	31 December 2035	3,913,960
6 August 2021	31 December 2036	1,015,625
21 December 2021*	31 December 2036	993,774
17 June 2022	31 December 2037	1,451,409
Vested		
3 August 2021	30 June 2034	1,300,500
30 March 2022	30 December 2034	840,134
		9,765,402

* Performance Rights granted on 21 December 2021 were issued on 18 February 2022.

No person entitled to exercise the Performance Rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of Performance Rights

There were no ordinary shares of Empire Energy Group Limited issued on the exercise of Performance Rights during the year ended 31 December 2022 and up to the date of this report.

Shares under Restricted Rights

Unissued ordinary shares of Empire Energy Group Limited under Restricted Rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
7 August 2020	31 December 2035	$0.000	1,019,753
1 June 2021	1 June 2036	$0.000	617,979
23 December 2020	23 December 2035	$0.000	485,485
2 July 2021	2 July 2036	$0.000	94,908
21 December 2021*	21 December 2036	$0.000	568,778
17 June 2022	17 June 2037	$0.000	509,198
17 June 2022	17 June 2037	$0.000	275,360
9 September 2022	9 September 2037	$0.000	131,493
			3,702,954

* Restricted Rights granted on 21 December 2021 were issued on 18 February 2022.

No person entitled to exercise the Restricted Rights had or has any right by virtue of the restricted right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of Restricted Rights

There were no ordinary shares of Empire Energy Group Limited issued on the exercise of Restricted Rights during the year ended 31 December 2022 and up to the date of this report.

Shares under Service Rights

Unissued ordinary shares of Empire Energy Group Limited under Service Rights at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under rights
14 June 2019	30 June 2034	$0.00	1,000,000
4 August 2020	31 December 2035	$0.00	838,558
1 June 2021	31 December 2036	$0.00	600,000
			2,438,558

No person entitled to exercise the Service Rights had or has any right by virtue of the service right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of Service Rights
There were no ordinary shares of Empire Energy Group Limited issued on the exercise of Service Rights during the year ended 31 December 2022 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 28 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 28 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Nexia Sydney Audit Pty Ltd
There are no officers of the Company who are former partners of Nexia Sydney Audit Pty Ltd.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Alexander Underwood
Managing Director

28 March 2023

Remuneration Report – Audited

The Remuneration Report for the year ended 31 December 2022 ('2022 Financial Year' or 'FY22') forms part of the Directors' Report. It has been prepared in accordance with the Corporations Act 2001 ('the Act'), Corporations Regulation 2M.3.03, in compliance with AASB124 Related Party Disclosures, and audited as required by section 208(3C) of the Act. It also includes additional information and disclosures that are intended to support a deeper understanding of remuneration governance and practices, for shareholders, where statutory requirements are not sufficient.

Letter from the Chair of the Remuneration Committee

Dear Shareholders,

As the Chair of the Remuneration Committee and on behalf of the Board, I am pleased to present Empire Energy's ('EEG') Remuneration Report for the year ended 31 December 2022.

FY22 has seen significant progress in the Beetaloo Sub-basin and USA operations with:
1. all activities carried out without any significant safety or environmental incidents;
2. the drilling of the Carpentaria 3H well that included the longest horizontal completed and cased well section in Beetaloo Sub-basin of 2,632 metres;
3. the successful fracture stimulation of Carpentaria 2H and Carpentaria 3H as well as the commencement of production testing;
4. the drilling of Carpentaria 4 vertical; and
5. ongoing positive engagement through on-country meetings with Traditional Owners and pastoral stakeholders.

Items 2-4 were completed on time and within budget, demonstrating EEG's cost and operational efficiencies within the basin. The Board is confident that we will continue to observe further progress and cost reductions during FY23 and beyond.

As indicated in the Remuneration Report for FY21, the Board undertook a review of the Managing Director's total remuneration and rebalanced it so it better benchmarks with the market. The Managing Director's FY22 Total Remuneration Package at Target was:

Fixed Pay:	$430,000 (FY21 $390,000)
Short-term Variable Remuneration:	25% of Fixed Pay (FY21 40%)
Long-term Variable Remuneration:	40% of Fixed Pay (FY21 40%)

The Remuneration Committee assessed the Managing Director's performance against the Key Performance Indicators (set out in Section 2.2) at 120% of Target, primarily due to the successfully drilling operations carried out in FY22. This translated into a Short-Term Incentive award of $129,600 which the Board approved. The Board also gave the Managing Director the option of receiving his award in cash or Restricted Rights.

The Remuneration Committee continually reviews the Managing Director's and other senior executives' total remuneration package and is of the view that it is fairly benchmarked but also reflects the strong performance and growing capability of the Managing Director.

Peter Cleary
Chair, Remuneration Committee

28 March 2023

1. People covered by this report

This report covers Key Management Personnel ('KMP') which are defined as those who have the authority and responsibility for planning, directing and controlling the activities of Empire Energy.

Table 1

Name	Role	Appointed	Committee Membership		
			Audit & Risk	Remuneration	Technical
Non-Executive KMP					
Mr Paul Espie AO	Non-Executive Chairman Non-Executive Director	5/02/2019 8/11/2018			
Prof John Warburton	Non-Executive Director	6/02/2019	C		✓
Mr Peter Cleary	Non-Executive Director	25/5/2020	✓	C	
Mr Louis Rozman	Non-Executive Director	11/03/2021		✓	✓
Mr Paul Fudge	Non-Executive Director	17/08/2021			
Ms Jacqui Clarke	Alternate Director	17/08/2021	✓		
Executive KMP					
Mr Alex Underwood	Managing Director ('MD')	23/07/2018			
Mr Robin Polson	Chief Financial Officer ('CFO')	18/07/2022			

✓ = Member, **C** = Chair

There were no changes to the composition of the Board or its Committees during FY22.

2. Remuneration Overview

2.1 Remuneration Policy

EEG's Remuneration Policy (the 'Policy') was last updated in March 2021 under the Remuneration Committee Charter. The Remuneration Committee retains overall responsibility for the review and recommendations in relation to the remuneration of Executive Directors (including the Managing Director) and executives reporting to the Managing Director as well as Non-executive Director Board Fees. In discharging these responsibilities, the Committee adheres to the following:

- to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders; having regard to relevant Company policies without rewarding conduct that is contrary to the Company's values or risk appetite;
- to attract and retain skilled executives;
- to structure short- and long-term incentives that are challenging and linked to the creation of sustainable shareholder returns; and
- to ensure any termination benefits are justified and appropriate.

The primary objective of the Policy is to ensure that the quantum and elements of remuneration attract and retain key talent and are aligned with the Company's current strategy and business objectives. Executive KMP remuneration is currently made up of Fixed Pay and Variable Remuneration (split into short- and long-term components).

Fixed Pay is made up of base salary and any other fixed elements such as superannuation, and other benefits where applicable. Fixed Pay is intended to be positioned against the median of market benchmarks from a group of comparable resources and energy companies of similar size to ensure remuneration is competitive and fair, subject to a ±20% pay range to account for individual factors such as experience, qualifications, and performance.

Total Remuneration Package ('TRP') is intended to be composed of an appropriate mix of remuneration elements including Fixed Pay, short-term variable remuneration ('STVR') and long-term variable remuneration ('LTVR'). The Target TRP (TRP for expected performance) is generally intended to fall between the median and upper quartile of market benchmarks. This is because market data often shows nil or negative variable remuneration values, despite an incumbent having a real variable remuneration opportunity when benchmarks are based on statutory disclosure by other companies. As a result, total package market data median benchmark values are lower than actual median opportunities offered to incumbents in the market.

This has been established by research conducted by the Board's appointed independent External Remuneration Consultant. The Board has selected a competitive TRP market position between median and upper quartile benchmarks to adjust for the impact of nil and negative reported variable remuneration.

Variable Remuneration fills the gap between Fixed Pay and Total Remuneration Package and is intended to be a mix of "at-risk" and "incentive" remuneration. The "at-risk" component of variable remuneration that is below "Target policy" is designed to be what an executive would stand to lose for not meeting expectations. The "incentive" component is the upside for performing above expectations and represent the true "bonus". Metrics selected are intended to be linked to the primary drivers of value creation for stakeholders, and successful implementation of the long-term strategy over both the short- and long-term.

The Committee also regularly engages with External Remuneration Consultants ('ERCs') to ensure the current policy and frameworks are aligned with current market practices and remain competitive and fair (refer to section 5.5.1 for ERCs engaged during FY22).

2.2 Executive Remuneration – Executive Framework Overview

The following table outlines the Company's approach to executive remuneration:

<table>
<tr><th></th><th>Fixed Pay</th><th>Short-Term Variable Remuneration for FY22</th><th>Long-Term Variable Remuneration</th></tr>
<tr><td>Purpose</td><td>Fixed Pay ('FP') is set with reference to the median of benchmarks and aimed at paying fairly for meeting the requirements of a role.</td><td>To link achievement of EEG's short-term performance objectives with the remuneration received by the executive.</td><td>To link achievement of EEG's shareholder wealth creation with the remuneration received by the executive.</td></tr>
<tr><td>Delivery</td><td>Base Salary, superannuation and other benefits.</td><td>The Board has discretion to settle STVR awards in the form of cash or Restricted Rights.</td><td>Performance Rights to receive EEG shares, subject to LTVR performance over a 3-year Measurement Period.</td></tr>
<tr><td>FY22 Approach</td><td>Fixed Pay is set with reference to the median of tailored benchmarks designed around companies of comparator market capitalisation and market sector.</td><td>Opportunity as percentage of FP:
<table><tr><th></th><th>Target</th><th>Stretch</th></tr><tr><td>MD</td><td>25%</td><td>37.5%</td></tr></table>
STVR Key Performance Indicators ('KPIs'):
- NT Work Program – 50%
- Cost management and funding coverage for activities – 30%
- Management of US Assets – 10%
- Individual Effectiveness – 10%

A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies.</td><td>Intended opportunity as percentage of FP:
<table><tr><th></th><th>Target</th><th>Stretch</th></tr><tr><td>MD</td><td>40%</td><td>80%</td></tr></table>
LTVR Performance Measures:
- 75% Absolute Total Shareholder Return ('TSR')
- 25% Milestones

A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies.</td></tr>
</table>

The following diagram outlines the executive KMP remuneration structure and timing under the remuneration framework as applicable to FY22 where STVR is Short-Term Variable Remuneration, and LTVR is Long-Term Variable Remuneration.

Chart A

<table>
<tr><th>FY22</th><th>FY23</th><th>FY24</th><th>FY25</th></tr>
<tr><td>Fixed Pay</td><td></td><td></td><td></td></tr>
<tr><td rowspan="2">STVR Performance Period*</td><td>Audit & STVR Assessment</td><td></td><td></td></tr>
<tr><td>Award Paid**</td><td></td><td></td></tr>
<tr><td colspan="3">LTVR Performance Period (75%) - Performance Rights with an Absolute TSR Vesting Condition</td><td rowspan="2">Vesting Assessments and Vesting</td></tr>
<tr><td colspan="3">LTVR Performance Period (25%) - Performance Rights with a Milestone Vesting Condition</td></tr>
</table>

* *STVR awards are generally awarded soon after the release of the audited Annual Report*
** *STVR awards can be paid in either cash or equity (Restricted Rights)*

2.3 FY22 Company Performance At-A-Glance

The following outlines the Company's performance in FY22, which is intended to assist in demonstrating the link between performance, value creation for shareholders, and executive reward:

Table 1 – Statutory Performance Disclosure

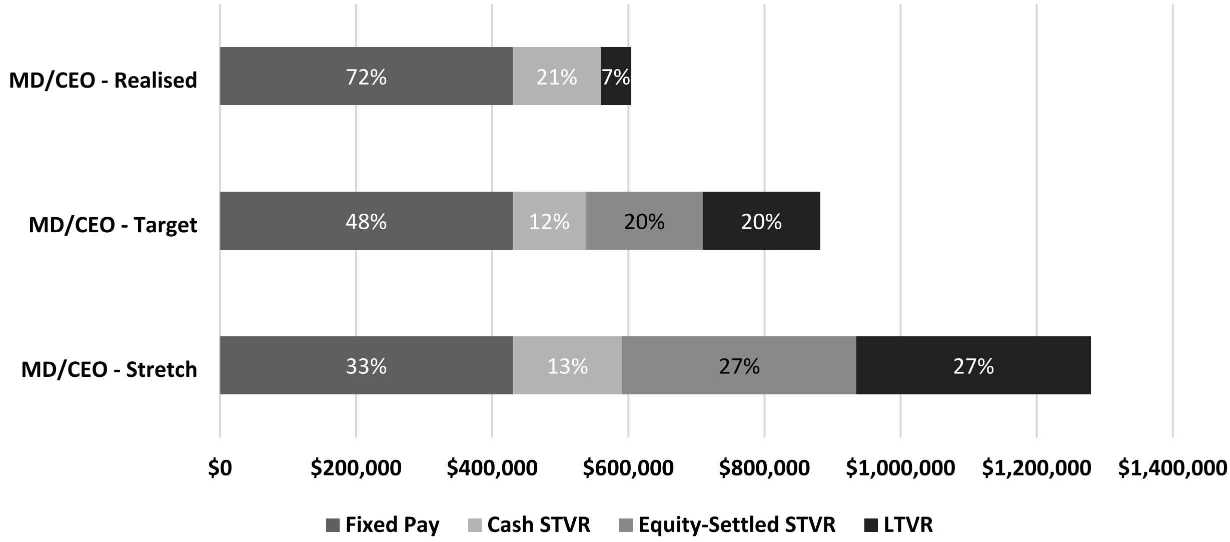
FY End Date	Share Price (beginning of period)	Share Price (end of period)	Change in Share Price $	Dividends (paid during period)	Change in Shareholder Wealth (Share Price Change + Dividends)		NT P(50) Prospective Resource (TCFe*)	NT 2C Contingent Resource (BCFe**)	Total Company 2P Reserves (MBOE***)
					Total Value	%			
31/12/2022	$0.34	$0.20	$(0.14)	$0.00	$(0.14)	(41)%	47.7	575	5,723
31/12/2021	$0.36	$0.34	$(0.02)	$0.00	$(0.02)	(6)%	46.9	221	6,440
31/12/2020	$0.45	$0.36	$(0.09)	$0.00	$(0.09)	(20)%	14.7	41	6,000
31/12/2019	$0.14	$0.45	$0.31	$0.00	$0.31	221%	12.4	-	6,075
31/12/2018	$0.12	$0.14	$0.02	$0.00	$0.02	17%	12.4	-	11,634

* *TCFe: Trillion Cubic Feet*
** *BCFe: Billion Cubic Feet equivalent*
*** *MBOE: Thousand barrels of oil equivalent*

2.4 FY22 Executive Remuneration Opportunities and Outcomes At-A-Glance

The following charts outline the remuneration opportunities under executive remuneration structures, with the outcomes dependent on performance over FY22 for STVR and LTVR, and the "Realised" remuneration payable in respect of the completed FY22 year and performance delivered:

Chart B.



Note:
- *"Realised" refers to Fixed Pay received during FY22 and Cash STVR awarded in respect of FY22 performance and LTVR that vested during FY22.*
- *The Realised STVR outcome was above Target but below Stretch in absolute terms, however a proportion of TRP appears above Stretch due to Realised LTVR being significantly below Target.*

2.5 Key KMP Remuneration Governance Considerations and Changes

The following summarises the key remuneration governance matters that were the focus of considerations in FY22, and those that are expected to be addressed in FY23, including planned changes:
- benchmarking Managing Director's remuneration against ASX listed market data to inform quantum and mix decisions intended to meet strategy and market positioning requirements (Completed 2022);
- benchmarking and review of non-Executive remuneration (Completed: 2022); and
- assessment of vesting conditions for LTVR (Completed 2022).

3. The Empire Energy Strategy, Policy and Framework

3.1 FY22 Short-Term Variable Remuneration ('STVR') Plan

A description of the STVR plan is set out below:

Purpose	To provide at-risk remuneration and incentives that rewards executives for performance against annual safety, operational and financial performance objectives set by the Board at the beginning of the financial year. The objectives selected are linked to the Company's long-term strategy which is designed to provide sustainable value creation for shareholders.
Measurement Period	The Financial Year of the Company (1 January – 31 December).
Opportunity	Opportunity as % of Fixed Pay Target / Stretch MD: 25% / 37.5%
Outcome Metrics and Weightings	For FY22, the following metrics and weightings – at Target - applied: • NT Work Program – 50% • Cost management and funding coverage for activities – 30% • Management of US Assets – 10% • Individual Effectiveness – 10% These metrics were selected because they were viewed by the Board as being the key drivers of value creation for FY22.
Gate	A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies.
Award and Settlement	Awards will be calculated following the auditing of accounts. STVR awards may be paid as cash or equity. The Board offered the Managing Director the opportunity to receive his STVR in cash which he accepted. The overarching policy is to pay STVR awards in the form of Restricted Rights to preserve cash reserves, however the decision to offer cash was based on the Board's view that this was more appropriate in the current market. There is currently no STVR deferral mechanism. Restricted Rights are granted for nil consideration under the Empire Energy Group Limited Rights Plan ('EEGLRP'), and vest immediately upon grant. Restricted Rights are subject to a 90-day exercise restriction and can exercised anytime following vesting and before the end of the Term (15 years).
Disposal Restrictions	Shares acquired on exercise of vested Restricted Rights ('Restricted Shares') will be subject to disposal restrictions until all of the following cease to restrict disposals: • the Company's share trading policy; • the Corporations Act insider trading provisions; and • temporary Specified Disposal Restriction of one (1) year from their date of issue.
Board Discretion	The Board has discretion to vary awards upwards or downwards, including to nil, in the circumstance that the award would otherwise be likely to be viewed as inappropriate given the circumstances that prevailed over the Measurement Period (such as in the case of harm to the Company's stakeholders for which participants are accountable).

3.2 FY23 Short-Term Variable Remuneration ('STVR') Plan

EEG intends to apply the following KPIs and weightings - at Target -in relation to FY23 to provide a sharper focus on operational expectations:

- NT Work Program – 50%
- Cost management and funding coverage for activities – 35%
- Management of US Assets – 5%
- Individual Effectiveness – 10%

3.3 FY22 Long-Term Variable Remuneration ('LTVR') Plan

A description of the LTVR plan, which is operated under the EEGLRP, is set out below:

Purpose	The purpose of LTVR is to create a strong link between performance and reward for senior executives over the long-term and to align the interests of Participants with those of stakeholders through share ownership and performance testing.
Measurement Period	1 January 2022 to 31 December 2024 (3 years).
Grant Calculation	The number of Rights in a Tranche of LTVR to be granted are calculated via the application of the following formula: **Target LTVR $ x Tranche Weight at Target ÷ Right Value ÷ % Vesting at Target** where Right Value is the 2021 Volume-weighted average price ('VWAP') of $0.336
Opportunity and Grant Value	**Opportunity as % of Fixed Pay** — Target / Stretch MD: 40% / 80% Based on the Right Value of $0.336, the maximum/stretch level of grants made to KMP disclosed in this report in respect of FY22 LTVR for the Managing Director, Alex Underwood was 1,451,409 Performance Rights.
Instrument	The LTVR is in the form of Performance Rights with a nil Exercise Price, which are subject to performance and service vesting conditions.
Performance Metrics and Weightings	The Board has discretion to set Vesting Conditions for each tranche of each Invitation. For FY22 LTVR grants, the following Vesting Conditions were altered to reflect market practice and recognition of the significant value to shareholders if the Stretch target is achieved: **Tranche 1** (75% weight at Target) is to be subject to an Absolute Total Shareholder Return ('ATSR') vesting condition. The vesting of such Performance Rights will be determined by comparing the Company's TSR over FY22 to FY24 according to the following vesting scale:

Table 2

Performance Level	Empire Energy's Absolute TSR (per annum)	% of Tranche Vesting
Stretch	≥ 30%	100%
Between Target and Stretch	> 15% & < 40%	Pro-rata
Target	**= 25%**	**50%**
Between Threshold and Target	> 10% & < 15%	Pro-rata
Threshold	= 10%	25%
Below Threshold	< 10%	0%

	SR is the sum of Share Price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period. It is annualised for the purpose of the above vesting scale. The TSR of the Company over the Measurement Period will be calculated and converted to a compound annual growth rate ('CAGR') value for the purpose of assessment against this scale. During periods of nil dividends being declared, TSR is equal to the change in Share Price. The Board is aware that some investors prefer relative TSR over absolute TSR due to the potential of impact of broad market windfall gains and losses. The Board has set the TSR objectives sufficiently high such that vesting would not be expected to occur in relation to broad market movements alone. This metric was selected in this year and past years because the Board views that this is the best measure of long-term value creation for shareholders at this stage of Empire's strategy. **Tranche 2** (25% weight at Target) is to be subject to the Board's determination of whether material value has been added to the Company's assets through delivering on the Company's strategy, including but not limited to exploration results, increasing reserves, operating cash flow and production rates. This metric was selected in this and past years because the Board views that this is the best measure of long-term value creation for shareholders at this stage of EEG's strategy particularly when the Company held significant producing assets in the USA as well as exploration opportunities in Australia. The Board reviews these metrics annually.
Gates	A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies. A Gate is a performance hurdle which must be satisfied before any Performance Rights can vest.
Settlement	The Rights are "Indeterminate Rights" which may be settled in the form of a Company Share, or cash equivalent, upon valid exercise.
Term and Lapse	The Term of the Performance Rights are 15 years from the Grant Date. If not exercised within the term, the Performance Rights will lapse.
Service Condition and Cessation of Employment	Under the Rules, in addition to the performance conditions, continued service during the Measurement Period is a requirement for all Rights to become eligible to vest. On termination, a portion of Performance Rights granted in the financial year in which the termination occurs will be forfeited. The proportion that will be forfeited will be equal to the remainder of the financial year following the termination as a proportion of the full financial year. This provision recognises that grants of Performance Rights are part of the remuneration for the year of grant and that if part of the year is not served then some of the Performance Rights will not have been earned.
Measurement Period Modifier	The EEGLRP Rules allow for the Measurement Period to be extended by 12 months, if an executive is still employed, and nil vesting occurred at the first test. The start of the Measurement Period would not be affected by this, and modification of the Measurement Period can only apply to vesting scales that are expressed on an annualised basis, which ensures the adjustment does not make vesting easier (i.e. will not apply to milestone conditions, only TSR). The Measurement Period would be extended from three years to four years. The purpose of this feature is to address short-term anomalies that arise at the relevant calculation points, and to motivate management to strive for improvement if the long-term incentive ('LTI') fails to vest at the end of the Measurement Period.

Cessation of Employment	Unvested Performance Rights held at the date of termination and granted in the financial year of the termination will be forfeited in the proportion that the remainder of the financial year following the termination bears to the full financial year, unless otherwise determined by the Board. All other unvested Performance Rights will be retained for possible vesting based on performance during the Measurement Period, to be assessed following the completion of the Measurement Period. If at the time of vesting subsequent to termination of employment the share price is lower than at the date of cessation of employment the value of the Rights will be paid in cash only, not Shares, unless otherwise determined by the Board.
Corporation Actions	**Change of Control** In the event of a Change of Control: • Unvested Performance Rights granted in the financial year of the Change of Control will lapse in proportion that the remainder of the financial year bears to the full financial year, • For all remaining unvested Performance Rights, the number of Performance Rights to vest will be determined by the number of unvested Performance Rights multiplied by the change in share price at the commencement of the Measurement Period and the share price at Change of Control. **Major Return of Capital to Shareholders** In the event of a major return of capital to shareholders, the Board has discretion to determine how unvested Performance Rights will be dealt with.
Board Discretion	The Board retains discretion to increase or decrease, including to nil, the vesting percentage in relation to each Tranche of Performance Rights if it forms the view that it is appropriate to do so given the circumstances that prevailed during the Measurement Period.

3.4 FY22 Non-Executive Director ('NED') Remuneration

3.4.1 Fee Policy

The following outlines the principles that EEG applies to governing NED remuneration:

Fee Policy

Remuneration of Non-executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time. Non-executive Directors can participate in the Share Rights Plan.

The Board undertakes an annual review of its performance and the performance of the Board Committees against performance goals set. Details of the nature and amount of each element of the remuneration of each Director and key management personnel are set out in the following tables:

The following table outlines the current Fee Policy:

Role/Function	Main Board	All Committees
Chair	$90,000	$10,000
Member	$60,000	$5,000

Fees are exclusive of superannuation.

Note: Non-executive Directors are also reimbursed for reasonable out-of-pocket expenses that are directly related to EEG's business. Equity grants, if any, are deducted from the foregoing fees.

Aggregate Board Fees	The total amount of fees paid to Non-executive Directors in FY22 is within the aggregate fee limit of $400,000 which was last approved by shareholders on 30 May 2019. Grants of equity approved by shareholders are excluded from counting towards the aggregate Board Fees, in accordance with the ASX Listing Rules.

3.4.2 FY22 NED Equity Grants

A description of the terms of the NED equity grants for FY22 is described below:

Purpose	The purpose of NED equity grants in FY22 is to allow Non-executive Directors to exchange cash Board Fees for grants of equity in respect of FY22 remuneration.
Opportunity	NEDs may elect to receive up to 100% of their Board Fees excluding superannuation in lieu of cash payment.
Instrument	The FY22 NED Equity Plan grant is to be in the form of Restricted Rights.
Price and Exercise Price	The Price is nil, because it forms part of the remuneration of the Participant, however grants are generally based on an agreement to forego cash Board Fees. The Exercise Price is nil.
Allocation method	The Rights are valued using the following method: Right Value = Share Price – (Dividends expected to be lost before first exercise date) The Number of Rights to be granted = Sacrificed $ ÷ Right Value Share Price = 3-month Volume Weighted Average Price during each quarter
Vesting Conditions, Exercise Restrictions	In order to ensure NED independence is not compromised, and to recognise that the instruments are an alternative to cash remuneration, the Rights are not subject to any vesting conditions. Rights may not be exercised within 90 days of the Grant Date.
Disposal Restriction	The Director Fee Restricted Rights may not be disposed of at any time, but can be exercised following vesting, up to the end of their Term. Shares acquired on exercise of vested Director Fee Restricted Rights ('Restricted Shares') will be subject to disposal restrictions until all of the following cease to restrict disposals: a) the Company's share trading policy; b) the Corporations Act insider trading provisions; and c) Specified Disposal Restriction of one (1) year from their date of issue.
Term and Lapse	Director Fee Restricted Rights will have a term of 15 years and if not exercised within the term the Rights will lapse. On exercise, each Director Fee Restricted Right will convert into one ordinary share.
Fraud, Gross Misconduct etc.	In the event that the Board forms the opinion that a Director has committed an act of fraud, defalcation or gross misconduct in relation to the Company, the Director will forfeit all unvested Director Fee Restricted Rights.

4 The Link Between Performance and Reward in FY22

4.1 FY22 STVR Outcomes

The STVR plan is designed to reward executives for the achievement against annual performance objectives set by the Board at the beginning of the performance period. The payment of an STVR is dependent on the delivery of performance against a range of outcome metrics. The performance metrics and outcomes of assessment against those metrics are summarised below:

Table 3

FY22 Business/Group Performance Scorecard Outcomes

Metric/Measure	Target	Weighting	Outcome (% of Target)	Weighted Outcome (% of Target)
NT Work Program	Stretch targets exceeded including drilling and fracture stimulating the longest horizontal section in the history of the Beetaloo with C-3H, the fracture stimulation of C-2H and the drilling of C-4V on time and under budget. Flow testing also commenced.	50%	150%	75%
Cost management and Funding coverage	All field activities completed on time and under budget. Corporate overheads within budget and cash balance kept above required level	30%	100%	30%
US Assets	US assets operated at budget with improving HSE trend.	10%	50%	5%
Individual Performance	Several growth options delivered. Relationships with Traditional owners, pastoralists and government officials maintained at high level.	10%	100%	10%
	Total	**100%**		**120%**

Overall STVR outcomes for FY22 are determined through the Board's assessment of the Business and Individual Outcomes, as outlined below:

Table 4

Executive KMP	Opportunity as % of Fixed Pay		STVR Outcome as % of Target	Total STVR Awarded ($)	Cash ($)	Restricted Rights ($)	% Maximum STVR	
	Maximum STVR	Target STVR					Awarded %	Forfeited %
Alex Underwood	37.5%	25%	120%	$129,600	$129,600	N/A	N/A	N/A

4.2 Recent LTVR Outcomes

The LTVR that vested to executives in respect of the completed FY22 reporting period was granted in FY20, and may be summarised as follows (noting that the FY20 LTVR grant was issued under the same terms and conditions as the FY22 LTVR plan outlined in section 3.3):

Instrument	Performance Rights under the EEGLRP.
Measurement Period	Managing Director: 1 January 2020 – 31 December 2022 (3-year Measurement Period) Chief Operating Officer: 1 January 2020 – 31 December 2022 (3-year Measurement Period)
Performance Metrics and Weightings	Tranche 1 (75% weight at Target) is to be subject to an Absolute Total Shareholder Return ('ATSR') vesting condition. The vesting of such Performance Rights will be determined by comparing the Company's TSR over the Measurement Period according to the following vesting scale: (see table below)

Performance Level	Empire Energy's Absolute TSR (per annum)	% of Tranche Vesting
Stretch	≥ 40%	100%
Between Target and Stretch	> 25% & < 40%	Pro-rata
Target	**= 25%**	**50%**
Between Threshold and Target	> 10% & < 25%	Pro-rata
Threshold	= 10%	25%
Below Threshold	< 10%	0%

TSR is the sum of Share Price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period. It is annualised for the purpose of the above vesting scale. The TSR of the Company over the Measurement Period will be calculated and converted to a compound annual growth rate ('CAGR') value for the purpose of assessment against this scale. During periods of nil dividends being declared, TSR is equal to the change in Share Price.

Tranche 2 (25% weight at Target) is to be subject to the Board's determination of whether material value has been added to the Company's assets through delivering on the Company's strategy, including exploration results, increasing reserves, operating cash flow and production rates.

Gate	A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies. A Gate is a performance hurdle that must be satisfied before any Performance Rights can vest.
Performance Outcome and Vesting Determination	The Board has assessed that the performance vesting conditions and exercised its discretion to extend the Tranche 1 vesting period for the Tranche 1 Performance Rights by a further 12 months to 31 December. These Tranche 1 Performance Rights remain unvested at 31 December 2022. The Board has also assessed that the vesting conditions for Tranche 2 were met and as a result, 100% vesting applies in respect of the Tranche 2 Performance Rights issued.
Board Discretions Applied	The Board exercised its discretion under the Empire Energy Group Limited Rights Plan to extend the measure period for Tranche 1 performance rights issued in 2020 by a further 12 months to 31 December 2023.
Settlement	Rights are not exercised automatically upon vesting. The Rights are "Indeterminate Rights" which may be settled in the form of a share, or cash equivalent, upon valid exercise.

Table 5

Role	Tranche	Weighting	No. Eligible To Vest In Reporting Period for FY22 perform-ance	Target Perform-ance	Actual Outcome	% of Tranche Vested	Number Vested	Grant Date Valua tion	$ Value of LTVR that Vested (as per Grant Date Valuat-ion)	Realisable Value (Number x Vesting Date SP net of Exercise Price)
MD	Absolute TSR	*The Board used its discretion to extend the vesting measurement period to 31 December 2023*								
	Milestones	25%	203,847	Board Discretion	Board Discretion	25%	203,847	7/8/20	$15,116	$40,769
CFO	*For FY22, the Chief Financial Officer was not issued any Performance Rights*									

4.3 Achieved Total Remuneration Package for FY22

The following outlines "Achieved" (what became payable, awarded or vested in respect of FY22 performance completed) total remuneration, including the portions of maximum variable remuneration that were awarded or vested, and portions that were forfeited or lapsed as the result of performance assessments that were completed as at the completion of 31 December 2022.

Table 6

Name	Role(s)	Year	Fixed Package (incl Super)	Total STVR Awarded Following Completion of the Financial Year (cash)*	Total STVR Awarded Following Completion of the Financial Year (equity-settled)	Value of LTVR that Vested Following Completion of the Measurement Period**	Total Remuneration Package (TRP)	Gains/Losses on Vested LTVR from Change in Value During Vesting Period***
Alex Underwood	MD	2022	$430,000	$129,600	$0	$18,346	$577,946	$22,423
	MD	2021	$390,000	$0	$171,600	$31,509	$593,109	$332,631
Robin Polson *(commenced 18/07/2022)*	CFO	2022	$325,292	N/A	$41,250	N/A	$190,342	N/A
	CFO	2021	N/A	N/A	N/A	N/A	N/A	N/A

* *This is the value of the total STVR/bonus award calculated following the end of the Financial Year. The STVR will be paid in the form of Restricted Rights, subject to Shareholder Approval.*

** *This is the grant value of the LTVR/Equity that vested in respect of the FY22 performance i.e. the number that vested multiplied by the Black-Scholes value at grant.*

*** *This is the difference between the Black-Scholes value at grant, and the realisable value based on the market value of a share at the time of vesting, for the LTVR that vested immediately following the end of the reporting period.*

4.4 Use of Board Discretion

During the financial year and to the date of this report, the Board did not exercise its discretions available to it to modify STVR outcomes, vesting or awards. The Board did use its discretion available to it to extend the measurement period for Tranche 1 of the 2020 Performance Rights from 31 December 2022 to 31 December 2023. No other outcomes were modified.

5 Statutory Tables and Supporting Disclosures

5.1 Executive KMP Statutory Remuneration for FY22

The following table outlines the statutory remuneration of executive KMP:

Table 7

			Fixed Pay				Variable Remuneration		
Name	**Roles**	**Year**	**Salary**	**Super**	**Other Benefits *****	**Total Fixed Pay**	**Cash STVR***	**Equity-Settled STVR***	**LTVR****
Current Executive KMP									
Alex Underwood	MD	2022	$406,432	$24,430	$6,043	$436,905	$129,600	$0	$147,342
	MD	2021	$369,469	$23,684	$24,577	$417,730	$110,000	$112,946	$49,766
Mr Robin Polson	CFO	2022	$137,500	$11,592	$0	$149,092	$0	$41,250	$0
	CFO	2021	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Name	Roles	Year	Total Remuneration Package (TRP)	Variable Remuneration as % TRP	Termination Benefits	Change in Accrued Leave
Current Executive KMP						
Alex Underwood	MD	2022	$713,847	35%	$0	$(8,159)
	MD	2021	$690,442	39%	$0	$26,947
Robin Polson	CFO	2022	$190,342	22%	$0	$13,330
	CFO	2021	N/A	N/A	$0	N/A

* *Note that the STVR/bonus value reported in this table is the bonus that was paid during the reporting period, being the award earned during the previous period. Variable remuneration outcomes for the reporting period are outlined elsewhere in this report.*

** *Note that the LTVR/Equity value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period. Where a market based measure of performance is used such as TSR or share price, no adjustments can be made to reflect actual LTVR vesting.*

*** *Other benefits for Alex Underwood include items such as Fringe Benefit Tax and depreciation associated with motor vehicle running costs. $1,500 per month is deducted from Alex Underwood's remuneration pre-tax to cover motor vehicle running costs including car parking, fuel, interest etc.*

5.2 Non-executive Director ('NED') KMP Statutory Remuneration for FY22

The following table outlines the statutory and audited remuneration of NEDs ($, except where otherwise indicated):

Table 8

Name	Role(s)	Year	Board Fees	Committee Fees	Superannuation	Other Benefits	Equity Grant *	Total
Paul Espie AO (a)	Non-Executive Chairman	2022	-	-	-	-	$54,382	$54,382
	Non-Executive Chairman	2021	-	-	-	-	$74,236	$74,236
Prof John Warburton (b)	Non-Executive Director	2022	$62,500	-	$6,500	-	-	$69,000
	Non-Executive Director	2021	$50,000	-	$4,875	-	$207,000	$261,875
Peter Cleary (c)	Non-Executive Director	2022	-	-	-	-	$36,255	$36,255
	Non-Executive Director	2021	-	-	-	-	$56,391	$56,391
Louis Rozman	Non-Executive Director	2022	$60,000	-	$6,238	-	-	$66,238
	Non-Executive Director	2021	$40,205	-	$4,084	-	-	$44,289
Paul Fudge	Non-Executive Director	2022	$55,000	-	$5,713	-	-	$60,713
	Non-Executive Director	2021	$19,178	-	$1,912	-	-	$21,090
Jacqui Clarke	Alternate Director	2022	$60,913	-	$2,563	-	-	$63,476
	Alternate Director	2021	$19,178	-	$1,912	-	-	$21,090
John Gerahty (d)	Non-Executive Director	2022	-	-	-	-	-	-
	Non-Executive Director	2021	$9,589	-	$911	-	-	$10,500

There were no termination payments made to NEDs.

* *Share based payments reflect a proportion of the independently valued cost of options granted under the Employee Share Option Plan ('ESOP'). The cost shown is a non-cash cost and includes, on a pro-rata basis, the independently valued cost of options issued using the Black Scholes methodology.*

(a) Paul Espie AO has elected to take his Director Fees in Restricted Rights in lieu of a cash payment. The $54,382 was approved at the 2022 Annual General Meeting ('AGM') and relates to director fees from July 2021 to June 2022. The $74,236 was approved at the 2021 AGM and relates to director fees from July 2020 to June 2021.
(b) Prof Warburton was granted Service Rights during the period and were in connection with a Contract Services Agreement between Prof Warburton and the Company which were approved at the 2020 and 2021 AGMs. This Contract Services Agreement concluded on 31 December 2021.
(c) Peter Cleary has elected to take his Director Fees in Restricted Rights in lieu of a cash payment. The $36,255 and $24,540 were approved at the 2022 and 2021 AGMs, respectively and relate to director fees from June 2020 to June 2022.
(d) John Gerahty retired as Non-Executive Director on 11 March 2021.

5.3 KMP Equity Interests and Changes During FY22

Movements in equity interests held by executive KMP during the reporting period, including their related parties, are set out below:

Table 9

Name	Instru-ment	Number Held at Open FY22	Granted FY22		For-feited during FY22	Vested during FY22	FY22 Exercised (or Shares received from Exercising)	FY22 Purchase d/ Other	FY22 Sold	Number Held at Close 2022
		Number	Date Granted	Number	Number	Number	Number	Number	Number	Number
Alex Under-wood	Shares	2,400,000	-	-	-	-	-	150,000	-	2,550,000
	Vested Rights	3,377,881	17/06/22	509,198	-	-				3,887,079
	Unvested Rights	2,442,714	17/06/22	1,451,409	-	-		-	-	3,894,123
	Options	-	-	-	-	-	600,000		(600,000)	-
Robin Polson	Shares	-	-	-	-	-	-	-	-	-
	Vested Rights	-	-	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-	-	-
TOTALS		**8,220,595**	**N/A**	**1,960,607**	**-**	**-**	**600,000**	**150,000**	**(600,000)**	**10,331,202**

Movements in equity interests held by non-executive KMP during the reporting period, including their related parties, are set out below:

Table 10

Name	Instru-ment	Number Held at Open FY22	Granted FY22		Forfeited, vested or exercised during FY22	FY22 Purchased /Other	FY22 Sold	Number Held at Close 2022
		Number	Date Granted	Number	Number	Number	Number	Number
Paul Espie AO	Shares	8,726,271	-	-	-	1,409,092	-	10,135,363
	Vested Rights	489,057	17/06/2022	165,216	-	-	-	733,169
		-	9/09/2022	78,896	-	-	-	
	Unvested Rights	-	-	-	-	-	-	-
	Options	-	9/09/2022	704,546	-	-	-	704,546
Prof John Warburton	Shares	454,633	-	-	-	318,182	-	772,815
	Vested Rights	1,200,000	-	-	-	-	-	1,200,000
	Unvested Rights	-	-	-	-	-	-	-
	Options	-	9/09/2022	159,091	-	-	-	159,091
Peter Cleary	Shares	590,000		-	-	454,546	-	1,044,546
	Vested Rights	166,202	17/06/2022	110,144	-	-	-	328,943
		-	9/09/2022	52,597	-	-	-	
	Unvested Rights	-	-	-	-	-	-	-
	Options		9/09/2022	227,273				227,273
Louis Rozman	Shares	167,000	-	-	-	454,546	-	621,546
	Vested Rights	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-
	Options	-	9/09/2022	227,273	-	-	-	227,273
	Shares	119,894,868	-	-	-	20,105,132	-	140,000,000

Name	Instru-ment	Number Held at Open FY22	Granted FY22		Forfeited, vested or exercised during FY22	FY22 Purchased /Other	FY22 Sold	Number Held at Close 2022
		Number	Date Granted	Number	Number	Number	Number	Number
Paul Fudge	Unissued Shares	20,105,132	-	-	-	-	(20,105,132)	(20,105,132)
	Vested Rights	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-
	Options	8,000,000	-	-	-	-	-	8,000,000
Jacqui Clarke	Shares	-	-	-	-	-	-	-
	Vested Rights	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-
TOTALS		**159,793,163**	**-**	**1,725,006**	**-**	**22,741,498**	**(20,105,132)**	**164,154,565**

The following outlines the accounting values and potential future costs of equity remuneration granted during FY22 for executive KMP:

Table 11

2022 Equity Grants Name	Tranche	Grant Type	Vesting Conditions	Grant Date	Total Value at Grant	Value Expensed in FY 22	Max Value to be Expensed in Future Years
Alex Underwood	FY21 STVR Restricted Rights	STVR	n/a*	17/06/2022	$104,385	$104,385	-
	FY22 LTVR Performance Rights	LTVR	Absolute TSR	17/06/2022	$22,642	$11,473	$11,168
	FY22 LTVR Performance Rights	LTVR	Milestones	17/06/2022	$21,253	$10,770	$10,483

Note: the minimum value to be expensed in future years for each of the above grants made in FY21 is nil. A reversal of previous expense resulting in a negative expense in the future may occur in the event of an executive KMP departure or failure to meet non market-based conditions including failure for Gate to open.

* *Pursuant to Section 300A (1)(d) of the Corporations Act, The FY20 STVR Restricted Rights are not subject to the satisfaction of a performance condition as the Restricted Rights have been used to settle short-term awards already subject to performance conditions.*

The following outlines the accounting values and potential future costs of equity remuneration granted during FY22 for Non-executive KMP:

Table 12

2022 Equity Grants Name	Tranche	Grant Type	Vesting Conditions	Grant Date	Total Value at Grant	Value Expensed in FY 22	Max Value to be Expensed in Future Years
Paul Espie AO	Restricted Rights	Fee Sacrifice	n/a*	17/06/2022	$33,869	$33,869	-
	Restricted Rights	Fee Sacrifice	n/a*	9/09/2022	$20,513	$20,513	-
Peter Cleary	Restricted Rights	Fee Sacrifice	n/a*	17/06/2022	$22,579	$22,579	-
	Restricted Rights	Fee Sacrifice	n/a*	9/09/2022	$13,675	$13,675	-

Note: the minimum value to be expensed in future years for each of the above grants made in FY22 is nil. A reversal of previous expense resulting in a negative expense in the future may occur in the event of a NED departure or failure to meet non market-based conditions.

* *Pursuant to Section 300A (1)(d) of the Corporations Act, The Restricted Rights to Paul Espie and Peter Cleary are not subject to the satisfaction of a performance condition as the Restricted Rights have been granted in lieu of cash payments for the fulfilment of their roles as Non-Executive Directors.*

5.4 KMP Service Agreements

5.4.1 Executive KMP Service Agreements

The following outlines current executive KMP service agreements:

Table 13

Name	Position Held at Close of FY22	Employing Company	Duration of Contract	Period of Notice		Termination Payments*
				From Company	From KMP	
Alex Underwood	Managing Director	Empire Energy Group Limited	Permanent	12 months	12 months	12 months of salary in lieu of notice
Robin Polson	Chief Financial Officer	Empire Energy Group Limited	Permanent	3 months	3 months	3 months of salary in lieu of notice

* *Note: Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (over prior three years) unless shareholder approval is obtained.*

5.4.2 Non-Executive Directors ('NEDs') Service Agreements

The appointment of NEDs is subject to a letter of engagement. Under this approach NEDs are not eligible for any termination benefits following termination of their office, nor any payments other than those required under law such as in respect of superannuation. There are no notice periods applicable to either party under this approach.

5.5 Other Statutory Disclosures

5.5.1 External Remuneration Consultants

The Remuneration Committee may engage the assistance and advice of External Remuneration Consultants to provide information on remuneration related matters. During FY22 the Board retained Godfrey Remuneration Group Pty Ltd ('GRG') as an External Remuneration Consultant to provide assistance on any remuneration related matters as they arise. During FY22, GRG provided the following services:

- Analysis and recommendations regarding executive remuneration in relation to the Managing Director and Direct Reports - $25,000 + GST

An agreed set of protocols has been put in place in prior years to ensure that the remuneration recommendations are free from undue influence from KMP. These protocols include requiring that the consultant not communicate with affected KMP without a member of the Remuneration Committee being present or without the authorisation of the Chairman of the Remuneration Committee, and that the consultant not provide any information relating to the outcome of the engagement with the affected KMP. The Board is also required to make inquiries of the consultants' processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and that there was no undue influence.

5.5.2 Loans to KMP and their related parties

During the financial year and to the date of this report, the Company made no loans to directors and other KMP and none were outstanding as at 31 December 2022 (2021: Nil).

5.5.3 Other transactions with KMP

Certain directors and KMP, or their personally related entities ('Related Parties'), hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the FY22 reporting periods. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with unrelated entities on an arms-length basis.

The following transactions occurred with entities controlled by Related Parties:

Related Party	Related Entity	Transactions
Paul Espie AO	Non-Executive Director	Payment for marketing services to Menzies Research Centre Limited (director-related entity of Chairman Paul Espie AO)

End of Audited Remuneration Report

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To the Board of Directors of
Empire Energy Group Limited
Level 5,
6-10 O'Connell Street
SYDNEY NSW 2000

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

As lead audit director for the audit of the financial statements of Empire Energy Group Limited for the financial year ended 31 December 2022, 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 audit; and

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

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Joseph Santangelo
Director
Date: 28 March 2023

Empire Energy Group Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Revenue	5	13,722,333	8,502,389
Cost of sales		(5,960,674)	(5,005,174)
Gross profit		7,761,659	3,497,215
Other income	6	258,613	1,592,345
Interest revenue calculated using the effective interest method		21,360	13,322
Expenses			
Exploration expenses		(2,175,882)	(1,770,790)
General and administration expenses	7	(7,990,121)	(7,673,097)
Asset acquisition completion costs		-	(2,146,971)
Other expenses		(1,359,783)	(2,353,926)
Finance costs	7	(2,280,524)	(1,992,968)
Loss before income tax expense		(5,764,678)	(10,834,870)
Income tax expense	8	(238,528)	(212,739)
Loss after income tax expense for the year attributable to the owners of Empire Energy Group Limited		(6,003,206)	(11,047,609)
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		(121,182)	124,582
Other comprehensive income/(loss) for the year, net of tax		(121,182)	124,582
Total comprehensive loss for the year attributable to the owners of Empire Energy Group Limited		(6,124,388)	(10,923,027)
		Cents	**Cents**
Basic earnings per share	9	(0.86)	(2.41)
Diluted earnings per share	9	(0.86)	(2.41)

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

Empire Energy Group Limited
Consolidated statement of financial position
As at 31 December 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Assets			
Current assets			
Cash and cash equivalents		21,880,311	25,649,699
Trade and other receivables	10	9,683,019	5,359,851
Prepayments		564,022	267,624
Inventories	11	66,361	44,604
Derivative financial instruments	12	96,410	244,171
Total current assets		32,290,123	31,565,949
Non-current assets			
Derivative financial instruments	12	-	106,360
Oil and gas properties	13	36,611,612	34,899,982
Property, plant and equipment	14	608,774	553,413
Exploration and evaluation assets	15	127,039,687	90,849,806
Right-of-use assets	16	999,606	752,993
Intangibles	17	100,689	94,015
Total non-current assets		165,360,368	127,256,569
Total assets		197,650,491	158,822,518
Liabilities			
Current liabilities			
Trade and other payables	18	18,469,820	11,568,698
Borrowings	19	7,822,908	8,027,261
Lease liabilities	20	399,195	439,926
Provisions	21	252,424	213,482
Total current liabilities		26,944,347	20,249,367
Non-current liabilities			
Lease liabilities	20	608,977	389,341
Provisions	21	36,489,377	28,863,656
Total non-current liabilities		37,098,354	29,252,997
Total liabilities		64,042,701	49,502,364
Net assets		133,607,790	109,320,154
Equity			
Contributed equity	22	255,945,973	220,905,029
Contributed equity - unissued	22	-	5,629,437
Reserves	23	10,399,487	9,520,152
Accumulated losses		(132,737,670)	(126,734,464)
Total equity		133,607,790	109,320,154

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

Empire Energy Group Limited
Consolidated statement of changes in equity
For the year ended 31 December 2022

Consolidated	Issued Capital $	Unissued Shares $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2021	139,060,493	-	6,862,086	(115,686,855)	30,235,724
Loss after income tax expense for the year	-	-	-	(11,047,609)	(11,047,609)
Other comprehensive income for the year, net of tax	-	-	124,582	-	124,582
Total comprehensive income/(loss) for the year	-	-	124,582	(11,047,609)	(10,923,027)
Transactions with owners in their capacity as owners:					
Issue of ordinary shares	83,702,870	5,629,437	-	-	89,332,307
Less: share issue transaction costs	(1,858,334)	-	-	-	(1,858,334)
Share-based payments (note 35)	-	-	2,533,484	-	2,533,484
Balance at 31 December 2021	220,905,029	5,629,437	9,520,152	(126,734,464)	109,320,154

Consolidated	Issued Capital $	Unissued Shares $	Reserves $	Accumulated losses $	Total equity $
Balance at 1 January 2022	220,905,029	5,629,437	9,520,152	(126,734,464)	109,320,154
Loss after income tax expense for the year	-	-	-	(6,003,206)	(6,003,206)
Other comprehensive loss for the year, net of tax	-	-	(121,182)	-	(121,182)
Total comprehensive loss for the year	-	-	(121,182)	(6,003,206)	(6,124,388)
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 22)	35,040,944	(5,629,437)	-	-	29,411,507
Share-based payments (note 35)	-	-	1,000,517	-	1,000,517
Balance at 31 December 2022	255,945,973	-	10,399,487	(132,737,670)	133,607,790

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Empire Energy Group Limited
Consolidated statement of cash flows
For the year ended 31 December 2022

	Note	Consolidated 2022 $	Consolidated 2021 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		10,693,582	8,140,099
Payments to suppliers and employees (inclusive of GST)		(19,998,504)	(15,183,614)
Government grants		15,323,024	5,363,923
Interest received		21,360	13,322
Interest and other finance costs paid		(700,644)	(580,885)
Income taxes paid		(238,528)	(212,739)
Net cash from/(used in) operating activities	36	5,100,290	(2,459,894)
Cash flows from investing activities			
Payments for property, plant and equipment	14	(229,274)	(249,779)
Payments for exploration and evaluation assets	15	(37,356,304)	(9,680,824)
Payments for oil and gas properties		-	(12,965,477)
Payments for acquisition of assets completion costs		-	(1,546,991)
Net cash used in investing activities		(37,585,578)	(24,443,071)
Cash flows from financing activities			
Net proceeds from issue of shares	22	29,411,507	39,358,821
Rrepayments of interest-bearing liabilities		(811,808)	(456,750)
Repayment of lease liabilities		(223,159)	(360,566)
Net cash from financing activities		28,376,540	38,541,505
Net (decrease)/increase in cash and cash equivalents		(4,108,748)	11,638,540
Cash and cash equivalents at the beginning of the financial year		25,649,699	14,145,866
Effects of exchange rate changes on cash and cash equivalents		339,360	(134,707)
Cash and cash equivalents at the end of the financial year		21,880,311	25,649,699

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover Empire Energy Group Limited as a Group consisting of Empire Energy Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Empire Energy Group Limited's functional and presentation currency.

Empire Energy Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5
6 - 10 O’Connell Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 March 2023. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group. Supplementary information about the parent entity is disclosed in note 33.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Empire Energy Group Limited ('Company' or 'parent entity') as at 31 December 2022 and the results of all subsidiaries for the year then ended. Empire Energy Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Note 2. Significant accounting policies (continued)

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation
Foreign currency transactions
Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into the Company's functional currency using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into the Company's functional currency using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Note 2. Significant accounting policies (continued)

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Natural gas revenue
Revenue from the sale of natural gas is recognised when natural gas has been delivered to a custody transfer point, contracts exist with customers, control of the assets passes to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. Natural gas is sold by the Empire Group under contracts with terms ranging from one month up to the life of the well.

Virtually all of the Empire Group contracts' pricing provisions are tied to a market index with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of natural gas and prevailing supply and demand conditions, so that the price of the natural gas fluctuates to remain competitive with other available natural gas suppliers.

The timing differences between the delivery of natural gas and the Empire Group's receipt of a delivery statement results in unbilled revenues. These revenues are accrued based upon volumetric data from the Empire Group's records and the Empire Group's estimates of the related transportation and compression fees, which are, in turn, based upon applicable product prices.

Oil revenue
Revenue from the sale of oil is recognised when control of the asset has been transferred to the buyer and can be measured reliably, which is usually at the time of lifting, transferred into a vessel, pipe or other delivery mechanism.

There are no elements of variable consideration in oil contracts with customers and prices are determined based on prevailing market sales price data.

Well operations
Well operations and pipeline income are recognised when persuasive evidence of an arrangement exists, services have been rendered, collection of revenues is reasonably assured and the sales price is fixed or determinable. The Empire Group is paid a monthly operating fee for each well it operates for outside owners.

The fee covers monthly operating and accounting costs, insurance and other recurring costs. The Empire Group might also receive additional compensation for special non-recurring activities, such as reworks and recompletions.

Finance income
Finance income comprises interest income on funds invested as well as fair value gains on oil and gas derivatives the Group is party to. Interest income is recognised as it accrues, using the effective interest method.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Government grants
Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Note 2. Significant accounting policies (continued)

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidation
Empire Energy Group and its wholly-owned Australian resident entities form a tax-consolidated Empire Group. As a consequence, all members of the tax-consolidated Empire Group have been taxed as a single entity since 1 July 2003. The head entity within the tax-consolidated Empire Group is Empire Energy Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Empire Group are recognised in the separate financial statements of the members of the tax-consolidated Empire Group using the ‘separate taxpayer within Empire Group’ approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Empire Group and are recognised by the Empire Group as amounts payable/(receivable) to/from other entities in the tax-consolidated Empire Group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Empire Group as an equity contribution or distribution.

The Empire Group recognises deferred tax assets arising from unused tax losses of the tax consolidated Empire Group to the extent that it is probable that future taxable profits of the tax consolidated Empire Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Note 2. Significant accounting policies (continued)

Nature of tax funding arrangements and tax sharing arrangements
The head entity, in conjunction with other members of the tax-consolidated Empire Group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Empire Group in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated Empire Group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 to 90 days.

An estimate of expected credit is loss is made based on historic data on collectability and consideration of the credit worthiness of customers. Bad debts are written-off when identified.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Inventories
Inventories consists of crude oil, stated at the lower of cost to produce or market and other production supplies intended to be used in natural gas and crude oil operations.

Note 2. Significant accounting policies (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Plant and building	40 years
Equipment	5 years
Motor vehicles	5 year

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 2. Significant accounting policies (continued)

Oil and gas properties
Oil and gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting for gas producing activities. Costs to acquire mineral interests in gas properties, drill and equip exploratory wells that find proved reserves, and drill and equip development wells and related asset retirement costs are capitalised. Depletion is based on cost less estimated salvage value using the unit-of-production method. The process of estimating and evaluating gas reserves is complex, requiring significant decisions in the evaluation of geological, geophysical, engineering and economic data. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Major maintenance and repairs
Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Empire Group, the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off.

Exploration assets
Mineral exploration and evaluation expenditure is written off as incurred or accumulated in respect of each identifiable area of interest and capitalised. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:

- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off during the period in which that assessment is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted cash basis, of restoration and depreciating over the useful life of the asset.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 2. Significant accounting policies (continued)

Intangible assets
Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Impairment of non-financial assets
Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 2. Significant accounting policies (continued)

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share-based payments
Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:
- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

Note 2. Significant accounting policies (continued)

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Empire Energy Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming conversion of all dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 2. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 31 December 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Reserves base
Estimates of recoverable quantities of proven, probable and possible reserves reported include judgmental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate may change from period to period.

Changes in reported reserves can impact asset carrying values and the recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of amortisation charged to the income statement. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production and other capital costs. The current gas price curves are used for price assumptions. The Empire Group uses suitably qualified persons to prepare annual evaluation of proven hydrocarbon reserves, compliant with US professional standards for petroleum engineers.

Carrying value of oil and gas assets
Oil and gas properties are depreciated using the units-of-production (UOP') method over proved developed and undeveloped reserves.

The calculation of the UOP rate of depreciation, depletion and amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves.

This would generally result from significant changes in any of the factors or assumptions used in estimating reserves. Estimates of gas reserve quantities provide the basis for calculation of depletion, depreciation and amortisation and impairment, each of which represents a significant component of the consolidated financial statements.

These factors could include changes in proved reserves, the effect on proved reserves of differences between actual commodity prices and commodity price assumptions, and unforeseen operational issues.

Impairment indicators
The fair value of oil and gas properties is determined with reference to estimates of recoverable quantities of reserves (as outlined above) to determine the estimated future cash flows. An impairment loss is recognised for the amount by which the asset or Empire Group of assets carrying value exceeds the present value of its future cash flows.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Recoverable amount
The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value-in-use, using an asset’s estimated future cash flows (as described below) discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

Impairment of oil and gas assets
For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices, costs and foreign exchange rates. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

The estimated future cash flows for the value-in-use calculation are based on estimates, the most significant of which are hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves.

Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. Future commodity prices are reviewed at least annually.

The discount rates applied to the future forecast cash flows are based on the Group's weighted average cost of capital, adjusted for risks where appropriate, including functional currency of the asset, and risk profile of the country in which the asset operates.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's oil and gas assets could change materially and result in impairment losses or the reversal of previous impairment losses.

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow.

Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent, of impairments or reversals of impairments under the different sets of assumptions in subsequent reporting periods.

Asset retirement obligations
Asset retirement costs will be incurred by the Empire Group at the end of the operating life of some of Empire Group's facilities and properties. The ultimate asset retirement costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites.

The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into three operating segments:
(1) US 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;
(2) Northern Territory - includes all exploration and drilling activity of the Group in the Northern Territory, conducted through Imperial Oil & Gas Pty Limited and Imperial Oil & Gas A Pty Limited; and
(3) Corporate - includes all centralised administration costs, minor other income and investments/loans in Empire Group USA, Imperial Oil & Gas Pty Limited and Imperial Oil & Gas A Pty Limited (eliminated on consolidation).

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Note 4. Operating segments (continued)

The revenue reported below represents revenue generated from external customers. Intersegment revenue relates to Corporate overhead charges only. Included in Other income above are gains disclosed separately of the face of the Statement of Profit and Loss and Other Comprehensive Income. Information reported to the CODM allows resources to be allocated and subsequent performance to be analysed. This is reviewed on a monthly basis.

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and share-based payments, finance income and finance expense, gains or losses on disposal of associates and discontinued operations. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Major customers
During the year ended 31 December 2022 approximately $11,115,090 (2021: $7,397,078) of the Group's external revenue was derived from sales to two (2021: two) major customers.

Operating segment information

Consolidated - 2022	US Operations $	Northern Territory $	Corporate $	Eliminations $	Total $
Revenue					
Sales to external customers	13,722,333	-	-	-	13,722,333
Intersegment sales	-	-	4,262,350	(4,262,350)	-
Total sales revenue	13,722,333	-	4,262,350	(4,262,350)	13,722,333
Other income	258,613	-	-	-	258,613
Interest income (external)	21,360	-	-	-	21,360
Intersegment interest income	-	-	7,175,887	(7,175,887)	-
Total revenue	14,002,306	-	11,438,237	(11,438,237)	14,002,306
Segment profit/(loss)	6,249,828	(11,132,729)	5,783,206	(3,024,677)	(2,124,372)
Depreciation and amortisation	(809,128)	(105,113)	(173,442)	-	(1,087,683)
Unrealised loss on forward commodity contracts	(272,099)	-	-	-	(272,099)
Finance costs (net)	(669,842)	-	(9,442)	-	(679,284)
Finance costs - non-cash	(1,601,240)	-	-	-	(1,601,240)
Intersegment interest expense	(2,381,970)	(4,790,771)	(3,146)	7,175,887	-
Profit/(loss) before income tax expense	515,549	(16,028,613)	5,597,176	4,151,210	(5,764,678)
Income tax expense					(238,528)
Loss after income tax expense					(6,003,206)
Assets					
Segment assets	47,261,555	134,551,461	245,562,697	(229,725,222)	197,650,491
Total assets					197,650,491
Liabilities					
Segment liabilities	(74,133,741)	(174,686,256)	(1,794,148)	186,571,444	(64,042,701)
Total liabilities					(64,042,701)

Note 4. Operating segments (continued)

Consolidated - 2021	Us Operations $	Northern Territory $	Corporate $	Eliminations $	Total $
Revenue					
Sales to external customers	8,502,389	-	-	-	8,502,389
Intersegment sales	-	-	5,391,040	(5,391,040)	-
Total sales revenue	8,502,389	-	5,391,040	(5,391,040)	8,502,389
Other income	1,592,345	-	-	-	1,592,345
Interest income (external)	13,250	-	72	-	13,322
Intersegment interest income	-	-	4,966,517	(4,966,517)	-
Total revenue	10,107,984	-	10,357,629	(10,357,557)	10,108,056
Segment profit/(loss)	995,808	(10,621,774)	8,104,507	(4,966,517)	(6,487,976)
Depreciation and amortisation	(1,286,527)	(131,625)	(273,992)	-	(1,692,144)
Unrealised loss on forward commodity contracts	(661,782)	-	-	-	(661,782)
Interest expense (external)	(557,152)	-	(10,411)	-	(567,563)
Intersegment interest expense	-	-	(4,966,517)	4,966,517	-
Finance costs - non-cash	(1,425,405)	-	-	-	(1,425,405)
Profit/(loss) before income tax expense	(2,935,058)	(10,753,399)	2,853,587	-	(10,834,870)
Income tax expense					(212,739)
Loss after income tax expense					(11,047,609)
Assets					
Segment assets	40,731,366	93,999,011	206,535,235	(182,443,094)	158,822,518
Total assets					158,822,518
Liabilities					
Segment liabilities	67,782,221	122,367,210	1,577,620	(142,224,687)	49,502,364
Total liabilities					49,502,364

Geographical information

All revenue generated from the sale of oil and gas to external customers is derived from operations in the USA.

All of the Group’s producing oil and gas assets are located in the USA.

The Group has exploration oil and gas tenements in the Northern Territory, Australia.

Note 5. Revenue

	Consolidated 2022 $	Consolidated 2021 $
Revenue from oil sales	365,325	221,734
Revenue from gas sales	12,806,031	7,667,418
Revenue from well operations	550,977	495,099
Oil and gas price risk management income	-	118,138
	13,722,333	8,502,389

The Group's total revenue are all generated in the USA and recognised at a point in time.

Note 6. Other income

	Consolidated 2022 $	2021 $
US Government stimulus packages	258,613	1,551,081
Other income	-	41,264
Other income	258,613	1,592,345

Note 7. Expenses

	Consolidated 2022 $	2021 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Depletion - oil and gas properties (note 13)	645,696	1,109,217
Depreciation - property, plant and equipment (note 14)	242,597	280,881
Depreciation - right-of-use assets (note 16)	199,390	302,046
Total depreciation	1,087,683	1,692,144
General and administration expenses		
Salaries and wages - Australia	2,282,504	2,080,682
Legal and advisory fees - litigation costs	-	222,105
Other advisory fees	592,928	370,846
Other overhead	3,808,632	3,333,296
Insurance	305,540	562,701
Share-based payments expense	1,000,517	1,103,467
	7,990,121	7,673,097
Finance costs		
Interest paid/payable on financial liabilities	679,284	567,563
Unwinding of the discount*	36,604	660,405
Accretion of asset retirement obligation (note 21)	1,564,636	765,000
Finance costs expensed	2,280,524	1,992,968
*Employee costs***		
Defined contribution superannuation expense	158,886	140,720
Salaries and wages	5,592,909	4,645,291
Total employee costs	5,751,795	4,786,011

* Due to debt restructuring in October 2018, the Group accumulated deferred financing costs of approximately US$521,000. Amortisation expense of the deferred financing costs is included with interest expense.

** 32 employees are based in the US and 8 employees are based in Australia. Employee costs for the US based employees are recognised in cost of sales and employee costs for Australia based employees are recognised in general and administration expense.

Note 8. Income tax

	Consolidated 2022 $	2021 $
Income tax expense		
Current tax	-	-
Deferred tax - origination and reversal of temporary differences	238,528	212,739
Aggregate income tax expense	238,528	212,739
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(5,764,678)	(10,834,870)
Tax at the statutory tax rate of 25% (2021: 26%)	(1,441,170)	(2,817,066)
Difference in overseas tax rates	100,210	145,549
Changes in Australian tax rate	96,941	-
Withholding tax paid	238,528	212,739
Deferred tax asset in relation to tax losses and temporary differences not recognised	1,244,019	2,671,517
Income tax expense	238,528	212,739

	Consolidated 2022 $	2021 $
Deferred tax assets not recognised		
Deferred tax assets not recognised comprises temporary differences attributable to:		
Tax losses	18,689,936	13,940,952
Capital losses	201,841	201,841
Other	7,739,633	4,966,105
Total deferred tax assets not recognised	26,631,410	19,108,898

The above potential tax benefit, which excludes tax losses, for deductible temporary differences has not been recognised in the statement of financial position as the recovery of this benefit is uncertain.

The potential benefit of the deferred tax asset attributable to tax losses will only be obtained if:
(i) the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised; or
(ii) the Group continues to comply with the conditions for deductibility imposed by the law; and
(iii) no changes in tax legislation adversely affect the Group in realising the asset.

Note 8. Income tax (continued)

	Consolidated 2022 $	Consolidated 2021 $
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Accrued asset retirement obligation	2,944,649	2,140,298
Oil and gas properties and property, plant & equipment	4,130,777	2,180,824
Other	664,207	644,983
Set-off of deferred tax assets pursuant to set-off provisions	(7,739,633)	(4,966,105)
Deferred tax asset	-	-

	Consolidated 2022 $	Consolidated 2021 $
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Forward commodity contracts	23,616	88,204
Oil and gas properties and property, plant & equipment	4,132,842	3,729,327
Other	118,081	108,875
Set-off of deferred tax liabilities pursuant to set-off provisions	(4,274,539)	(3,926,406)
Deferred tax liability	-	-

Note 9. Earnings per share

	Consolidated 2022 $	Consolidated 2021 $
Loss after income tax attributable to the owners of Empire Energy Group Limited	(6,003,206)	(11,047,609)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	700,901,005	459,010,151
Weighted average number of ordinary shares used in calculating diluted earnings per share	700,901,005	459,010,151
	Cents	**Cents**
Basic earnings per share	(0.86)	(2.41)
Diluted earnings per share	(0.86)	(2.41)

78,924,528 options (2021: 14,196,970), 9,765,402 Performance Rights (2021: 7,442,896), 2,438,558 Service Rights (2021: 2,438,558) and 3,702,954 Restricted Rights (2021: 3,232,460) have been excluded from the above calculation as their inclusion would be anti-dilutive.

Note 10. Trade and other receivables

	Consolidated 2022 $	Consolidated 2021 $
Current assets		
Trade receivables	2,970,945	3,077,852
Other receivables*	4,287,035	871,404
GST receivable	2,425,039	1,410,595
	9,683,019	5,359,851

*includes $3,627,587 of Northern Territory Environment bond held with the Northern Territory Government.

Allowance for expected credit losses
The Group has recognised a loss of $69,095 (USD$48,000) (2021: $7,629 (USD$5,300)) in profit or loss in respect of the expected credit losses for the year ended 31 December 2022.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2022 %	Expected credit loss rate 2021 %	Carrying amount 2022 $	Carrying amount 2021 $	Allowance for expected credit losses 2022 $	Allowance for expected credit losses 2021 $
Current	-	-	2,286,963	2,827,432	-	-
31 to 60 days overdue	-	-	-	15,296	-	-
61 to 90 days overdue	-	-	1,234	5,831	-	-
Over 90 days overdue	10.40%	8.60%	682,748	229,293	69,095	7,629
			2,970,945	3,077,852	69,095	7,629

Note 11. Inventories

	Consolidated 2022 $	Consolidated 2021 $
Current assets		
Parts and supplies	22,499	21,008
Oil	43,862	23,596
	66,361	44,604

Note 12. Derivative financial instruments

	Consolidated 2022 $	Consolidated 2021 $
Current assets		
Oil and gas price forward contracts	96,410	244,171
Non-current assets		
Oil and gas price forward contracts	-	106,360
	96,410	350,531

Refer to note 26 for further information on fair value measurement.

Empire's gas hedging book as set out in the table below is weighted towards put options to provide for upside gas price exposure while ensuring downside price protection and a level of cash flow stability:

Period	Volume mmbtu/month	Hedge Type	Strike Price US$/mmbtu	Premium US$/mmbtu
January 23 to February 2023	25,000	Swap	$7.50	N/A
January 23 to March 2023	50,000	Swap	$5.35	N/A
January 23 to December 2023	25,000	Put Options	$2.50	$0.27
January 23 to December 2023	25,000	Put Options	$2.50	$0.41
	125,000			

Note 13. Oil and gas properties

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Oil and gas - Producing	93,510,669	85,003,445
Less: Accumulated depreciation	(60,112,537)	(53,103,922)
	33,398,132	31,899,523
Oil and gas - Non Producing	3,213,480	3,000,459
	36,611,612	34,899,982

Note 13. Oil and gas properties (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Oil and gas - Producing $	Oil and gas - Non Producing $	Total $
Balance at 1 January 2021	26,319,487	2,946,805	29,266,292
Change in estimate at balance date	5,412,007	-	5,412,007
Plugged sale of wells	4,687	-	4,687
Exchange differences	1,272,559	53,654	1,326,213
Depletion	(1,109,217)	-	(1,109,217)
Balance at 31 December 2021	31,899,523	3,000,459	34,899,982
Additions	19,199	-	19,199
Exchange differences	2,125,106	213,021	2,338,127
Depletion	(645,696)	-	(645,696)
Balance at 31 December 2022	33,398,132	3,213,480	36,611,612

At 31 December 2022, the Group assessed the carrying amounts of its non-current assets for indicators of impairment in accordance with the Group's accounting policy.

Estimates of recoverable amounts for producing assets are based on an asset's value in use or fair value less costs to sell, using a discounted cash flow method, and are most sensitive to the key assumptions described in note 3.

The pre-tax discount rate that has been applied in assessing oil and gas assets is 12% (2021: 12%).

Note 14. Property, plant and equipment

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Land - at cost	7,380	6,891
Buildings - at cost	333,039	310,963
Less: Accumulated depreciation	(121,373)	(103,200)
	211,666	207,763
Equipment - at cost	2,297,091	2,180,340
Less: Accumulated depreciation	(2,065,512)	(1,951,063)
	231,579	229,277
Motor vehicles - at cost	918,695	780,907
Less: Accumulated depreciation	(760,546)	(671,425)
	158,149	109,482
	608,774	553,413

Note 14. Property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land $	Buildings $	Equipment $	Motor vehicles $	Total $
Balance at 1 January 2021	6,492	195,791	229,601	134,913	566,797
Additions	-	10,715	226,279	12,785	249,779
Exchange differences	399	11,657	3,099	2,563	17,718
Depreciation expense	-	(10,400)	(229,702)	(40,779)	(280,881)
Balance at 31 December 2021	6,891	207,763	229,277	109,482	553,413
Additions	-	-	136,955	92,319	229,274
Depreciation expense	-	(10,578)	(185,550)	(46,469)	(242,597)
Exchange differences	489	14,481	50,897	2,817	68,684
Balance at 31 December 2022	7,380	211,666	231,579	158,149	608,774

Note 15. Exploration and evaluation assets

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Capitalised exploration and evaluation assets	127,039,687	90,849,806

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Capitalised exploration and evaluation assets $
Balance at 1 January 2021	17,175,321
Additions	20,640,009
Pangaea acquisition	58,398,399
Government grants	(5,363,923)
Balance at 31 December 2021	90,849,806
Additions	51,512,905
Government grants	(15,323,024)
Balance at 31 December 2022	127,039,687

Note 16. Right-of-use assets

	Consolidated 2022 $	Consolidated 2021 $
Non-current assets		
Plant and equipment - right-of-use	948,345	1,003,350
Less: Accumulated depreciation	(48,538)	(425,799)
	899,807	577,551
Motor vehicles - right-of-use	748,117	618,583
Less: Accumulated depreciation	(648,318)	(443,141)
	99,799	175,442
	999,606	752,993

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Right-of-use assets $
Balance at 1 January 2021	1,149,087
Exchange difference	(93,687)
Depreciation expense	(302,407)
Balance at 31 December 2021	752,993
Additions	1,015,903
Disposals	(569,900)
Depreciation expense	(199,390)
Balance at 31 December 2022	999,606

The Company currently leases its Australian corporate headquarters in Sydney under a 4-year operating lease recognised as a right-of-use asset and lease liability, with monthly payments approximately $18,575. The rental agreement has a 3.75% fixed rent review on the anniversary of the commencement date of the lease being 3 November 2022.

The Company previously leased its Australian corporate headquarters in Sydney under a 4-year operating sublease with monthly payments approximately $20,124. The rental agreement date of the sublease commenced on 29th January 2020 and was terminated on 15 July 2022. The landlord terminated the lease and as sub-tenants the Company had to relocate.

The Group leased its former US corporate headquarters in Pittsburgh under a non-cancellable lease, with monthly payments ranging from US$3,665 to US$3,966 through November 2021. The US corporate headquarters moved in 2019 to Mayville, New York State, into a building owned by the Group. The Group was still obligated to make payments on the office for months throughout 2021, before the lease was terminated early in November 2021. Net rental expense approximated US$48,000 and US$83,000, for the years ended 31 December 2022 and 2021, respectively.

The Group leases trucks under an operating agreement recognised as a right-of-use asset and lease liability. The term of the agreement begins upon delivery of each truck and lasts for a period of up to 48 months. The Empire Group has the option to acquire the leased assets at the agreed value on the expiry of the leases.

The Group leases a photocopier under a 4-year operating agreement which commenced in November 2021. Monthly lease payments are $399.

Note 16. Right-of-use assets (continued)

For AASB 16 Lease disclosures refer to:
- note 7 for depreciation on right-of-use assets;
- note 20 for lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

Note 17. Intangibles

	Consolidated	
	2022 $	2021 $
Non-current assets		
Goodwill - at cost	100,689	94,015

Movements in goodwill relate to foreign currency fluctuations.

Note 18. Trade and other payables

	Consolidated	
	2022 $	2021 $
Current liabilities		
Trade payables*	15,019,070	8,374,461
Accruals	1,801,855	1,806,704
Other payables	1,648,895	1,387,533
	18,469,820	11,568,698

Refer to note 25 for further information on financial instruments.

* Trade payables increased as at 31 December 2022 compared to the previous balance date as a result of budgeted costs incurred for the significant activities carried out in the Northern Territory in late 2022. At date of signing the annual report, ~30% remains as trade payables.

Note 19. Borrowings

	Consolidated	
	2022 $	2021 $
Current liabilities		
Bank loan - secured	7,822,908	8,027,261

Classification of borrowings

These financial statements 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'. This accounting standard requires the Group to classify liabilities as current if the Group does not have an unconditional right to defer payment for at least 12 months after the reporting date. However, the expected repayment of the borrowings is not for complete repayment within the 12 month period.

The Group maintains a facility consisting of the following, as restated in October 2018 and amended in September 2019, which matures in September 2024 with a bank that is a minority owner in the Group. Interest accrued on the outstanding borrowings at the 30-Day London Inter-Bank Offered Rate ('LIBOR') (4.33% at 31 December 2022) plus 6.5%. At 31 December 2022, the Group's rate option was the 30-day LIBOR.

Note 19. Borrowings (continued)

Outstanding borrowings under the agreement are secured by the assets of the group Under the terms of the facilities, the Group is required to maintain financial ratios customary for the oil and gas industry. The Group is required to repay the facilities monthly to the extent certain benchmarks of an applicable percentage of net operating cash flow and capital transactions are met and occur. Principal payments made during the financial year ended 31 December 2022 and 31 December 2021 were approximately US$550,000 and US$687,500, respectively. The Group was compliant with all financial covenants as of 31 December 2022.

Credit facility summary

Empire Energy USA, LLC maintains a long-term credit facility with Macquarie Bank Limited ('Macquarie'), which matures in September 2024.

The credit facility balance on 31 December 2022 was US$5,300,000 (A$7,822,908) (31 December 2021: US$5,850,010 (A$8,027,261)).

US Operations

The loan has been classified as a current liability as there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The directors do not expect the loan to be repaid in full in the year.

The Group has a credit facility with Macquarie Bank Limited. The facility has the following key terms:

Principal amount	US$7.5 million (availability and outstanding loan balance US$5.30 million)
Term	5 years
Interest rate	LIBOR + 650 bps
Repayment terms	100% of Appalachia net operating cashflow subject to minimum amortisation of US$550,000 per annum
Hedging	Empire shall maintain a rolling hedging program whereby 55% of forecast Proved Developed Producing Reserves production shall be hedged for 3 years
Key covenants	Proved Developed Producing Reserves PV10 / Net Debt > 1.3x Current Ratio > 1.0x Working capital > 0

Note 19. Borrowings (continued)

Debt summary

	2022 $	2021 $
Facility	5,300,020	5,850,010
Less deferred financing costs, net	-	(25,429)
Total debt in USD	5,300,020	5,824,581
Total debt in AUD	7,822,908	8,027,261

Australian Operations

The Group established an additional credit facility with Macquarie Bank Limited during the year. The outstanding balance as at 31 December 2022 was $nil. Key terms of this credit facility are set out below:

Principal amount	$15 million comprising: - Facility A (Revolving Credit Facility, $10 million) - Facility B (Performance Bond Facility, $5 million)
Borrowers	Imperial Oil & Gas Pty Limited Imperial Oil & Gas A Pty Limited
Guarantor	Empire Energy Group Limited and Borrowers
Security	First ranking security over all present and after-acquired property of each Borrower First ranking security
Fees	Utilisation Fee: 1.5% of utilisation Commitment Fee: 40% of margin Margin: Facility A (5.5% p.a.), Facility B (10% p.a.)
Interest rate	Margin plus BBSW
Financial covenants	Ratio of current assets to current liabilities of at least 1.00 to 1.00 Minimum cash balance in the Borrowers and Guarantor of at least $5 million (or its equivalent in any other currency or currencies)
Repayment date	31 December 2025
Repayment arrangements	Facility A: on receipt of relevant R&D Tax Incentive payment Facility B: on release of environmental bonds after rehabilitation

Note 20. Lease liabilities

	Consolidated 2022 $	Consolidated 2021 $
Current liabilities		
Lease liability	399,195	439,926
Non-current liabilities		
Lease liability	608,977	389,341
	1,008,172	829,267

Refer to note 25 for further information on financial instruments.

Note 21. Provisions

	Consolidated 2022 $	Consolidated 2021 $
Current liabilities		
Employee benefits	252,424	213,482
Non-current liabilities		
Lease make good	43,940	-
Provision for rehabilitation (Northern Territory)	4,397,865	701,875
Asset retirement obligations (USA)	32,047,572	28,161,781
	36,489,377	28,863,656
	36,741,801	29,077,138

Movements in provisions
Movements in provision for rehabilitation and asset retirement obligations during the current financial year, are set out below:

Consolidated	Lease make good $	Provision for rehabilitation/ Asset retirement obligations $	Total $
Carrying amount at the start of the year	-	28,863,656	28,863,656
Additional provisions recognised	43,940	-	43,940
Accretion expense for the period, included in finance costs	-	1,564,636	1,564,636
Provision for rehabilitation	-	3,695,990	3,695,990
Foreign currency translation movements	-	2,321,155	2,321,155
Carrying amount at the end of the year	43,940	36,445,437	36,489,377

Asset retirement obligation
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.

Note 21. Provisions (continued)

The provision represents the present value of decommissioning costs which are expected to be incurred up to 2048. 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 the future oil and gas prices, which are inherently uncertain.

Note 22. Contributed equity

	Consolidated			
	2022 Shares	2021 Shares	2022 $	2021 $
Ordinary shares - fully paid	773,121,148	612,074,341	255,945,973	220,905,029

	2022 Shares	2021 Shares	2022 $	2021 $
Unissued ordinary shares	-	20,105,132	-	5,629,437

Note 22. Contributed equity (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2021	323,941,984		139,060,492
Issue of shares as a private placement to raise funds	16 April 2021	39,318,829	$0.300	11,795,649
Issue of shares as a private placement to raise funds	18 May 2021	10,000,000	$0.300	3,000,000
Issue of shares as a private placement to raise funds	18 May 2021	10,000,186	$0.300	3,000,056
Issue of shares as a private placement to raise funds	1 June 2021	60,681,171	$0.300	18,204,351
Issue of shares as a private placement to raise funds	1 June 2021	3,940,333	$0.300	1,182,100
Issue of shares in lieu of cash payment for fees and services rendered	16 August 2021	2,000,000	$0.300	600,000
Issue of shares for asset acquisition	16 August 2021	149,591,838	$0.280	41,885,715
Issue of shares on the exercise of options	8 November 2021	600,000	$0.300	180,000
Issue of shares on the exercise of options*	23 December 2021	-	$0.300	15,000
Issue of shares on the exercise of options	30 December 2021	12,000,000	$0.320	3,840,000
Share issue transaction costs, net of tax		-		(1,858,334)
Balance	31 December 2021	612,074,341		220,905,029
Issue of shares on exercise of options	18 February 2022	1,200,000	$0.300	360,000
Issue of shares on conversion of restricted rights	12 April 2022	679,345	$0.000	-
Issue of shares on raising capital	10 June 2022	125,000,000	$0.220	27,500,000
Issue of unissued shares as script for asset acquisition	10 June 2022	20,105,132	$0.280	5,629,437
Issue of shares	19 July 2022	11,363,702	$0.220	2,500,000
Issue of shares	9 September 2022	2,363,638	$0.220	520,000
Issue of shares on conversion of restricted rights	28 September 2022	334,990	$0.000	-
Share issue transaction costs, net of tax		-	$0.000	(1,468,493)
Balance	31 December 2022	773,121,148		255,945,973

* Funds received in December 2021, issued in January 2022.

Movements in unissued ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 January 2021	-		-
Unissued shares for asset acquisition	10 June 2021	20,105,132	$0.280	5,629,437
Balance	31 December 2021	20,105,132		5,629,437
Issue of unissued shares as scrip for asset acquisition	10 June 2022	(20,105,132)	$0.000	(5,629,437)
Balance	31 December 2022	-		-

Note 22. Contributed equity (continued)

Ordinary shares
Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The Group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 2021 Annual Report.

The Company considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the Company’s primary objective is to maintain a sufficient funding base to enable the Company to meet its working capital and strategic operation needs.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt the Company considers not only its short-term position but also its long-term operational and strategic objectives.

Note 23. Reserves

	Consolidated	
	2022	2021
	$	$
Foreign currency translation reserve	(635,277)	(514,095)
Options reserve	10,854,265	9,853,748
Fair value reserve	180,499	180,499
	10,399,487	9,520,152

Note 23. Reserves (continued)

Foreign currency translation reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Options reserve
The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Fair value reserve
The fair value reserve comprises the cumulative net change in the fair value of equity investments until the investment is derecognised.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency translation $	Options $	Fair value $	Total $
Balance at 1 January 2021	(638,677)	7,320,264	180,499	6,862,086
Foreign currency translation	124,582	-	-	124,582
Share-based payments	-	2,533,484	-	2,533,484
Balance at 31 December 2021	(514,095)	9,853,748	180,499	9,520,152
Foreign currency translation	(121,182)	-	-	(121,182)
Share-based payments	-	1,000,517	-	1,000,517
Balance at 31 December 2022	(635,277)	10,854,265	180,499	10,399,487

Note 24. Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits
There are no franking account credits available as at 31 December 2022 and 31 December 2021.

Note 25. Financial instruments

Financial risk management objectives
The Empire Group's principal financial instruments, other than derivatives comprise bank loans, financial assets, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Empire Group's operations. The Empire Group has various other financial assets and liabilities such as trade receivables and payables, which arise from its operations. The Empire Group also enters derivative transactions, principally commodity hedges.

The Board has overall responsibility for the determination of the Empire Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Empire Group's finance function.

The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Empire Group's competitiveness and flexibility.

Note 25. Financial instruments (continued)

The Empire Group is exposed to risks that arise from its use of financial instruments. The main risks arising from the Empire Group's financial instruments are interest rate risk, commodity price risk, liquidity risk, equity risk and credit risk. This note describes the Empire Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Empire Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Further details regarding these policies are set out below:

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The Empire Group's core operations are located in Australia where the main expenditures are recorded. The Statement of Financial Position can be affected by movement in the A$/US$ exchange rates upon translation of the US operations into the A$ presentation currency.

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Empire Group seeks to mitigate the effect of its foreign currency exposure by borrowing in US$ for US operations and maintaining a minimum cash balance in Australia. Excluding presentation translation adjustments, the Empire Group's exposure to foreign exchange risk at the reporting date is limited to loans and investments between the Parent entity and the US subsidiaries.

Equity price risk
The Empire Group relies on equity markets to raise capital for its exploration and development activities and is thus exposed to equity market volatility.

Equity price risk arises from investments in equity securities and Empire Group Limited's issued capital.

The Group's equity risk is considered minimal and as such no sensitivity analysis has been completed.

Commodity price risk
The Empire Group's revenues and cash flows are exposed to commodity price fluctuations, in particular oil and gas prices. The Empire Group enters into option and forward commodity hedges to manage its exposure to falling spot oil and gas prices.

To mitigate a portion of the exposure to adverse market changes, the Empire Group's commodity hedging programs utilise financial instruments based on regional benchmarks including NYMEX Henry Hub Natural Gas.

The Empire Group enters into derivative instruments for the Empire Group's production to protect against price declines in future periods while retaining some of the benefits of price increases. While these derivatives are structured to reduce exposure to changes in price associated with the derivative commodity, they also limit benefits the Empire Group might otherwise have received from price changes in the physical market. The Empire Group believes the derivative instruments in place continue to be effective in achieving the risk management objectives for which they were intended.

Interest rate risk
The Group's main interest rate risk arises from long-term borrowings.

Note 25. Financial instruments (continued)

The Empire Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. The Empire Group's exposure to interest rate risk at 31 December 2022 is set out in 'liquidity and interest rate risk management' below.

The Empire Group's exposure to the risk of changes in market interest rates relates primarily to the Empire Group's long-term debt obligations with a floating interest rate in the US.

The Empire Group's policy is to continually review the portion of its borrowings that are either at floating or fixed rates of interest. To manage this mix in a cost-efficient manner, the Empire Group previously entered into interest rate swaps, in which Empire agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed upon notional principal amount. These swaps were designated to hedge underlying debt obligations. There are no interest rate swaps at 31 December 2022.

The Empire Group monitors forecasts and actual cash flows and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

Credit risk
Credit risk is the risk that the other party to the financial instrument will fail to discharge their financial obligation in respect of that instrument resulting in the Empire Group incurring a financial loss. The Empire Group's exposure to credit risk arises from potential default of the counter party with the maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Empire Group.

The Empire Group trades only with recognised, credit worthy third parties. In the US, trade receivables, (balances with oil and gas purchases) have not exposed the Empire Group to any bad debt to date. All derivatives are with the same counterparty.

In the US, all of the purchasers that the Empire Group's operators choose to deal with are oil or gas companies and local utilities.

Trade and other receivable balances are monitored on an ongoing basis with the Empire Group's exposure to bad debts minimal.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated	
	2022 $	2021 $
Trade and other receivables and derivative financial instruments	9,779,429	5,710,382

The maximum exposure to credit risk at balance by country is as follows:

	Consolidated	
	2022 $	2021 $
Australia	6,114,110	1,483,512
United States of America	3,665,319	4,226,870
	9,779,429	5,710,382

Note 25. Financial instruments (continued)

Liquidity risk
Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Empire Group being unable to meet its obligations in an orderly manner as they arise. Empire seeks to maintain sufficient available liquidity (cash and available debt facilitates) at all times.

The Empire Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. The Empire Group is primarily funded through on-going cash flow, debt funding and equity capital raisings, as and when required.

Funding is in place with reputable financial institutions in the US and Australia. Bank compliance reporting is undertaken quarterly and adherence to covenants checked regularly. Management also regularly monitors actual and forecast cash flows to manage liquidity risk.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	18,469,820	-	-	-	18,469,820
Interest-bearing - variable						
Bank loan	8.37%	7,822,908	-	-	-	7,822,908
Interest-bearing - fixed rate						
Lease liability	3.87%	276,177	-	11,830,554	3,258	12,109,989
Total non-derivatives		26,568,905	-	11,830,554	3,258	38,402,717
Derivatives						
Oil and gas price forward contracts	-	(96,410)	-	-	-	(96,410)
Total derivatives		(96,410)	-	-	-	(96,410)

Note 25. Financial instruments (continued)

Consolidated - 2021	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade and other payables	-	11,568,698	-	-	-	11,568,698
Interest-bearing - variable						
Bank loan	6.59%	8,027,261	-	-	-	8,027,261
Lease liability	-	-	-	-	-	-
Total non-derivatives		19,595,959	-	-	-	19,595,959
Derivatives						
Oil and gas price forward contracts	-	(244,171)	(106,360)	-	-	(350,531)
Total derivatives		(244,171)	(106,360)	-	-	(350,531)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 26. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2022	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Derivative financial instruments	-	96,410	-	96,410
Total assets	-	96,410	-	96,410

Consolidated - 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Assets				
Derivative financial instruments	-	350,531	-	350,531
Total assets	-	350,531	-	350,531

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Note 26. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 27. Key management personnel disclosures

Directors
The following persons were Directors of the Company at any time during the financial year were:

Paul Espie AO
Alexander Underwood
Peter Cleary
Paul Fudge
Jacqui Clarke
Louis Rozman
Prof John Warburton

The following persons were Key Management Personnel of the Company at any time during the financial year were:
Robin Polson

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2022 $	2021 $
Short-term employee benefits	959,234	734,196
Post-employment benefits	57,035	44,955
Long-term benefits	-	104,386
Share-based payments	237,984	500,339
	1,254,253	1,383,876

Other transactions with key management personnel and their related parties

	Consolidated	
	2022 $	2021 $
Payment for marketing services from Menzies Research Centre Limited (director-related entity of Chairman, Paul Espie)	15,000	5,000
Prof Warburton received Service Rights in connection with the consultancy contract between Prof Warburton and the Company*	-	207,000
	15,000	212,000

* Prof Warburton provided technical advisory services to the Company with payment in Service Rights in lieu of cash under the terms of the Company's Rights Plan approved at the Shareholders Meeting on 27 May 2021.

Note 28. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Nexia Sydney Audit Pty Ltd, the auditor of the Company, its network firms and unrelated firms:

	Consolidated	
	2022	2021
	$	$
Audit services - Nexia Sydney Audit Pty Ltd		
Audit and review of the financial statements	150,724	128,225
Other services - Nexia Sydney Audit Pty Ltd		
Taxation and other advisory services	54,750	28,980
	205,474	157,205
Audit services - other auditors (US operations)		
Audit or review of the financial statements	138,891	65,423
Other services - other auditors		
Taxation services	37,652	22,623
	176,543	88,046
Other services - Deloitte Pty Ltd		
Advisory services	211,308	-

Note 29. Contingent assets

There are no contingent assets as at the date of this annual report (31 December 2021: nil).

Note 30. Contingent liabilities

Empire Group Limited has executed a Deed of Guarantee and indemnity in favour of Macquarie Bank Limited guaranteeing the obligations of each of Empire Energy USA LLC and its subsidiary Empire Energy E&P LLC pursuant to the Macquarie Bank Limited credit facility.

The Empire Group is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Empire Group has established procedures for the ongoing evaluation of its operations, to identify potential environmental exposures and to comply with regulatory policies and procedures.

Environmental expenditures that relate to current operations are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessment and or clean-up is probable, and the costs can be reasonably estimated. The Empire Group maintains insurance that may cover in whole or in part certain environmental expenditures. At 31 December 2022, the Empire Group had $4,397,865 (31 December 2021: $701,875) environmental contingencies requiring specific disclosure.

There have been no other changes in contingent liabilities since the last annual reporting date.

Note 31. Commitments

Exploration and petroleum tenement leases
In order to maintain current rights of tenure to exploration and mining tenements, the Company and the companies in the Group are required to outlay lease rentals and to meet the minimum expenditure requirements of the various Government Authorities. These obligations are subject to re-negotiation upon expiry of the relevant leases or when application for a mining licence is made. No expenditure commitment exists at 31 December 2022 (31 December 2021:nil).

Note 32. Related party transactions

Empire Energy Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 34.

Key management personnel
Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year, other than those identified with key management personnel in note 27.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
During the year the Company advanced and received loans and provided accounting and administrative services to other companies in the Empire Group. These balances, along with associated charges, are eliminated on consolidation.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 33. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2022 $	2021 $
Profit/(loss) after income tax	5,358,979	(2,640,849)
Total comprehensive income/(loss)	5,358,979	(2,640,849)

Note 33. Parent entity information (continued)

Statement of financial position

	Parent	
	2022	2021
	$	$
Total current assets	14,892,734	23,975,135
Total assets	245,562,697	206,535,235
Total current liabilities	1,094,092	1,208,362
Total liabilities	1,794,148	1,577,620
Equity		
Contributed equity	255,945,973	220,905,029
Contributed equity - unissued	-	5,629,437
Foreign currency translation reserve	5,656,982	2,617,052
Options reserve	7,849,686	6,849,169
Other reserves	337,482	337,482
Fair value reserve	607,280	607,280
Accumulated losses	(26,628,854)	(31,987,834)
Total equity	243,768,549	204,957,615

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 31 December 2022 and 31 December 2021.

Contingent liabilities
The parent entity had no contingent liabilities as at 31 December 2022 and 31 December 2021.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 31 December 2022 and 31 December 2021.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 34. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2022 %	2021 %
Imperial Oil & Gas Pty Limited	Australia	100%	100%
Imperial Oil & Gas A Pty Limited	Australia	100%	100%
Empire Energy Holdings, LLC	USA	100%	100%
Empire Energy USA, LLC	USA	100%	100%
Empire Energy (MidCon), LLC	USA	100%	100%
Empire Energy E&P, LLC	USA	100%	100%

Note 35. Share-based payments

Share-based payments are issued to:
- enable the Company to provide variable remuneration including both an at-risk component and an incentive component, that is performance focussed and linked to long-term value creation for shareholders,
- enable the Company to compete effectively for the calibre of talent required for it to be successful,
- ensure that Participants have commonly shared goals, and
- assist Participants to become Shareholders.

Options

Set out below are summaries of options granted under the plan:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
18/06/2018	30/12/2022	$0.300	1,700,000	-	-	(1,700,000)	-
30/12/2019	30/12/2022	$0.600	2,800,000	-	-	(2,800,000)	-
13/08/2021	31/08/2024	$0.700	8,000,000	-	-	-	8,000,000
13/08/2021	31/08/2024	$0.700	1,696,970	-	-	-	1,696,970
09/09/2022	09/09/2024	$0.350	-	69,227,558	-	-	69,227,558
			14,196,970	69,227,558	-	(4,500,000)	78,924,528
Weighted average exercise price			$0.630	$0.350	$0.000	$0.000	$0.390

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
10/07/2017	31/12/2021	$0.300	1,300,000	-	(1,200,000)	(100,000)	-
18/06/2018	30/12/2022	$0.300	1,700,000	-	-	-	1,700,000
26/10/2018	30/12/2021	$0.300	600,000	-	(600,000)	-	-
26/10/2018	31/12/2021	$0.320	12,000,000	-	(12,000,000)	-	-
30/12/2019	30/12/2022	$0.600	2,800,000	-	-	-	2,800,000
13/08/2021	31/08/2024	$0.700	-	8,000,000	-	-	8,000,000
13/08/2021	31/08/2024	$0.700	-	1,696,970	-	-	1,696,970
			18,400,000	9,696,970	(13,800,000)	(100,000)	14,196,970
Weighted average exercise price			$0.360	$0.700	$0.320	$0.300	$0.630

Note 35. Share-based payments (continued)

All Options are exercisable at the end of the financial year noting trading terms for options held by Company employees and directors are subject to the Company's Share Trading Policy.

The weighted average remaining contractual life of options granted during the financial year and outstanding at the end of the financial year was 1.8 years (2021: 2.7 years).

The weighted average share price during the financial year was $0.263 (2021: $0.337).

Performance Rights

During the 2013 financial year the Company issued 2,500,000 Performance Rights (pre-consolidation) over fully paid ordinary shares in the Company as part consideration for the buyback of the minority interest equity holder in Empire Energy USA LLC. The minority interest holder also received 400,000 (on a post-consolidation bias) fully paid ordinary shares in the issued capital of Empire Energy Group Limited. The Performance Rights are exercisable at no cost under the following events:

- Lifting of the current moratorium on oil and/or natural gas fracking in New York State;

- If the Company sells, transfers or assigns all or substantially all of its property interests in Chautauqua and Cattaraugus Counties in the State of New York to an unaffiliated third party then the Performance Rights will vest in accordance with the following schedule:

Fair market value of consideration received by the Company	Performance Rights exercisable
Less than $25.0 million	0.0%
At least $25.0 million but less than $45.0 million	Percentage calculated by dividing fair market value of consideration received by the Company by $45.0 million
$45.0 million or more	100.0%

- If the holder of the Performance Rights in any way disposes of more than 75% of the 4 million ordinary shares assigned as part of the minority interest buy back transaction prior to either the moratorium being terminated or a third party sale being consummated then the Performance Rights will be cancelled.

- The holder of the Performance Rights is an associated entity of a former senior executive of the Company's US subsidiaries, Mr Allen Boyer.

- At the Company's Annual General Meeting conducted on 30 May 2019, Shareholders approved the consolidation of the Company's equity on a 1 for 10 basis. The effect of the Share Consolidation during the period reduced the 2,500,000 Performance Rights to 250,000 Performance Rights.

2020 issue
During the 2020 financial year, the Company issued 3,913,960 Performance Rights to the Managing Director and senior executives under the terms of the Company's Rights Plan and was approved by Shareholders on 14 July 2020.

2021 issue
During the 2021 financial year, the Company issued 1,015,625 Performance Rights to the Managing Director and senior executives under the terms of the Company's Rights Plan and was approved by Shareholders on 3 August 2021.

2022 issue
During the 2022 financial year, the Company issued 2,445,183 Performance Rights to the Managing Director and employees under the terms of the Company's Rights Plan and was approved by Shareholders on 30 May 2022.

Note 35. Share-based payments (continued)

During the 2022 financial year, 962,811 Performance Rights issued to senior executives in 2019 passed their three year measurement period for vesting calculation. 840,134 of these 2019 Performance Rights vested, while the remaining 122,677 Performance Rights were cancelled..

Set out below are summaries of Performance Rights (unvested) granted under the plan:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/09/2013	01/01/2015	$0.000	250,000	-	-	-	250,000
30/12/2019	31/12/2034	$0.000	962,811	-	-	(962,811)	-
07/08/2020	31/12/2035	$0.000	3,913,960	-	-	-	3,913,960
03/08/2021	31/12/2036	$0.000	1,015,625	-	-	-	1,015,625
21/12/2021	31/12/2036	$0.000	-	993,774	-	-	993,774
17/06/2022	31/12/2037	$0.000	-	1,451,409	-	-	1,451,409
			6,142,396	2,445,183	-	(962,811)	7,624,768
Weighted average exercise price			$0.000	$0.000	$0.000	$0.000	$0.000

Performance Rights granted on 21 December 2021 was issued on 18 February 2022.

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
09/09/2013	01/01/2015	$0.000	250,000	-	-	-	250,000
14/06/2019	30/06/2024	$0.000	3,150,000	-	-	(3,150,000)	-
30/12/2019	30/12/2034	$0.000	962,811	-	-	-	962,811
07/08/2020	31/12/2035	$0.000	3,913,960	-	-	-	3,913,960
03/08/2021	31/12/2036	$0.000	-	1,015,625	-	-	1,015,625
			8,276,771	1,015,625	-	(3,150,000)	6,142,396
Weighted average exercise price			$0.000	$0.000	$0.000	$0.000	$0.000

There are no unvested Performance Rights exercisable at the end of the financial year as they are subject to a 3-year term and vesting hurdles.

The weighted average remaining time to Vesting Date of Performance Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 2 years (2021: 2).

For the Performance Rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
21/12/2021	31/12/2036	$0.350	$0.000	97.97%	-	1.60%	$0.052
17/06/2022	31/12/2037	$0.205	$0.000	96.74%	-	4.13%	$0.175

Note 35. Share-based payments (continued)

Set out below are summaries of Performance Rights (vested) granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
03/08/2021	30/06/2034	$0.00	1,300,500	-	-	-	1,300,500
30/03/2022	30/12/2034	$0.00	-	840,134	-	-	840,134
Weighted average exercise price			$0.00	$0.00	$0.00	$0.00	$0.00

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/08/2021	30/06/2034	$0.00	-	1,300,500	-	-	1,300,500
Weighted average exercise price			$0.00	$0.00	$0.00	$0.00	$0.00

There are no unvested Performance Rights exercisable at the end of the financial year as they are subject to a 3-year term and vesting hurdles.

The weighted average remaining time to Vesting Date of Performance Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 2 years (2021: 2).

For the Performance Rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/03/2022	30/12/2023	$0.335	$0.00	97.03%	-	2.84%	$0.33

Restricted Rights

Set out below are summaries of Restricted Rights granted under the plan:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
07/08/2020	31/12/2035	$0.000	1,019,753	-	-	-	1,019,753
01/06/2021	01/06/2036	$0.000	617,979	-	-	-	617,979
23/12/2020	23/12/2035	$0.000	1,499,820	-	(1,014,335)	-	485,485
02/07/2021	02/07/2036	$0.000	94,908	-	-	-	94,908
21/12/2021	21/12/2036	$0.000	-	568,778	-	-	568,778
17/06/2022	17/06/2037	$0.000	-	509,198	-	-	509,198
17/06/2022	17/06/2037	$0.000	-	275,360	-	-	275,360
09/09/2022	09/09/2037	$0.000	-	131,493	-	-	131,493
			3,232,460	1,484,829	(1,014,335)	-	3,702,954
Weighted average exercise price			$0.000	$0.000	$0.000	$0.000	$0.000

Restricted Rights granted on 21 December 2021 was issued on 18 February 2022.

Note 35. Share-based payments (continued)

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
07/08/2020	31/12/2035	$0.000	1,019,753	-	-	-	1,019,753
01/06/2021	10/06/2036	$0.000	-	617,979	-	-	617,979
23/12/2020	23/12/2035	$0.000	-	1,499,820	-	-	1,499,820
02/07/2021	02/07/2036	$0.000	-	94,908	-	-	94,908
			1,019,753	2,212,707	-	-	3,232,460
Weighted average exercise price			$0.000	$0.000	$0.000	$0.000	$0.000

Restricted Rights are all exercisable at the end of the financial year noting trading terms for Rights held by Company employees and directors are subject to the Company's Share Trading Policy.

The weighted average remaining time to Vesting Date of Restricted Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 0.2 years (2021: 0.3 years).

For the Restricted Rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
21/12/2021	21/12/2036	$0.350	$0.000	97.79%	-	1.60%	$0.350
17/06/2022	17/06/2037	$0.205	$0.000	96.74%	-	4.13%	$0.210
09/09/2022	09/09/2037	$0.260	$0.000	96.28%	-	3.56%	$0.260

Service Rights

Set out below are summaries of Service Rights granted under the plan:

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/06/2019	30/06/2034	$0.00	1,000,000	-	-	-	1,000,000
04/08/2020	31/12/2035	$0.00	838,558	-	-	-	838,558
01/06/2021	31/12/2036	$0.00	600,000	-	-	-	600,000
			2,438,558	-	-	-	2,438,558

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Exercised forfeited/ other	Balance at the end of the year
14/06/2019	30/06/2034	-	1,000,000	-	-	-	1,000,000
04/08/2020	31/12/2035	-	838,558	-	-	-	838,558
01/06/2021	31/12/2036	-	-	600,000	-	-	600,000
		-	1,838,558	600,000	-	-	2,438,558

Note 35. Share-based payments (continued)

Set out below are the Service Rights exercisable at the end of the financial year:

Grant date	Expiry date	2022 Number	2021 Number
14/06/2019	30/06/2034	1,000,000	1,000,000
04/08/2020	31/12/2035	838,558	838,558
01/06/2021	31/12/2036	600,000	600,000
		2,438,558	2,438,558

The weighted average remaining time to Vesting Date of Service Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 0 year (2021: 0.5 year).

Note 36. Cash flow information

Reconciliation of loss after income tax to net cash from/(used in) operating activities

	Consolidated 2022 $	Consolidated 2021 $
Loss after income tax expense for the year	(6,003,206)	(11,047,609)
Adjustments for:		
Depreciation and amortisation	1,087,683	1,692,144
Share-based payments	1,000,517	1,103,467
Government grant offset against oil and gas properties	15,323,024	5,363,923
Asset acquisition costs in income statement disclosed as investing activities	-	1,546,991
Unwinding of the discount	36,604	660,405
Accretion of asset retirement obligation	1,564,636	765,000
Unrealised loss on forward commodity contracts	272,099	661,782
Other non-cash expenses	-	600,000
Change in operating assets and liabilities:		
Increase in trade and other receivables	(4,323,168)	(2,823,792)
Increase in inventories	(21,757)	(4,887)
Decrease/(increase) in prepayments	(296,398)	351,845
Decrease in trade and other payables	(3,578,686)	(1,392,037)
Increase in employee benefits	38,942	62,874
Net cash from/(used in) operating activities	5,100,290	(2,459,894)

Non-cash investing and financing activities

	Consolidated 2022 $	Consolidated 2021 $
Additions to the right-of-use assets	920,297	-

Note 36. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loan $	Lease liabilities $	Total $
Balance at 1 January 2021	7,823,606	1,283,520	9,107,126
Net cash used in financing activities	(1,425,405)	(456,750)	(1,882,155)
Amortisation of deferred finance costs	660,405	-	660,405
Exchange differences	968,655	2,497	971,152
Balance at 31 December 2021	8,027,261	829,267	8,856,528
Net cash used in financing activities	(811,808)	(223,159)	(1,034,967)
Amortisation of deferred finance costs	36,604	-	36,604
Acquisition of leases	-	920,297	920,297
Exchange differences	570,851	(518,233)	52,618
Balance at 31 December 2022	7,822,908	1,008,172	8,831,080

Note 37. Events after the reporting period

(1) On 3 February 2023 Empire issued 613,830 Restricted Rights to its employees under the Company's Rights Plan.

(2) On 3 February 2023 Empire issued 548,234 Performance Rights to its employees as part of their 2020 Long-Term Incentive compensation which have vested.

(3) On 3 February 2023 Empire issued 1,297,209 Performance Rights to its employees for the 2022 financial year.

(4) On 3 March 2023 Empire lodged a work program update that detailed initial flow rates at Carpentaria-3H of up to 5.7 mmscf per day with an average of 2.6 mmscf per day over 27 days, an increase in Carpentaria-2H flow rates following an extended shut-in with an average of 3.24 mmscf per day over 8 days and petrophysical analysis of Carpentaria-4V results that demonstrated the Middle Velkerri shale is 20% thicker and 150 metres deeper than at the Carpentaria-2H location.

(5) On 27 March 2023, the House of Representatives passed the Safeguard Mechanism (Crediting) Amendment Bill 2023[(1)]. Empire understands that the bill will be considered by the Senate shortly. The Safeguard Mechanism applies to facilities with scope 1 covered emissions of more than 100,000 tonnes of carbon dioxide equivalent (CO2-e) per year[(2)]. Empire's present expectation is that its pilot project is not likely to reach the Safeguard Mechanism threshold.

It has been reported in the media that new gas entrants in the basin will be required to have net zero scope 1 emissions from entry. This is consistent with the prior Commonwealth Government's April 2022 commitments. Whilst no current impact on the company's operations, Empire's management continue to monitor these developments closely.

1. *https://www.aph.gov.au/Parliamentary_Business/Bills_Legislation/Bills_Search_Results/Result?bId=r6957*
2. *https://www.cleanenergyregulator.gov.au/NGER/The-safeguard-mechanism*

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Empire Energy Group Limited
Directors' declaration
31 December 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the financial year ended on that date; and

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

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Alexander Underwood
Managing Director

28 March 2023

Nexia Australia

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Independent Auditor's Report to the Members of Empire Energy Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Empire Energy Group Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Carrying value of oil and gas assets Refer to note 13 (Oil and Gas properties). At 31 December 2022, the Group has capitalised Oil and Gas Assets - Producing of $33.4m. AASB 136 – 'Impairment of Assets' requires that the recoverable amount of an asset, or cash generating unit to which it belongs, be determined whenever an indicator of impairment exists. The management assessment based on the external expert valuation concluded that there is no impairment of the carrying value at reporting date. The Group's assessment of the recoverable amount of its oil and gas producing properties was a key audit matter because the carrying value of the assets are material to the financial statements and management's assessment of recoverable amounts incorporate significant internal and external judgements and assumptions including commodity prices, available reserves, residual values and discount rates.	Our procedures included, amongst others: ▪ assessing whether the external expert engaged by management to provide independent valuations was appropriately experienced and qualified; ▪ evaluating management's key assumptions and estimates used to determine the recoverable amount of its assets, including those related to forecast commodity prices and revenue, costs, discount rates and estimated residual values; ▪ assessing the accuracy of management's forecasting by evaluating the reliability of historical forecasts and reviewing whether current market conditions would impact those forecasts; and ▪ assessing whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report.
Exploration and evaluation expenditure - oil and gas assets Refer to note 15 (Exploration and evaluation assets). At 31 December 2022, the Group has capitalised exploration and evaluation expenditure of $127m. These costs predominately relate to the Northern Territory area of interest and were the result of exploration campaigns and the purchase of new exploration tenements referred to as the Pangaea acquisition. The Group's accounting policy in respect of exploration and evaluation assets is outlined in note 2. This is a key audit matter because the carrying value of the assets are material to the financial statements, and significant judgements have been applied in determining whether an indicator of impairment exists in relation to capitalised expenditure assets in accordance with Australian Accounting Standard AASB 6 –	Our procedures included, amongst others: ▪ agreeing the ownership and tenure of the exploration permits in the Northern Territory area of interest to the Spatial Territory Resource Information Kit for Exploration ("STRIKE") online registry; ▪ testing a sample of additions of capitalised exploration expenditure to supporting documentation; ▪ in assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with AASB 6 – 'Exploration for and Evaluation of Mineral Resources', including: – reviewing the minutes of the Group's board meetings, market announcements and management assessment;

Key audit matter	How our audit addressed the key audit matter
'Exploration for and Evaluation of Mineral Resources'.	– discussing with management the Group's ability and intention to undertake further exploration and evaluation activities.
Asset retirement obligations Refer to note 21 (Provisions) At 31 December 2022, the Group has a carrying value of Asset Retirement Obligations (USA) of $32m. The measurement of the provision for Asset Retirement Obligations incorporates significant judgement and uncertainty, with restoration cost estimates varying in response to many factors including changes in technology, legal requirements, discount rates, past experience at other production sites, and estimates of future restoration well plugging costs. The expected timing and amount of expenditure can also change, for example, in response to changes in laws and regulations or their interpretation. This was a key area of audit focus due to the size and nature of these estimates and their consequential effects on assessing the recoverable amount of producing assets.	Our procedures included, amongst others: ▪ evaluating management's process of estimating and measuring the provision for asset retirement obligations; ▪ evaluating whether the discount rate applied by management to the forecast cash outflows is appropriate and consistent with the requirements of AASB 137 – 'Provisions, Contingent Liabilities and Contingent Assets'; ▪ considering the Group's estimates of plugging costs per well, including assessment of whether there have been changes in technology or costs that would materially impact those estimates; ▪ considering whether the key assumptions and judgements used in management's estimates were consistently applied in measuring the asset retirement obligations and in assessing the recoverable amount of the related assets; and ▪ benchmarking on management's estimates used in calculating the obligations.

Other information

The directors are responsible for the other information. The other information comprises the information in Empire Energy Group Limited's annual report for the year ended 31 December 2022, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 29 to 48 of the directors' Report for the year ended 31 December 2022.

In our opinion, the Remuneration Report of Empire Energy Group Limited for the year ended 31 December 2022, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia

Nexia Sydney Audit Pty Ltd

Joseph Santangelo
Director
28 March 2023
Sydney

Empire Energy Group Limited
Shareholder information
31 December 2022

The shareholder information set out below was applicable as at 16 March 2023 (grouped).

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares	
	Number of holders	% of total shares issued
1 to 1,000	193	0.01
1,001 to 5,000	642	0.25
5,001 to 10,000	379	0.39
10,001 to 100,000	1,077	5.57
100,001 and over	579	93.78
	2,870	100.00
Holding less than a marketable parcel	491	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Pangaea (Nt) Pty Ltd	140,000,000	18.11
Elphinstone Holdings Pty Ltd	63,000,000	8.15
Global Energy and Resources Development Limited	32,294,969	4.18
Sheffield Holdings LP	31,818,182	4.12
Citicorp Nominees Pty Limited	29,752,405	3.85
EMG Northern Territory Holding Pty Ltd	26,515,152	3.43
Macquarie Bank Limited (Metals Mining and AG A/C)	26,451,367	3.42
Liangrove Media Pty Limited	17,807,500	2.30
All-States Finance Pty Limited	17,000,000	2.20
Grosvenor Equities Pty Ltd (No 2 A/C)	16,129,964	2.09
HSBC Custody Nominees (Australia) Limited	12,620,621	1.63
Cha Qian	9,245,000	1.20
Robmar Investments Pty Limited	8,624,069	1.12
National Nominees Limited	8,214,714	1.06
HSBC Custody Nominees (Australia) Limited	7,548,706	0.98
Invia Custodian Pty Limited (Kuarka A/C)	7,190,030	0.93
USB Nominees Pty Ltd	6,089,504	0.79
Mr Andrew Forster	5,500,000	0.71
Netwealth Investments Limited Wrap Services A/C	5,445,817	0.70
Ms Swati Shukla	5,200,000	0.67
	476,448,000	61.64

Unquoted equity securities as at 16 March 2023

Class of unquoted securities	Number on issue	Number of holders
Unlisted options exercisable at A$0.35 per share expiring 14 June 2024	69,227,558	362
Unlisted options exercisable at A$0.70 expiring 31 August 2024	9,696,970	2
Unlisted Performance Rights	8,199,939	10
Unlisted Performance Rights (Vested)	2,688,868	54
Unlisted Service Rights	2,438,558	3
Unlisted Restricted Rights	4,287,119	9

Substantial holders
Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Pangaea (NT) Pty Limited	140,000,000	18.11
Elphinstone Group	64,333,969	8.32

Voting rights
The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.