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Announcement

17 May 2011

CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING

On behalf of the Board of Directors of Empire Energy Group Limited, I am pleased to provide you with an overview and update of the Company's activities during the six month period July 1 through to December 31, 2010 plus for the 5 month period through to today.

YEAR IN REVIEW

As you will be aware the Company changed its balance date from June 30 to December 31, so this review covers the six month period only. The six months was a period of continued growth for the Company. It completed the sale of its Marcellus Shale assets for US$24.6 million and it acquired oil production assets in Kansas and oil exploration assets in North Dakota, for a total cost of US$56.2 million. Further, under Section 1031 of the US Tax Code, the Company was able to offset around US$14 million of profits generated from the sale of the Marcellus Shale assets, by acquiring the Kansas oil assets within an 180 day period of receiving the sale proceeds.

The purchase of the oil assets was a significant step in the Company's development as an energy producer as the Company was able to form a production portfolio producing both oil, (36% of production output) and natural gas.

At December 2010 oil and gas prices, the discounted (at 10%) cashflow of the Company's production and reserves is estimated at US$190 million. Total 3P reserves are now 18 million Boe.

MANAGEMENT CHANGES

Due to the rapid growth of the Company over the past 18 months, total employees, have grown, for both full time and contract, from around 12 to over 50. As such, we have recently merged all Appalachia Basin operations which now operate from Mayville, NY. Tim Hull has been promoted to VP, Appalachia Operations. The recently acquired Kansas and North Dakota operations will be operated from Wichita, KS. Rob Kramer, an experienced oil drilling and completions manager has been appointed VP, Mid-Con operations and commenced his role with the Company yesterday.

In addition, with extensive reporting requirements, with around 2,100 operating wells, 350 Working Interest Owners and operations in 3 States, the Company has employed Bob Gustafson, an experienced oil and gas Financial Controller to take responsibility for the reporting and financial operations in Charleroi, PA.

With these changes and the increasing emphasis on oil opportunities in the Mid-Con region, Mr Bill Waller, who was Chairman and Co-CEO of the US subsidiary, Empire Energy USA, LLC has resigned, but will continue as a non-executive.

CAPITAL RAISING

Over the past month the Company has successfully completed, subject to the closure of the AGM today, a capital raising of $13.2 million (before costs) with up to another $2 million being raised through an SPP to existing shareholders.

These funds are to be used primarily for development drilling in Kansas, funding the Company’s share of exploration drilling in the Williston Basin, North Dakota, repaying a portion of the debt facility and other working capital requirements.

As shown by slide 3, the Company, considering its small size, has an extensive development pipeline of projects. A portion of the capital raised will also be allocated to the continuing growth of the Company’s project portfolio. As I will touch on later in my address, the opportunity to move any of these exploration or greenfield projects to finality will significantly alter the value of the Company.

I would like to thank all those existing shareholders who participated in the capital raising and welcome those new shareholders to the Company.

COMPANY GROWTH

Although I will not spend too much time recounting the Company’s 4 year history in oil and gas, but taking into account the GFC, slide 4 shows that the Company has undertaken a rapid growth path. Without stepping outside of rationale valuation metrics, the Company continues to aggressively seek new assets to continue this growth trend. However, with oil exceeding US$100/Bbl it is becoming more difficult to acquire producing assets at reasonable multiples.

For shareholder interest, slides 5 and 6 demonstrates three of the major growth metrics for E&P companies, i) daily production; ii) 2P reserves; and iii) average cost of the 2P reserves. Following the 2010 acquisition, the Company’s cost of 2P reserves is around US$6.00/Boe.

FUTURE

The future of the Company is focused on the following strategies:

1. Development Drilling and Work Overs - there is a pipeline of low risk development drilling opportunities that can be bought on line with the increasing value of oil or gas assets. In Kansas the Company has in excess of 70 potential drilling locations, plus another 16 non-producing wells it can bring back on line.
    a. A 10 to 15 well drilling program was due to commence in April, 2011. However, the difficulty of getting a drilling rig has seen this delayed until May 24, when the Company's first well in Kansas is due to be spudded. It is expected that a successful well should be bought on line once every three weeks. The Company's share of the capital expenditure for this development program will be around $4 million, of which a portion will be funded through equity and a portion through a drawdown on the development tranche of the Credit Facility.
    b. As part of the development program there are 16 wells currently not producing and subject to a work over programs. Total cost for this program is estimated at less than $1.0 million, but expected net production to the Company is around 29,000 Bbls over 2011. Due to a number of legacy environmental issues which had to be addressed, and which are subject to a cost sharing agreement with the vendor, this work over program has been deferred and is now expected to commence in mid June 2011, approximately 3 months behind schedule.
    c. In Appalachia the Company successfully increased natural gas production last year through improved and enhanced production and transportation programs. This work over focus will continue throughout 2011.

2. Exploration Drilling- the Company will fund its share of the 2 well Williston Basin drilling program expected to commence in July 2011. As previously announced the Company has a 27% net revenue interest in around 17,000 acres in a new, well explored region, although the target for the new wells is a new formation. Total cost to the Company will be around $1.3 million for the 2 wells.

3. Oil & Gas Exploration – A recent ASX release by the Company gives an indication of the potential of the Company's shale assets in Pennsylvania and New York State. However, the current hydraulic fracturing moratorium in New York has seen little activity over the past several years for both leasing and development in the region, although there is increasing expectation that the moratorium may be lifted in 2011. Exploration assets held by the Company include:
    a. Around 186,000 net acres in the Marcellus oil and condensate halo to the western edge of the Marcellus gas region. This potential resource is generating activity in Ohio and Western Pennsylvania. The Company will

continue limited exploratory programs while the moratorium remains in place. However, development of this resource by other parties in other states should add value over 2011; and

b. Around 176,000 net acres in the Utica Shale formation, the next major shale frontier in the USA. Other major producers in Pennsylvania and Ohio are now testing this formation. The Company holds acreage with an expected thickness of 200 to 300 ft; and
c. Land negotiations commenced this week with the Land Owners of a portion of the Company's 14.6 million acres in the MacArthur Basin, Northern Territory.

OUTLOOK

The Company is in a strong position to continue its growth performance. Following the capital raising it is well capitalised and still has over $80 million for drawdown on its Credit Facility. The Company has a production and development pipeline of long term producing and development assets plus large scale exploration programs.

The operations in the USA are producing strong cash flows, generated from a well balanced portfolio of long term, slow decline oil and gas assets. The development potential within the existing portfolio should increase reserves and production over the medium term.

In addition, management is actively seeking new opportunities to increase, in particular, oil production, by identifying accretive acquisitions and or mergers, within regions of existing production.

I would like to thank employees for their efforts during the year, my fellow Board members and of course shareholders for ongoing support.

Sincerely
Bruce McLeod
Executive Chairman
Empire Energy Group Limited

ANNUAL GENERAL MEETING

CHAIRMAN'S REVIEW

May 2011

EMPIRE ENERGY GROUP LIMITED

Corporate Highlights

- **Completion of Marcellus Shale Divestiture**
  - Funds of $24.6 million received July 2, 2010
  - Completion of lease assignment Sept 30, 2010
- **Acquisition of Kansas oil production**
  - Acquisition Cost of US$56.2 million
  - ~550 Boe/d production
  - ~17,000 acres (gross)
  - ~70 proven and probable locations for future drilling
  - 2P = 4.8 million Boe
  - PV10 = US$115 million
- **Board & Management Changes**
  - Experienced drilling & completions manager appointed VP, Mid-Continental Operations, May 2011
  - Experienced oil & gas Financial Controller appointed March 2011
  - Resignation of Mr Waller as an executive director of US operations
- **Capital Raising**
  - Placement to new & existing shareholders
  - Raised A$13.2 million (before fees) with the issue of 110 million shares at $0.12/share
  - Second tranche subject to shareholder approval at AGM, May 17, 2011
  - SPP to raise a further $2 million to close May 27, 2011

Development Pipeline

Greenfields	Exploration	Development / Production
Australia, NT	**Appalachia, US** **Williston Basin, US**	**Appalachia (gas), US** **Kansas (oil), US**
Shale oil/gas Multi Bbl/tcf targets	Shale oil +70mmbbls Gas +5tcf (GIP)	1,520 Boe/d (36% oil) 2P: 16.8mmboe Farm-in & Acquisitions
Land holder agreements Proof of concept 14 million acres	Move to Reserves 300,000 acres Marcellus+Utica shale 4,600 net ac Bakken	Minimal production/technical risk Hedging to protect future price pressure Definable low cost development Targets have >80% probability of success

Empire has a balanced portfolio that provides immediate cashflow and targets large emerging resource plays

Key Milestones

Growth since establishment

2006 –
Initial USA entry in gas JV: 20 wells drilled, PA

Dec 2007 –
US$8.85MM acquisition: 160 gas wells Hawthorne, PA

Dec 2009 –
US$38.0MM acquisition: 1,800 gas wells, Mayville PA /NY

July 2010 –
US$24.6MM partial sale of shale assets, PA

Dec 2010 –
US$56.25MM acquisition: 245 oil wells, Kansas
+18,000 (gross) acres Nth Dakota

GFC

2009 Actual:
Net Oil : 0 Bbls
Net Gas: 0.4 Bcf

Net Oil Rev: $0
Net Gas Rev:$2.3mm

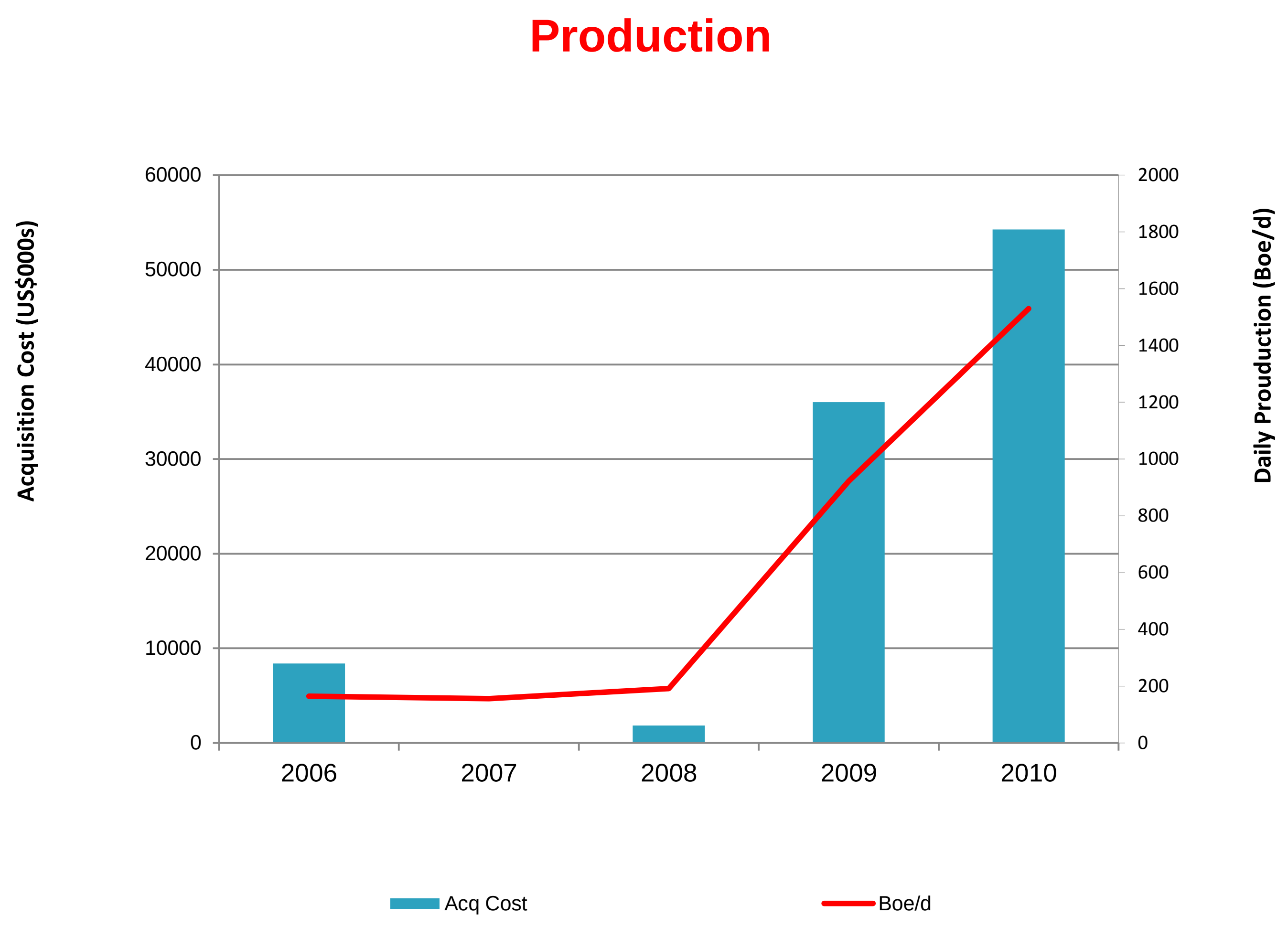
2010 Preliminary:
Net Oil : 55 mBbls
Net Gas: 2.0 Bcf

Net Oil Rev: $4.5mm
Net Gas Rev:$12.6mm

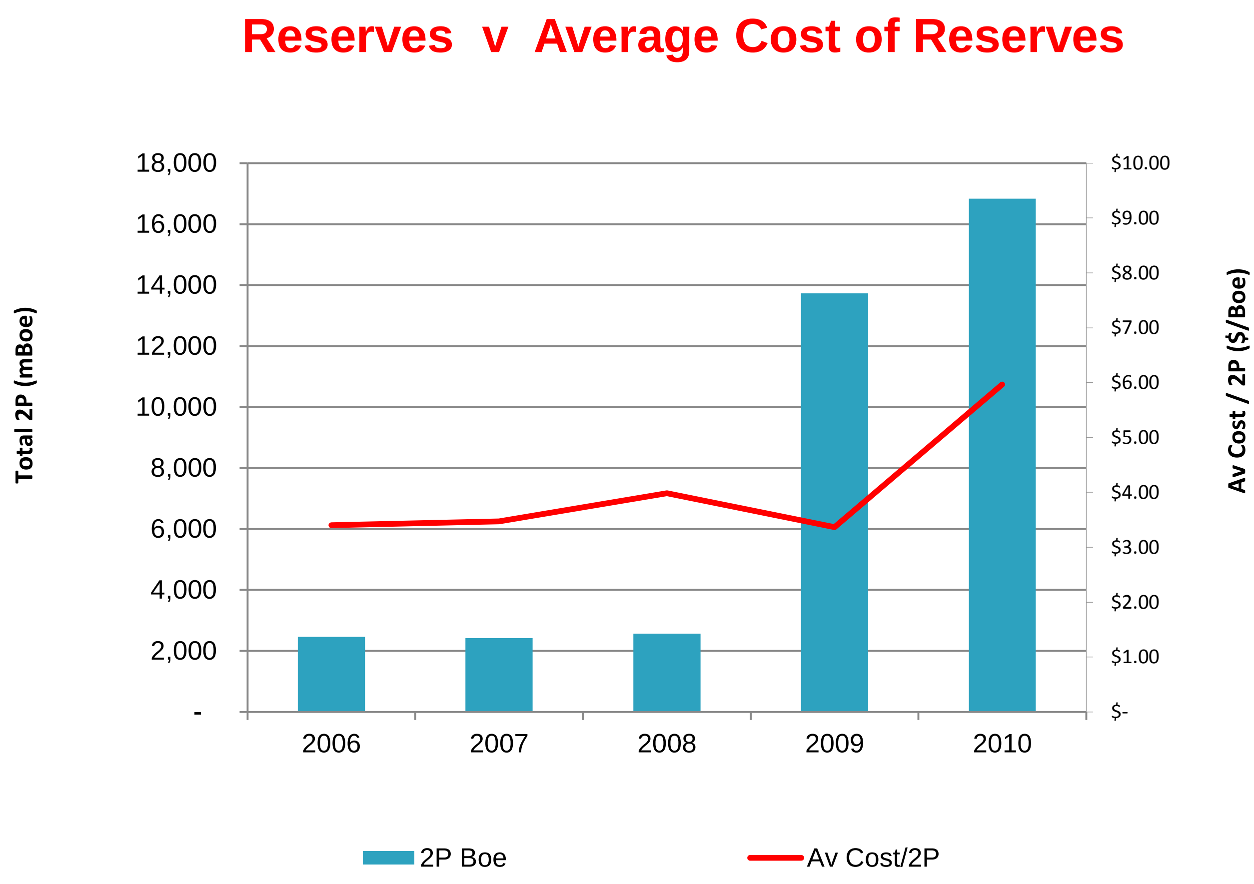
2011 Forecasts:
Net Oil : 232 mBbls
Net Gas: 2.1 Bcf

Net Oil Rev: $20.6mm
Net Gas Rev:$12.1mm

Growth – Production



Growth – 2P Reserves



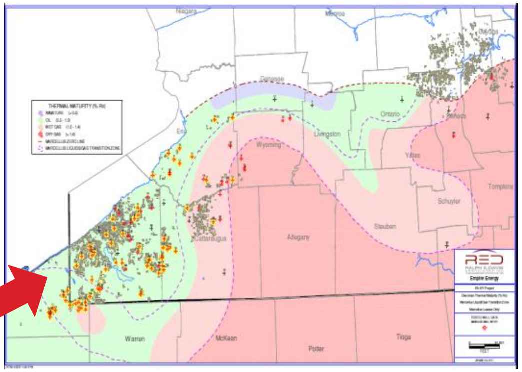
Project Update

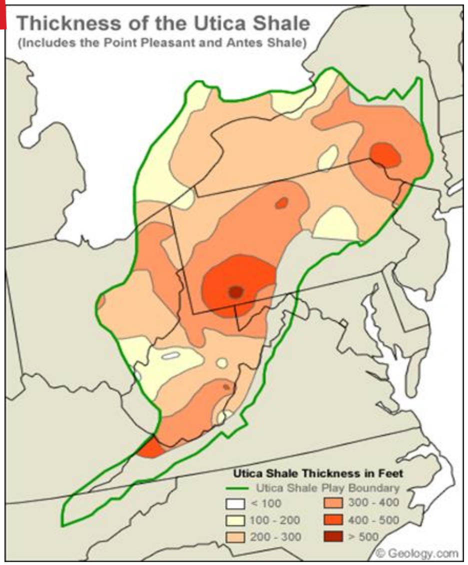
- **Central Kansas Uplift**
  - Field operations office opened in Wichita, KS
  - Disentanglement of Preferential Rights production completed
  - Legacy environmental upgrade program in final month of completion
  - Commencement well drilling program
    - FY 11 – budget includes 10 to 15 development wells
    - 1st well to be spudded May 24, 2011 (4 weeks late)
  - Development drilling targeting net production of 22,000 Bbl in 2011
  - Seeking opportunities to book new 1P & 2P reserves by:
    - Reviewing existing assets and identifying new formations (behind pipe) to target
    - Identifying new assets for farm-in or acquisition of development acreage
- **Williston Basin, ND (non operator)**
  - 2 well drilling program to commence July 2011
    - Target +100,000 Bbl/well
    - Empire NRI = 27%
- **Appalachia**
  - Continuing program to upgrade transportation network
  - Expect steady production through improved operational efficiencies
- **Corporate Operations**
  - Land and financial systems fully integrated
  - All production now tracked electronically on daily basis
  - All financial management now centralised at Charleroi, PA

Appalachian Shale Assets

- Independent petroleum consultants engaged to review the potential of the Company’s Appalachian shale assets
- A hydraulic fracturing moratorium current exists in New York State

FORMATION	Type	Reserve Type***	P50 BCF	ML* MMBbl	Acres calculated	Actual Acres (Gross)	Actual Acres (Net)
Marcellus	Gas	Poss/Res	49.5		20,006	230,000	186,240
Marcellus	Oil	Poss/Res		70.3	100,422	230,000	186,240
Utica Shale	Gas	Res	925.7		18,571	224,759	175,788
Theresa**	Gas	Poss/Res	75.6		16,691		
Trenton**	Gas	Poss/Res	3.7		1,116		
TOTAL			1,054.5	70.3			





* Most likely on acreage specified at a 3% recovery factor

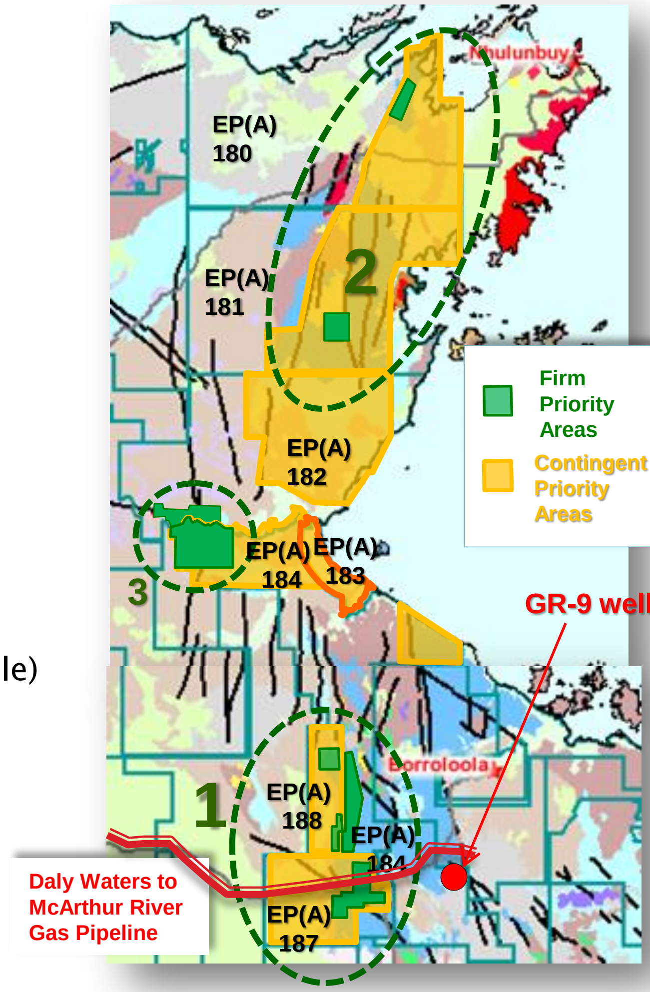
** The Theresa and Trenton Black River formations are not shales.

*** Poss = Possible; Res =Resource

- The possible reserves and prospective resources do not include the Company’s existing 3P = 18 million Boe

McArthur Basin shale play

- Held by Imperial Oil & Gas (100% owned subsidiary)
- 14.6mm acres in the MacArthur Basin, Northern Territories
- Large scale shale oil & gas exploration play
- Very low historic exploration maturity
- Target – organic rich black shales
- Oil bleeds in core
- Proven to be gas-prone. A mineral exploration well GR9 ignited and produced a 6m flare for six months Estimated 0.5Bcf flow over 6 months.
- Areas of interest identified
- 1: EP(A) 182, 184, 187, S188 (Aboriginal Land & Native Title)
  - Gas pipeline passes through EP(A) 187
  - Potential for grant in 2011-2012
- 2: EP(A) 180, 181(Aboriginal Land)
  - Access likely to be longer term
- Land owner negotiations state mid May 2011



Corporate Snapshot (as at May 17,2011)

EMPIRE energy

Key Board & Management

Bruce McLeod	Executive Chairman
Dr John Warburton	CEO, Imperial Oil & Gas
Dr David Kahn	Advisor, Board
Tony Crisafio	CFO, USA Ops
Al Boyer	SVP/COO, US Ops
Tim Hull	VP, Appalachia Ops
Rob Kramer	VP, Mid-Con Ops
Bob Gustafson	Financial Controller, US Ops
Rachel Ryan	GM, Finance

Major Shareholders (pre 2nd tranche)

Imperial Investments	7.4%
WYT Nominees (combined)	5.7%
Mr PA Ternes	3.9%
Macquarie Bank	3.8%
Eastern & Pacific Cap (combined)	2.7%
Armco Barriers	2.3%
Top 20 shareholders	37.0%

Corporate Structure	
Australian Securities Exchange	**ASX:EEG** (previous ASX:IMP)
Shares on issue	184.62 mm
Shares (2nd tranche)	88.0 mm
Share Price	A$0.125
Market Cap (post 2nd tranche)	A$34.1 mm
Debt	A$72.5 mm
Cash & liquids (post 2nd tranche)	A$ 17.6 mm
Enterprise Value	$89.0 mm
PV10 (3P)	A$190 mm
Options Outstanding ($0.16)	40.2mm

Disclaimer

The purpose of this presentation is to provide general information about Empire Energy Group Limited ("Empire Energy"). The presentation contains certain statements which may constitute "forward-looking statements". Such statements are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward-looking statements.

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