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ASX Announcement – McArthur Basin Program to Commence

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McArthur Basin Exploration

Empire Energy is pleased to announce that its 100% owned subsidiary Imperial Oil & Gas Pty Ltd ("**Imperial**") has entered into an Agreement with the Kennedy Research Group ("**KRG**"), based at the University of Adelaide, South Australia. KRG will conduct geological studies on Imperial's exploration license applications ("ELA") in the McArthur Basin, Northern Territory to identify the most prospective areas for shale oil and gas drilling.

Background

On 22nd December 2010 the Northern Land Council ('NLC') formally accepted the submission by Imperial of seven petroleum ELA's over a combined area of 59,172km2 (14.6 million acres) onshore Northern Territory, Australia. Imperial has 100% interest in each ELA. The principal exploration target is unconventional gas and oil in thick carbonaceous shales deposited predominantly within the central trough of the McArthur Basin. These shales display oil and gas indications yet the McArthur Basin remains under explored for petroleum.

Near Term Objectives

Over the next 12 months Imperial will work closely with KRG to develop a hydrocarbon system model capable of extending predictions of source rock and shale oil and gas potential in the McArthur Basin.

The study will utilize the available data combined with generation of critical information (maturity, sediment composition) to calibrate hydrocarbon system models and produce prospectivity maps to guide site location of initial exploration wells, expected during 2012, to coincide with the issue of the initial 3 exploration licenses.

The Kennedy Research Group (KRG)

KRG is headed by Prof. Martin Kennedy who holds Professorships at the University of Adelaide and the University of California, Riverside in geology and geochemistry.

His expertise extends from carbonate systems to the control of organic rich source rocks. Previously Prof. Kennedy held a research position at the Exxon-Mobil Upstream Research Company and has worked on numerous issues of interest to the oil industry. Most recently this research has focused on the nano- scale processes that control porosity, TOC and fraccability in unconventional reservoirs. The

small scale of these processes has required the development of new analytical and imaging approaches to better understand mineral-organic interactions. This approach will be utilized in the study of the MacArthur group sediments in the ELA's and surrounding region.

Other members of KRG will focus on shale geochemistry and petrology, isotope geochemistry and sedimentology. These members of KRG include:

Dr Rosalind King, Lecturer, Structural styles and well log records;

Dr. Simon Holford, Lecturer, basin scale computer hydrocarbon system models;

Dr Stefan Loehr, Research Associate, microbeam analysis of shale, clay mineralogy/geochemistry;

Mr Tony Hall, organic and isotope geochemistry, laboratory manager; and

Ms Elizabeth Baruch, unconventional play specialist (PhD candidate from the unconventional exploration program at Conoco-Phillips)

Research Goals:

The broad aim of KRG is to characterize the geological controls on organic matter in shales from nanometer to basin scales from initial deposition to subsequent diagenetic changes. This includes determining the composition of the organics, the sediment host, the sedimentary architecture, and diagenetic changes.

This work is designed to take in to account the spatial variability of shale and the first order controls on gas and oil production to assist initial evaluation and drill site location. The program will utilize available core obtained from stratigraphic wells archived by the NT survey, and seismic data collected by Geoscience Australia to identify areas of maximum organic enrichment traded off against sediment ductility, diagenetic cementation, and maturity.

The research will study the geological, geochemical and paleo environmental controls of organic carbon deposition and preservation in the Proterozoic black shales of the McArthur Basin and their implications for locating potential oil or gas shale resources.

It anticipated that the initial stage of this research will take up to 12 months to complete, during this time Imperial will continue to work through traditional landowner negotiations and archaeological requirements.

Research Facilities

The KRG operates a shale preparatory and analytical laboratory that includes, MMSSV (micro scaled sealed vessel pyrolysis for gas determination and potential in core samples), X-ray diffraction (XRD) to determine mineralogy of sediment, isotope ratio mass spectrometry (IRMS) to determine the source of carbonate in diagenetic phases, Gas chromatography mass spectrometry (GCMS) for biomarker determination used to access maturity, LECO organic carbon richness determination, and standard petrographic microscopes to study depositional processes. Nuclear magnetic resonance (NMR) is also available to the KRG to identify organic compound classes in bulk samples. The KRG will use the most advanced microbeam technology available (Transmission electron microscopy, focused ion beam electron microscopy, environmental electron microscopy, nano and micro X-ray cat scan) to study shale at the scale at which the critical processes of clay and organic interactions occur. This equipment will be

made available to the KRG at Adelaide Microscopy, part of the Faculty of Science at the University of Adelaide.

Exploration Permits Review

Six of Imperial's Exploration Permit Applications (EPA 180, 181, 182, 183, 187 and 188) are located in Aboriginal Land that is subject to the Aboriginal Land Rights Act of the Northern Territory (1976). EPA 184 is located in pastoral land and is subject to the Native Title Act (1993).

Ultimate grant of Imperial's license applications in Aboriginal Land, and commencement of exploration activities, requires the consent of Traditional Aboriginal Owners. This involves a process of face to face on-country dialogue between Traditional Owners, the NLC and Imperial. Accordingly since May 2011 Imperial has held a number of such on-country meetings with Traditional Owners at separate locations within Application Areas.

Further to instruction from the Traditional Owners, the NLC is currently engaged with Imperial in negotiating the terms of its first Exploration Agreements for EPA 187, 188 and the adjacent EPA 184. That process is progressing in a positive and constructive manner. Sacred site surveys are required prior to commencement of exploration activities ensuring no disturbance to sites with Aboriginal religious or cultural significance. Accordingly in December 2011 Imperial commissioned a survey over part of EPA 187, 188 and 184 prior to the wet season. There have been no findings of significance with the survey and agreements expected to be completed during 2012.

About Empire Energy Group Limited

In early 2007, the Company established Empire Energy USA, LLC and currently holds around 96% of its issued capital. Empire Energy USA is an oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas). In addition it holds approximately 400,000 acres of Marcellus and Utica shale formations in New York State USA.

Through its 100% owned subsidiary, Imperial Oil & Gas, Empire Energy holds around 14.5 million acres of potential shale formation in the Northern Territory, Australia. Attached are maps showing the Exploration Licence Applications currently held by Empire Energy.

Empire Energy implemented a US$100 million credit facility with Macquarie Bank Limited in early 2008 for the sole purpose of acquiring and developing oil and gas assets in the USA. This facility has been increased to US$150 million. At present the facility to drawn to US$51 million.

For more information:

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McArthur Basin Gas Indications