



EMPIRE ENERGY GROUP LIMITED

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Announcement

31 May 2012

CHAIRMAN'S ADDRESS TO THE ANNUAL GENERAL MEETING

Ladies and gentlemen

I welcome you here today for the Empire Energy Group Limited 2012 AGM.

I propose to take you through the slide presentation and answer any questions you may have in relation to the Company's business operations.

In this current environment of uncertainty and volatility your Company is well placed to weather the extremes. Conservative hedging programs have around 70% of natural gas production hedged at just under \$6.00/Mcf and around 70% of oil production hedged at \$90.00/Bbl. The company continues to generate over \$1.2 million a month in net cash flow.

At the same time we continue to build an effective management team, now very capable of increasing the size of the company from its 1,500 Boe/d to the 4,000 to 5,000 Boe/d, with little additional cost.

The production business model for the Company has certainly been proven.

However, more importantly for shareholders, I believe the Company has significant upside potential in three unconventional shale plays that sit on our balance sheet at virtually no cost.

Although we have leasing renewal and expansion programs, the two North American shale plays are largely held by production and the Australian shale play is currently in the process of lease negotiation, at which time we will then have a defined minimum expenditure program.

As most of you know, the US plays are subject to a New York State fracking moratorium. We believe positive progress will be made on lifting this moratorium over 2012. A major point to be taken into consideration for why the State will lift the moratorium, is that it has the support of the White House and recently the International Energy Agency stated that

greenhouse gas emissions in the USA have dropped off nearly 5 million tons in five years, which is more than any other country the agency examined.

The reason, power industry has changed gears and seen a “major shift,” from using coal as a power source to using natural gas. According to the EIA, coal use dropped 19% and gas use jumped 38% — a relevant figure because plants that run on gas produce half the carbon dioxide that a plant that runs on coal does. Gas has become the new cost effective green energy.

Just as exciting for the Company are the leases applications for 14.5 million acres in the Northern Territory. Of the total acreage, around 7-8 million acres consists of black carbonaceous shales, in some places up to 2 kms in thickness. This could be a very significant project for the Company.

Initially 2 to 3 leases in the Southern portion of our Licence Application are expected to be granted in 2012. Supporting Dr John Warburton, the CEO of Imperial oil & Gas, a very experienced development team of 6 shale and hydrocarbon specialists has been assembled. Headed by Prof. Martin Kennedy, who spent many years researching shales with ExxonMobil, this team will commence work in the next few weeks on previous core form our leases application and other regional data.

In addition, another listed company is drilling on the eastern boundary of our lease applications. The drill site is shown in the presentation.

In summary, the Board is very excited about the success in the Company putting together what should be three very exciting unconventional projects, with the Australian project potentially being world class.

Obviously, the disappointing aspect of this growth program is the current share price which at current levels is even at a discount for the producing assets of the Company only. It takes no account of the unconventional plays the company has accumulated.

At the current share price, shareholders simply have a free call option on three potentially large, or even very large, unconventional shale projects.

I would like to take all those people you have assisted the Company over the past 12 months. This includes all management and employees, the Company’s advisors and Bankers. But more importantly, I would like to thank shareholders, as without you and your support the Company would not be sitting with this significant medium to long term hydrocarbon potential.

Thankyou.

Bruce McLeod
Chairman & CEO



ANNUAL GENERAL MEETING
31 May 2012



EMPIRE ENERGY GROUP LIMITED

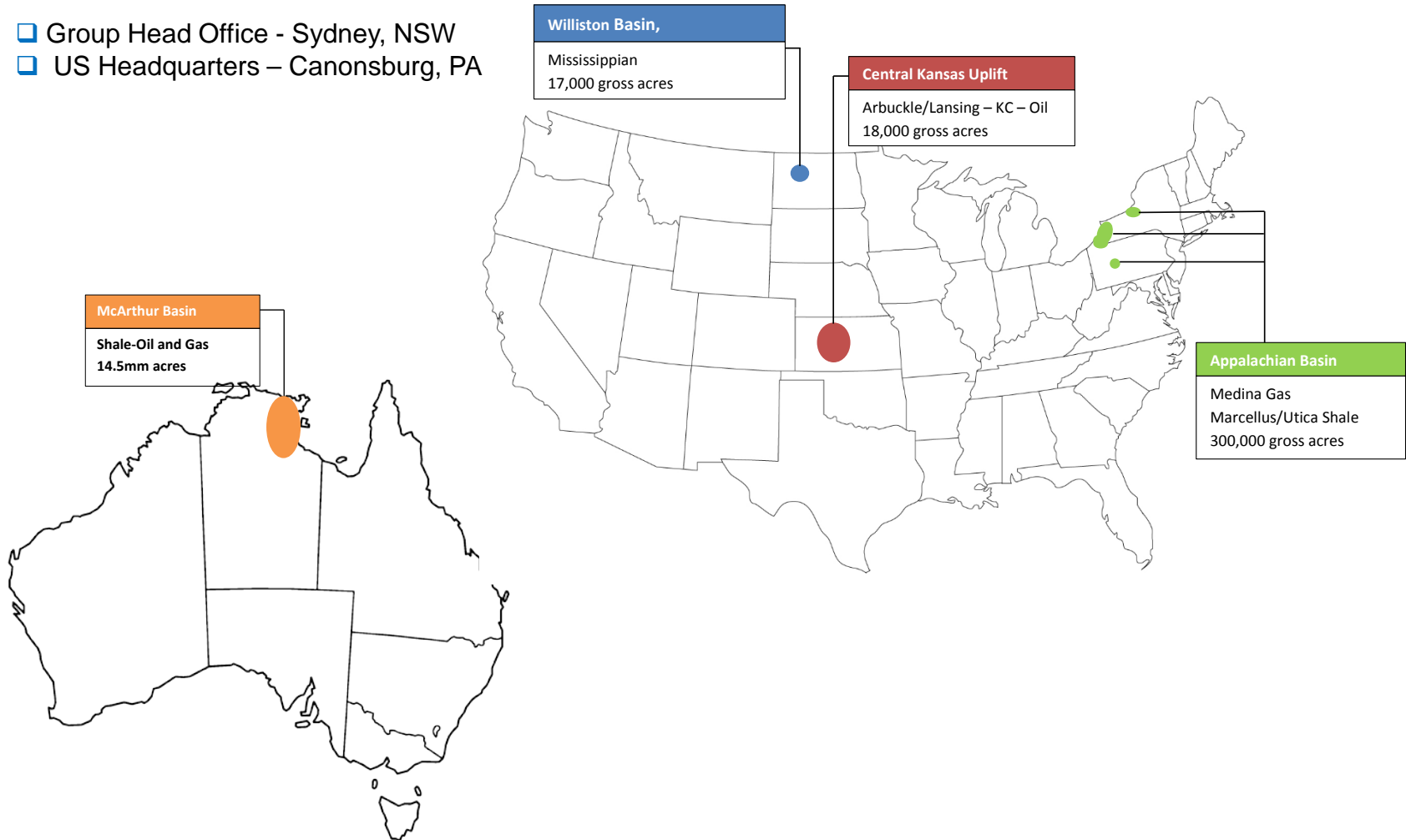
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Regions of Operation



□ Empire Energy Group Limited (EEG)

- Group Head Office - Sydney, NSW
- US Headquarters – Canonsburg, PA



**EMPIRE ENERGY REPRESENTS A FREE OPTION ON:
.....THREE MAJOR UNCONVENTIONAL SHALE PLAYS**

❑ Conventional E & P Operations

- ❑ 1,540 Boe/d (40% oil)
- ❑ Field EBITDAX (2012) = \$18.5 million
- ❑ EBITDAX (2012) = \$16+ million
- ❑ 2P = 15.8 mmBoe
- ❑ Long life, slow decline oil and gas production
- ❑ Strategic hedging of cash flow risk

❑ Unconventional Shale Basins – USA

- ❑ Marcellus – 220,000 ac (95% NY State)
- ❑ “Target” – Oil and condensate transition zones
- ❑ Contingent Resource – 70 million Bbls (on 100,000 ac)

- ❑ Utica – 180,000 ac (95% NY State)
- ❑ “Target” – Condensate & dry gas zones
- ❑ Contingent Resource – 5 Tcf GIP (on 40,000 ac)

❑ Unconventional Shale Basin – Australia

- ❑ Barney Creek – 14.6 million ac (Northern Territory)
- ❑ Includes ~70% McArthur Basin Trough (Batten & Walker Troughs)
- ❑ “Target” – the carbonaceous (organic rich) black oil & gas shale
- ❑ Resource Objective multi – mmBbl/Tcf

Key Objectives & Growth

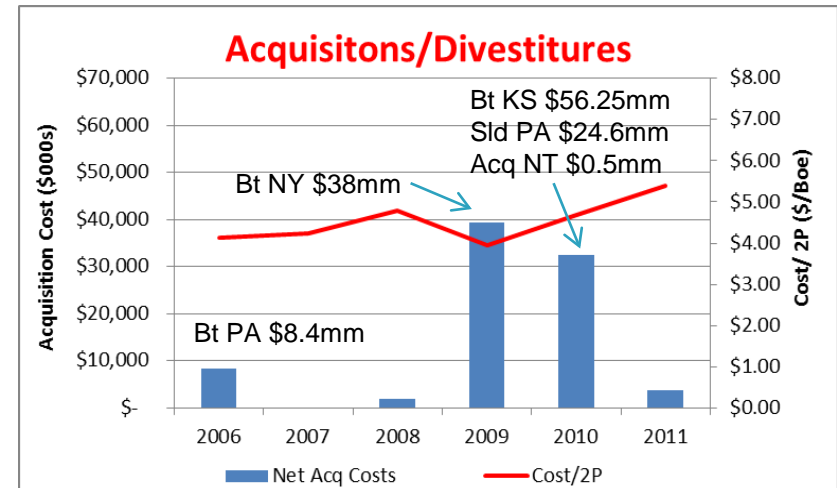
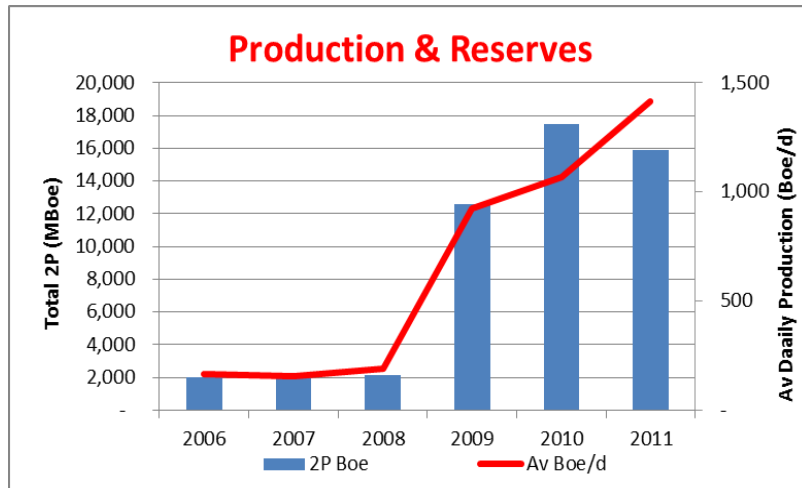
□ Targets:

- 1P acquisitions up to US\$150 million (with 2&3P opportunities)
- Continuous PUD drilling programs with existing assets
- JV/Farm-in arrangements in existing regions of operation

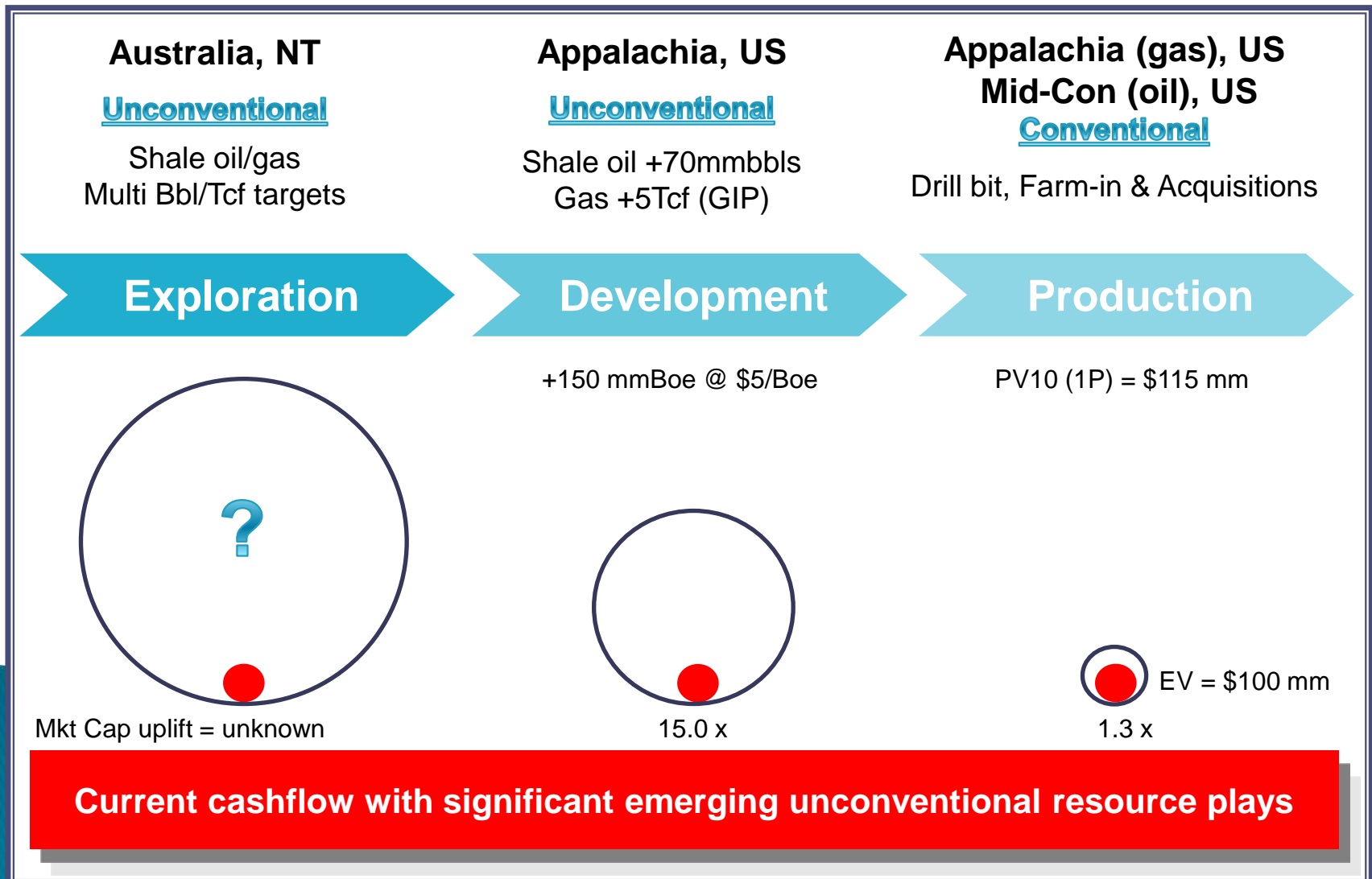
□ Milestone:

- US listing with +5,000 Boe/d

□ Growth:



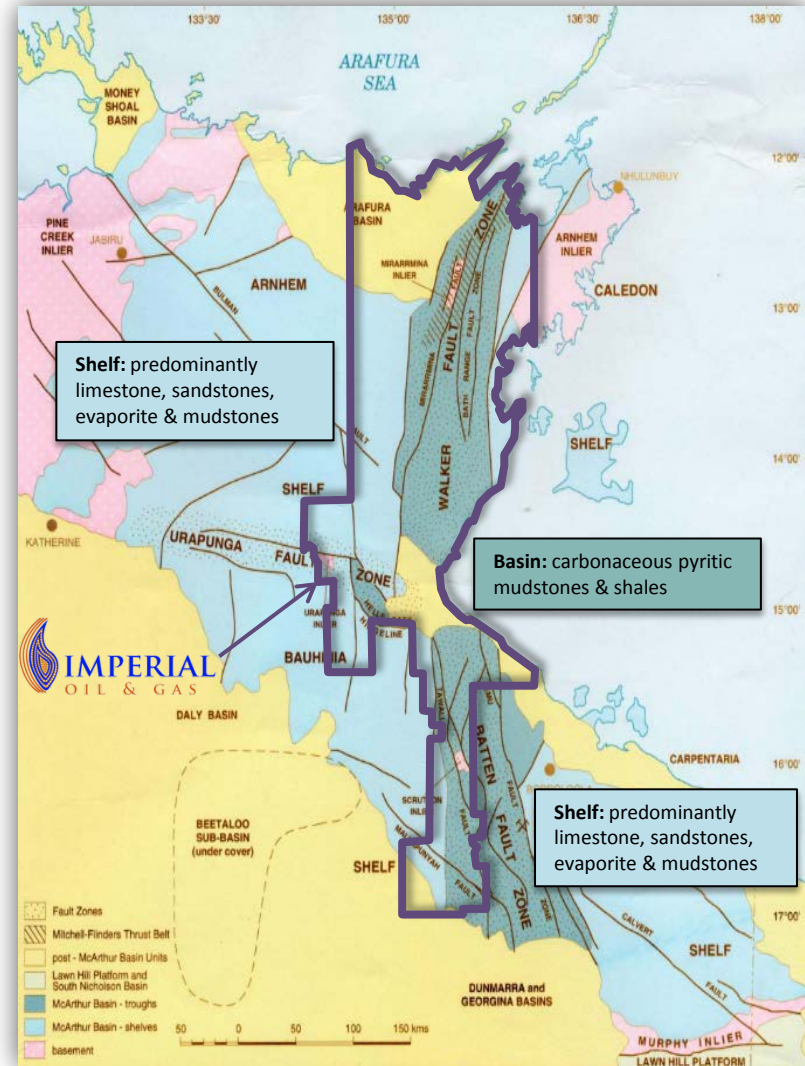
Value Pipeline



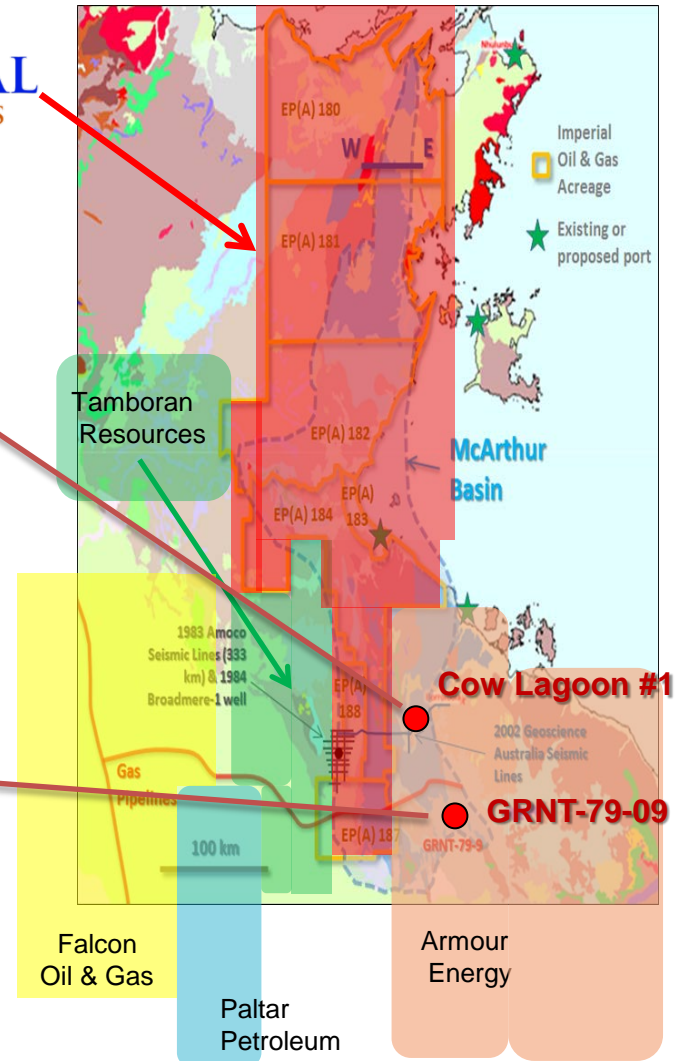
Current cashflow with significant emerging unconventional resource plays

Unconventional – McArthur Basin

- ❑ Held by Imperial Oil & Gas (100% subsidiary)
- ❑ 95%–100% Working Interest
- ❑ Large scale shale oil & gas exploration play
- ❑ 14.6mm acres (59,000km²)
- ❑ “Target “– the carbonaceous (organic rich) black oil & gas shale of the Barney Creek Formation
- ❑ Substantial drilling & core history in Batten Trough showing oil and bitumen bleeds in core
- ❑ Shales up to 4,000 ft thick in Walker Trough
- ❑ Development team headed by Prof Martin Kennedy – extensive experience in Shale Basins with ExxonMobil
- ❑ Initial exploration areas of interest identified.
- ❑ Move towards a Contingent Resource measurement.
- ❑ Increasing interest from global majors in large scale Basin development
- ❑ Target first Licences 3Q 2012 ?

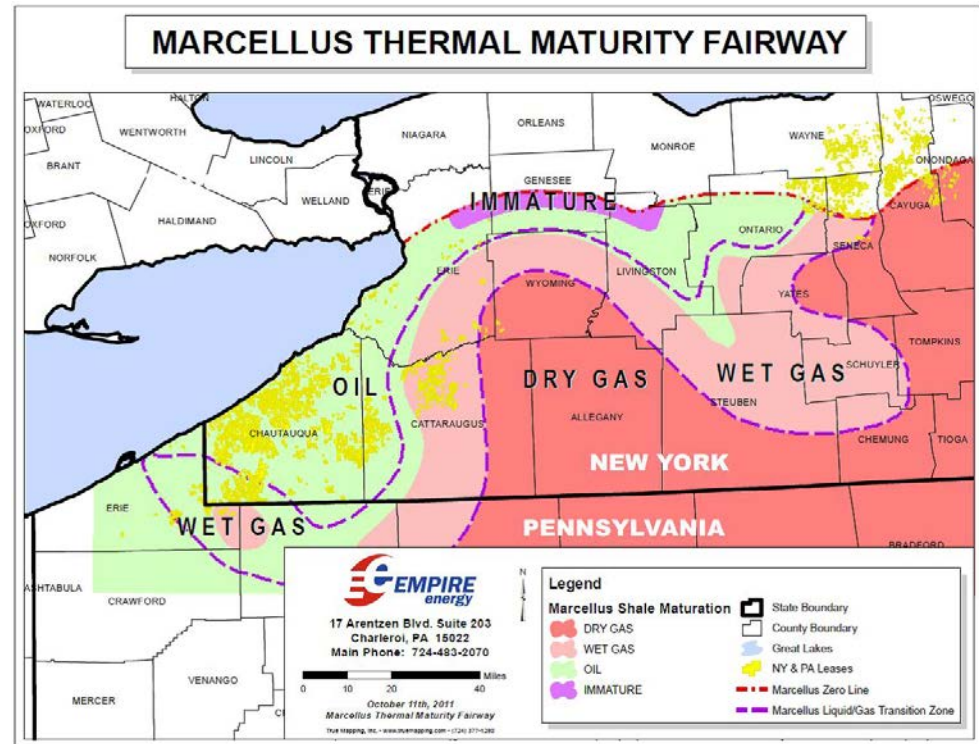


McArthur Basin – Program



Unconventional – Marcellus Shale

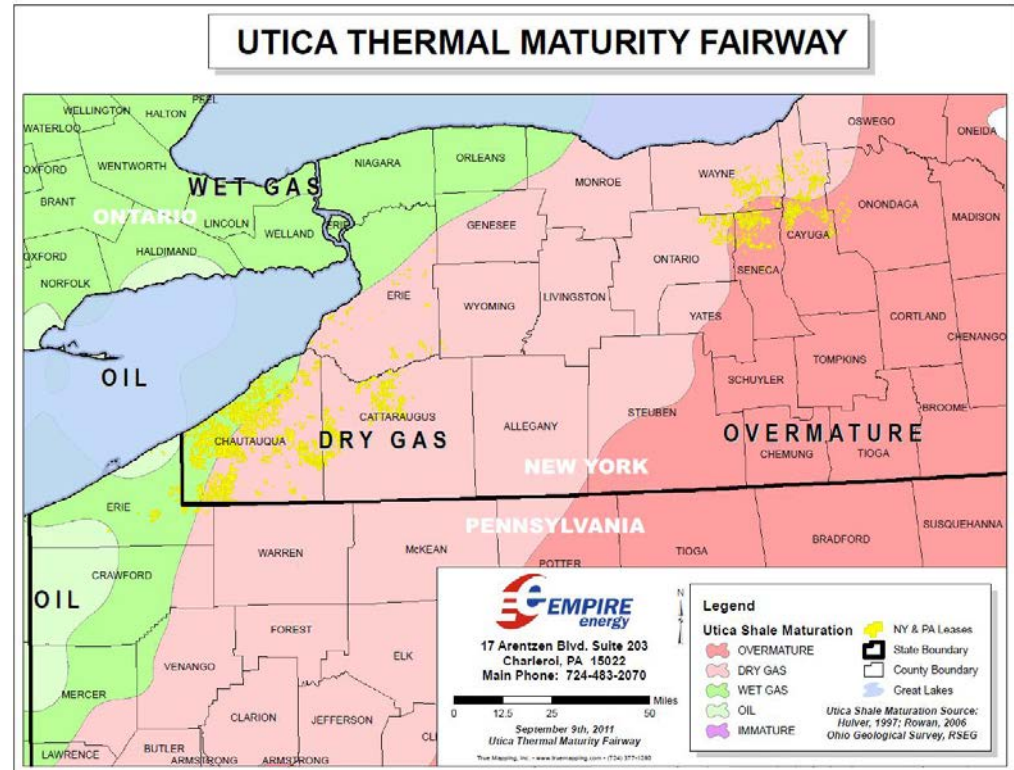
- ❑ Oil/wet gas transition zone
- ❑ ~220,000 gross ac
- ❑ Leases under staged renewal
- ❑ ~90,000 ac held by production
- ❑ Oil – Resource P50* = 70.3 MMBbls
 - ❑ 2–5 Mbbs/5ac-ft
 - ❑ 3% recovery factor
 - ❑ Based on 100,000 ac
- ❑ Gas – Resource P50* GIP = 200 Bcf
 - ❑ 70 to 150Mcf/ac-ft
 - ❑ Recovery factor 25%
 - ❑ Based on 40,000 ac
- ❑ Net Marcellus thickness up to 100'
- ❑ Depth 2,500' to 5,000'
- ❑ Fracking Moratorium currently in place



*Reserves/resources have been certified by Ralph E Davis Associates, Inc, Houston, petroleum engineers

Unconventional –Utica Shale

- ❑ Oil/wet gas/dry gas transition zone
- ❑ Utica higher carbonate/less clay than Marcellus (similar to Eagleford)
- ❑ ~180,000 gross ac
- ❑ Leases under staged renewal
- ❑ Oil/Condensates
 - ❑ To be tested in western Counties
- ❑ Gas – Resource P50* GIP = 4.6 Tcf
 - ❑ 70 to 150Mcf/ac-ft
 - ❑ Recovery factor 20–25%
 - ❑ Based on 40,000 ac
- ❑ Utica thickness 250’ to 350’
- ❑ Depth 4,500’ to 6,500’
- ❑ Potential of the Utica/Trenton–Black River interface 750’ to 1250’ thick



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The PDP Model



Current Targets:

- Conventional Oil and Ngl's
- Defined, slow decline assets
- Operations within existing regions
- Development opportunities

Acquisition metrics:

- Leverage
- <5.5x FTM cash flow
- EBITDA/Interest > 3x
- 5 year hedging protects cash flow
- Debt/EBITDAX <4.0x
- Negligible additional G&A
- Equity for development program

Outcome:

- >80% debt repaid over hedging period
- Free cash flow after 5 years
- Future dividend stream?

