EMPIRE ENERGY GROUP LIMITED

and its controlled entities

ABN 29 002 148 361

HALF YEAR
FINANCIAL REPORT
30 JUNE 2013

CONTENTS

COMPANY INFORMATION

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Stock Exchange Listings

Australia
Australian Securities Exchange
(Home Exchange Brisbane, Queensland)
ASX Code: EEG - Ordinary Shares

United States of America
New York OTCQX Market: Code: EEGNY
Sponsor: Bank of New York
1 ADR for 20 Ordinary shares

Executive Chairman's Review of Operations

HIGHLIGHTS FOR THE 6 MONTHS ENDING 30 JUNE 2013

- **Field EBITDAX US$9.2million** (30 June 2012: $9.8million).
- **Production slightly lower at 1,355 Boe/d** (30 June 2012: 1,465).
- **Group Revenue steady at US$13.8 million.**
- **Group EBITDAX $5.8 million** (30 June 2012: $6.3 million).
- **Debt reduced by $3.6 million.**
- **In January 2013 the Company extended its $150 million Macquarie Bank Credit Facility for an additional 3 year period to 28 February 2016.**
- **To control and manage natural gas gathering networks, the Company acquired over 100 miles of pipeline from a New York Utility Company, which are now under repair and are expected to increase sales gas by up to 10%.**
- **Two wells drilled over the period, with a further 6 to 8 planned by year end.**
- **A small land position of 54 acres, along with an option over a further 160 acres was acquired in New York State. The objective is to test shallow oil formations with horizontal drilling techniques, where applicable.**
- **Agreement was signed with the Traditional Owners for EPA184 in the McArthur Basin, Northern Territory. The tenement was granted in August 2013, being the first of the Company's seven tenements to be granted.**
- **Confirmation that the Onshore McArthur Basin, Northern Territory Velkerri and Barney Creek Formation shales are in the oil, oil/condensate hydrocarbon window.**

REVIEW OF OPERATING RESULTS

The Group's oil and gas production operations are carried out through its US subsidiary Empire Energy E&P, LLC ('Empire E&P'). In addition, the Company maintains a small Head Office in Australia and manages the exploration program in the McArthur Basin, Northern Territory, through its 100% owned subsidiary Imperial Oil & Gas Pty Ltd.

<u>Production from US operations</u>:

1. Gross natural gas production: 7,100 Mcfg/d; and
2. Gross oil production: 781 Bbl/d; or
3. Net production: 1,355 Boe/day.

<u>Operating Wells:</u>

1. Mid-Con: 293 producers, 59 disposal and injection wells, 23 shut in.
2. Appalachia: 2,277 producers of which 290 were shut in (on production rotation) at the end of June 2013.

Executive Chairman's Review of Operations (Continued)

A. OPERATING STATS

TABLE A

Operating Statistics		6 Months Ended		
(In $ thousands, except units)	Notes	June 30, 2013	June 30, 2012	% change
Gross Production:				
Oil (MBbls)		131.95	156.78	-16%
Natural gas (MMcf)		1,240.12	1,289.79	-4%
Net Production:				
Oil (MBbls)		84.37	99.65	-15%
Natural gas (MMcf)		965.20	992.83	-3%
Net production (Mboe):	1.0	245.22	257.3	-6%
Net Daily Production (Boe/d):		1,355	1,465	-8%
Average sales price per unit (after hedging):				
Oil ($/Bbl)		$85.29	$80.13	6%
Natural gas ($/Mcf)		$5.48	$5.48	0%
Average sales price per unit (before hedging):				
Oil ($/Bbl)		$88.69	$85.65	4%
Natural gas ($/Mcf)		$3.92	$2.72	44%
Lifting Costs (incl taxes):	1.1			
Oil ($/Bbl)		$25.81	$22.83	13%
Natural gas ($/Mcf)		$2.27	$2.08	9%
2P Reserves (MMBoe)	1.2	11.6	11.8	-2%

Notes to Table A:

1.0 Conversion of natural gas (1,000mmbtu) to a barrel of oil equivalent is based on a 6:1 ratio. Although this conversion ratio may be useful in terms of energy equivalents, it is not relevant in terms of value equivalent, with NYMEX Henry Hub currently at $3.55/Mcf and WTI at $110/Bbl.

1.1 **Lifting Costs** - includes lease operating expenses, production and ad valorem taxes.

1.2 **2P Reserves –** reserves where updated as of December 1, 2012 by Ralph E Davis Associates, Inc., Houston, TX (Appalachian assets) and LaRoche Petroleum Consultants Ltd, Dallas, TX (Kansas assets). At balance date, due to prevailing gas prices it was determined that the booked natural gas Puds were uneconomic and as such the Pud reserves were not included in 2P Reserve calculations. Refer to Section E.1.3 for more detail.

Executive Chairman's Review of Operations (Continued)

EBITDAX Reporting

In addition to the information presented in the financial report, to assist stakeholders in gaining a clearer understanding of the financial and operational aspects of the Company, a presentation of financial results with reference to EBITDAX reporting has been included.

Statements may make reference to the terms "EBITDAX", Field EBITDAX, "netback", "cash flow" and "payout ratio", which are non-IFRS financial measures that do not have any standardised meaning prescribed by IFRS. Management have attempted to ensure these non-IFRS measures are consistent with reporting by other similar E&P companies so useful production and financial comparisons can be made.

IFRS accounts have been based on an accrual basis (effective date). The EBITDAX accounts, based on production date, are not meant to reconcile to the statutory accounts. However EBITDAX prepared on an effective date basis can be reconciled to the statutory accounts. At the time of this EBITDAX report, actual numbers for production, income and expenses have been utilised. The following EBITDAX report is prepared on a production date basis.

EBITDAX represents net income (loss) before interest expense, taxes, depreciation, amortization, development and exploration expenses. Management believes that:

- EBITDAX provides stakeholders with a simple and clear measure of our operating performance;
- EBITDAX is an important measure of operating performance and highlights trends in our core business that may not otherwise be apparent when relying solely on current statutory accounting and financial measures;
- Securities analysts, investors and other interested parties frequently use EBITDAX in the comparative evaluation of companies, many companies now present EBITDAX when reporting their results;
- Management and external users of our financial statements, such as investors, banks, research analysts and others, rely on the use of EBITDAX to assess:
    - the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
    - the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness;
    - our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure; and
    - the feasibility of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Other companies may calculate EBITDAX differently than as presented. Based on the premises set out above, the following schedules present comparative operating statistics and financials on an EBITDAX basis:

Executive Chairman's Review of Operations (Continued)

TABLE B

Operations - EBITDAX		6 Months Ended		
(In $ thousands)	Notes	June 30. 2013	June 30, 2012	% change
Net Revenue:				
Oil Sales	1.3	$7,196	$7,985	-10%
Natural gas Sales	1.3	$5,285	$5,441	-3%
WI Income		$13	$5	160%
Net Admin Income	1.4	$222	$214	4%
Other Income		$434	$146	197%
Net Revenue		$13,150	$13,791	-5%
Production costs:				
Lease operating expenses - Oil		$1,785	$1,836	-3%
Lease operating expenses - Gas		$1,563	$1,501	4%
Taxes - Oil		$327	$379	-14%
Taxes - Natural gas	1.5	$308	$298	3%
		$3,983	$4,014	-1%
Field EBITDAX		**$9,167**	**$9,777**	-6%
Gross Margin		*69.7%*	*70.9%*	
Less:				
Inventory Adjustment	1.6	$(68)	$(223)	-70%
Nonrecurring expenses	1.7	$859	$1,089	-21%
Non Field F&A	1.8	$384	$329	17%
		$1,175	$1,195	-2%
Operating EBITDAX		**$7,992**	**$8,582**	-7%
Operating Margin		*60.8%*	*62.2%*	
Less:				
Field G&A	1.9	$398	$303	31%
Corporate G&A	1.10	$754	$817	-8%
Acquisition expenses	1.11	$59	$129	-54%
Land & Leasing Costs	1.12	$(3)	$102	-103%
Delayed Rental Payments		$184	$127	45%
Head Office Net G&A	1.13	$757	$835	-9%
		$2,149	$2,313	-7%
EBITDAX		**$5,843**	**$6,269**	-7%
Net Margin		*44.4%*	*45.5%*	

Executive Chairman's Review of Operations (Continued)

Notes to Table B:

1.3 **Oil and Natural Gas Sales** –include realised hedges, being $1.5 million and ($0.3) million for natural gas and oil respectively.

1.4 **Net Admin Income –** as operator for approximately 99% of the Company's assets, the Company charges Working Interest Owners a fee to cover expenses such as administration, general insurance, supervision etc.

1.5 **Taxes –** relate to production and includes production, severance and ad valorem taxes.

1.6 **Inventory Adjustment –** adjustment for oil in tanks as of June 30, 2013.

1.7 **Nonrecurring expenses –** expenses not normally associated with the day to day costs of production. Significant costs can relate to pump jack replacements, split casings, and polymer treatment programs for wells were the oil cut is decreasing due to an increasing flow of water. A polymer treatment program costs around $125,000/well. These costs are expensed. One well was treated in the first half of 2013.

1.8 **Non Field F&A** –field supervision and indirect operational expenses including motor vehicles, fuel, mechanics, roustabouts, supervisors, lease and land management, general property insurances, environmental and reserve reporting etc. Comparisons include new Landman employed in both Appalachia and Mid-Con.

1.9 **Field G&A** – Empire Energy has field offices in each region it operates. Appalachia operations are relatively personnel intensive including the management of over 3,700 leases, 1,600 right of ways, 20 marketing agreements, 35 employees and 2 contract pumpers operating across a large area of western New York and western Pennsylvania. Kansas operations consist of around 200 leases, 6 employees and 13 contract pumpers operating across a large area (12 counties) of central Kansas. Field G&A expenses include expenses such as utilities, IT, postage, office rental (where applicable) etc.

1.10 **Corporate G&A** – Empire Energy manages its USA operations from a corporate head office at Canonsburg, PA were a staff of 6 hold responsibility for financial management, control and reporting and HR Services. Significant expenses for the period were - salaries and wages $144,226; audit/tax and accounting $163,040; travel and accommodation $105,938; rent and accommodation costs $70,259; Professional Services $84,975 and Management and Director fees $164,000 (of which $75,000 was paid to Empire Energy Group Limited).

1.11 **Acquisition related expenses** – Directly associated with acquisitions and include legal, tax and accounting advice, transition fees, recruitment and relocation costs and engineering expenses. These are driven by the acquisitions successfully concluded or in progress.

1.12 **Land & Leasing Costs** – costs related to land leasing expenses for new leases and renewals.

1.13 **Head Office Net G&A** – net cost of Australian operations (expenses are net of income received). Major expenses were consultants $204,465; salaries $109,745; audit & accounting $62,213; listing related expenses $55,996; rent, communications and IT $110,984.

Executive Chairman's Review of Operations (Continued)

B. NET EARNINGS

TABLE C

Net Earnings		**6 months**		
(In $ thousands)	Notes	June 30, 2013	June 30, 2012	% change
EBITDAX		**$5,843**	**$6,269**	**-7%**
Geological Services		$16	$15	7%
Dry Hole Expenses		$26	$91	-71%
Exploration - Australia		$579	$338	71%
		$621	$444	40%
EBITDA		**$5,222**	**$5,825**	**-10%**
Less:				
ARO, accretion, lease expiration	1.14	$377	$1,272	-70%
Depn, depletion and amortisation		$2,986	$3,668	-19%
		$3,363	$4,940	-32%
EBIT		**$1,859**	**$885**	**110%**
Interest	1.15	$1,147	$1,309	-12%
State Taxes		$1	$17	-94%
Net Earnings		**$711**	**$(441)**	**261%**

Notes to Table C:

1.14 Includes one-off lease expiration write downs.

1.15 **Credit Facility** The draw down on the Macquarie Bank Limited Credit Facility as at 30 June 2013 was $45.8 million (cf $49.4 million at Dec 2012) at an average rate of LIBOR+4.0%. Over the period $3.6 million of the existing loan facility was repaid. Interest expense is estimated to average $170,000/mth over 2013.

Executive Chairman's Review of Operations (Continued)

C. RECONCILIATION OF EBITDAX ACCOUNTS TO STATUTORY ACCOUNTS

At the time of this EBITDAX report, actual numbers for production, income and expenses have been utilised. This method therefore generates an additional difference between what is shown in the EBITDAX and what is represented in the statutory accounts.

The EBITDAX in Table B and Net Earnings in Table C report operational activities of Empire Energy Group. The note below provides reconciliation to the financial statements.

Net Earning - Effective Date	
(In $ thousands)	**June 30, 2013**
Net Earnings- production date	**$711**
Net Earnings- effective date	**$753**
Intergroup management fee	$75
Revenue and expenses (remaining Empire Group)	
Other Income	$157
Other Income*	$22
Impairment of assets*	$(35)
General and administration – head office	$(12)
General and administration – other*	$(229)
Finance costs – other*	$(242)
Net loss before income tax expense	$489
* ***Indicates non-cash items***	

Executive Chairman's Review of Operations (Continued)

COMMENTS ON OPERATIONS

1.1 Hedging

Due to the leverage growth model implemented by Empire Energy, an aggressive hedging strategy is adopted to ensure commodity risk is eliminated over the period that a major portion of debt financing is repaid. The Empire Energy acquisition model metric is to target a 5 year debt repayment from project cash flows. The portion of production hedged will be naturally reduced as drill bit production comes on line.

Year	Est. Net mmBtu	Hedged mmBtu	%	Ave $/mmBtu	Est. Net Bbl	Hedged Bbl	%	Av $/Bbl
2013	975,000	699,291	71.70%	$5.94	79,298	56,580	71.40%	$90.00
2014	1,850,000	1,338,488	72.20%	$5.93	141,058	105,120	74.50%	$90.00
2015	1,790,000	1,166,000	65.10%	$5.45	133,280	98,160	73.60%	$90.00
2016	1,730,000	1,200,000	69.40%	$4.43	126,616	42,000	33.20%	$85.67
2017	1,675,000	570,000	34.00%	$4.57	120,285	39,600	32.90%	$85.23
2018	1,620,000	510,000	31.50%	$4.75				
Total	9,640,000	5,483,779	56.90%	$5.25	600,537	341,460	58.90%	$88.91

The fair value loss (marked to market) of combined oil and gas hedges in place for the Period was $348,864 (net of tax). Oil and gas hedge contracts were valued based on NYMEX Henry Hub and WTI forward curves at market close on June 30, 2013.

1.2 Exploration & Development

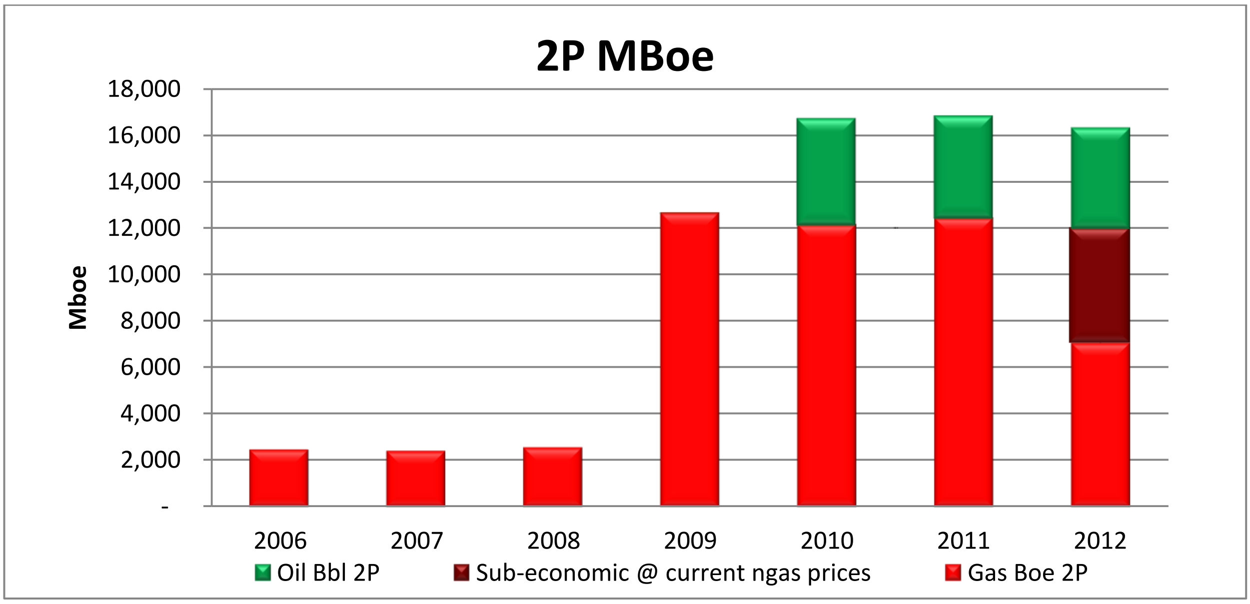
Capex (In $ thousands)	June 30, 2013	June 30, 2012	% change
Acquisitions	$0.0	$1,186.0	-100%
New wells - IDC	$574.1	$1,255.9	-54%
New well - Capital	$311.2	$345.7	-10%
Undeveloped Leases	$206.7	$939.9	-78%
	$1,092.5	$3,727.5	-70%

Expenditure: Total drilling expenditure in Kansas over the first 6 months of 2013 was related to the completion of two wells drilled in late 2012. The period was focused on interpretation of seismic purchased in late 2012 for a drilling program over the second six months of 2013. Plans are in place for the drilling of between 6 to 8 wells to be drilled though to the end of 2013. IDC's from this proposed drilling program should be sufficient to offset tax payable by the Unit holder for the 2013 period.

Executive Chairman’s Review of Operations (Continued)

1.3 Reserves

Net 2P Reserves: An updated Reserve Estimate was carried out as of December 1, 2012. An updated summary of 2P Reserves is shown below. Total 2P reserves are 11.3 million Boe. At reserve update, due to the extended payback of conventional gas wells drilled and completed in Company properties in the Appalachia region, directors decided to exclude Pud Reserves. This resulted in a right down of approximately 5MMboe. These reserves are mainly held by production and will be written back at higher gas prices.



Empire E&P has adopted the SEC standard of 6 Mcf to 1 Bbl when converting natural gas to Boe. Boe may be misleading, particularly if used in isolation. A Boe conversion ratio of 6 Mcf to 1 Bbl is based on energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

Possible Reserves and Resources: In addition to the 2P reserves, the Empire Group is undertaking a detailed review of its 300,000+ acres held in western New York and north western Pennsylvania. This acreage (see below) covers a number of oil and gas bearing horizons and is currently producing from the Medina and Queenston formations. Recent independent reports have indicated +70MMBbls and 200 Bcf in the Marcellus Shale and Resources of at least 4.6 Tcf in Utica Shale.

1.4 Land Position

The following tables summarise the Company’s land holdings in both Appalachia and Mid-Continental region.

Executive Chairman's Review of Operations (Continued)

1.4.1 Appalachia

State	County	Total Acreage	HBP Ac.	Marcellus Ac.	Utica Ac.	Expiry			
						2013	2014	2015	2016+
NY	Cattaraugus	35,427	23,342	35,369	27,947	0	0	7,927	4,157
NY	Cayuga	11,127	1,386	0	11,072	0	588	2,883	6,270
NY	Chautauqua	176,909	176,908	175,521	59,609	0	0	0	1
NY	Erie	9,413	9,119	0	9,413	0	0	0	294
NY	Niagra	951	0	0	947	0	0	0	951
NY	Onondaga	836	0	0	836	0	0	814	22
NY	Ontario	5,743	70	0	5,744	0	194	541	4,938
NY	Seneca	16,649	8,322	0	16,754	1,241	559	425	6,102
NY	Wayne	9,101	1,669	0	9,082	200	0	1,216	6,016
NY	Wyoming	814	814	0	721	0	0	0	0
PA	Armstrong	773	773	0	0	0	0	0	0
PA	Clarion	4,052	4,052	500	500	0	0	0	0
PA	Erie	8,419	8,419	8,419	8,419	0	0	0	0
PA	Jefferson	2,100	2,085	0	0	0	0	15	0
PA	Venango	0	0	0	0	0	0	0	0
	Totals	**282,313**	**236,958**	**219,809**	**151,044**	**1,441**	**1,341**	**13,821**	**28,751**

1.4.2 Mid-Continental

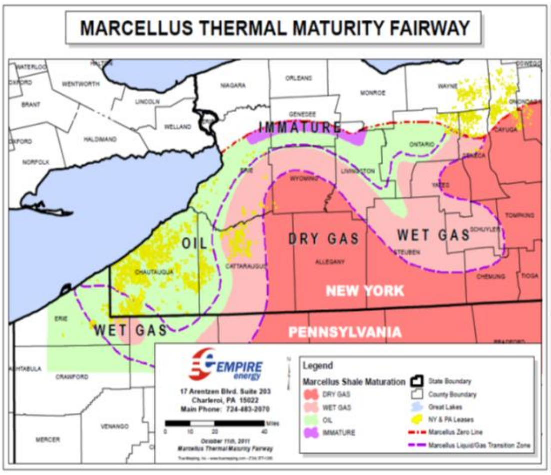
State	County	Total Gross Ac	*Miss.	**Arb/ LKC/Viola	HBP Ac	Expiry			
						2013	2014	2015	2016+
Kansas	Barton	2,307		2,307	2,307			155	
Kansas	Clark	716	716	716	716				
Kansas	Comanche	1,080	1,080	1,080	1,080				
Kansas	Ellis	2,386		2,386	2,386				
Kansas	Gove	6,082	6,082	6,082	2,720	960	1,440	962	
Kansas	Graham	400		400	320		80		
Kansas	Harvey	1,480	920	1,480			560	920	
Kansas	Kiowa	80	80		80				
Kansas	Meade	1,126	1,126	486	966				160
Kansas	Ness	160	160		160				
Kansas	Pawnee	160		160	160				
Kansas	Pratt	370	370	370	160		210		
Kansas	Reno	80	80	80	80				
Kansas	Rice	73	73	73				73	
Kansas	Rooks	640		640	640				
Kansas	Rush	320		320	160		160		
Kansas	Russell	2,670		2,670	2,790				
Kansas	Stafford	2,299		2,299	2,139			160	
Totals		**22,429**	**10,687**	**21,549**	**16,864**	**960**	**2,450**	**2,270**	**160**

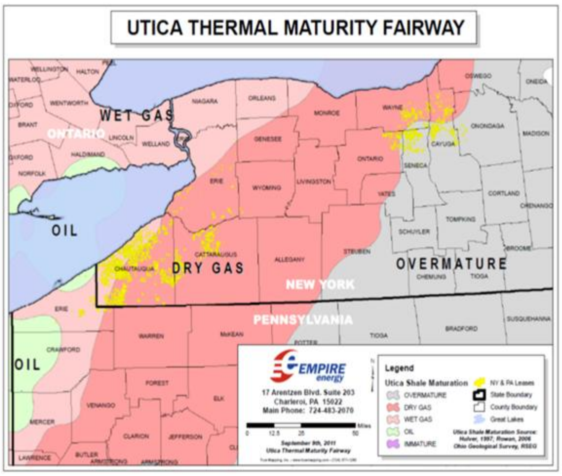
*Miss. = Mississippi Lime acreage
**Arb/LKC = Arbuckle/Lansing-Kansas City/Simpson/Viola acreage

Executive Chairman's Review of Operations (Continued)

D. APPALACHIA - UNCONVENTIONAL

- Significant new well performance data is now available from third party wells drilled in Pennsylvania and Ohio over the past 18 months. This data is being incorporated into reserve and resource calculations for acreage held by Empire E&P in western New York and northern Pennsylvania.
- Both the potential Marcellus and Utica shale regions are shown in the maps below. (On the following two maps, Empire E&P leases are highlighted in yellow).
- An updated reserve/resource report will be released in early 2014.
- The table below summarizes reserves/resource as at previous balance date, as estimated by Ralph E Davis Associates, Houston. All volumes presented are gross volume (8/8ths), and have not subtracted associated royalty burdens (generally 1/8th).





1.1 Unconventional Shale – Possible Reserves/Potential Resources

Formation	Total Acreage	Acreage (2)	Type	Category	MBbl	Bcf	MMboe
Marcellus (1)	240,077	~100,000	Oil (1)	3P	70,295		70
Marcellus	240,077	~100,000	Gas	3P		199	33
Utica (3)	157,779	40,000	Gas	2C		1,030	172

Notes:
(1) Wells within the defined Marcellus oil resource zone were calculated to produce between 2-5,000 Bbls/5 acres. The most likely outcome was utilized with a 3% RF (recovery factor).
(2) Resource based on portion of total estimated Marcellus and Utica acreage.
(3) Utica shale gas potential resources have only been calculated for the region where drill data is available. Recent exploration and production by third parties will enable additional, acreage to be included in updated resource calculations.

Executive Chairman’s Review of Operations (Continued)

1.2 The New York Fracking Moratorium

The New York State Department of Environmental Conservation’s (‘DEC’) de facto moratorium on hydraulic fracturing in New York State ended on 1 July 2011. The moratorium was subsequently extended.

The DEC has released its revised recommendations on mitigating the environment impacts of high-volume hydraulic fracturing (high-volume fracturing), the public comment period on the proposed regulations regarding high-volume hydraulic fracturing ended on 11 January 2013.

In February 2013 Health Commissioner Dr. Nirav Shah sent a letter to the DEC stating the Department of Health will need more time to complete its review of the health impact assessment of hydrofracking contained in DEC’s mammoth environmental impact statement.

The DEC have indicated they will not take any final action or make any decision regarding hydraulic fracturing until after Dr. Shah's health review is completed and DEC, through the environmental impact statement, is satisfied that this activity can be done safely in New York State.

The Company has extensive Marcellus (~200,000 net acres) and Utica (~140,000 net acres) shale acreage in New York State, the ending of the hydraulic fracturing moratorium will enable the Company to seek ways to monetise this asset over the medium term.

E. MCARTHUR BASIN, NT – A LARGE EMERGING PETROLEUM PLAY

The McArthur Basin is an underexplored yet emerging petroleum frontier basin with direct indications of oil & gas. There has very little petroleum exploration in the Batten Trough, located in the southern portion of the McArthur Basin and no petroleum exploration in the Walker Trough in the northern portion of the McArthur Basin.

The Company’s wholly owned subsidiary, Imperial Oil & Gas Pty Ltd (“Imperial”), holds approximately 14.6 million acres of leases and lease applications in the onshore McArthur Basin. Encouragingly recent exploration wells drilled directly along trend in the nearby south McArthur Basin in 2012 discovered gas in the same thick carbon-rich black petroliferous shales that are widespread in Imperial’s acreage.

Executive Chairman's Review of Operations (Continued)

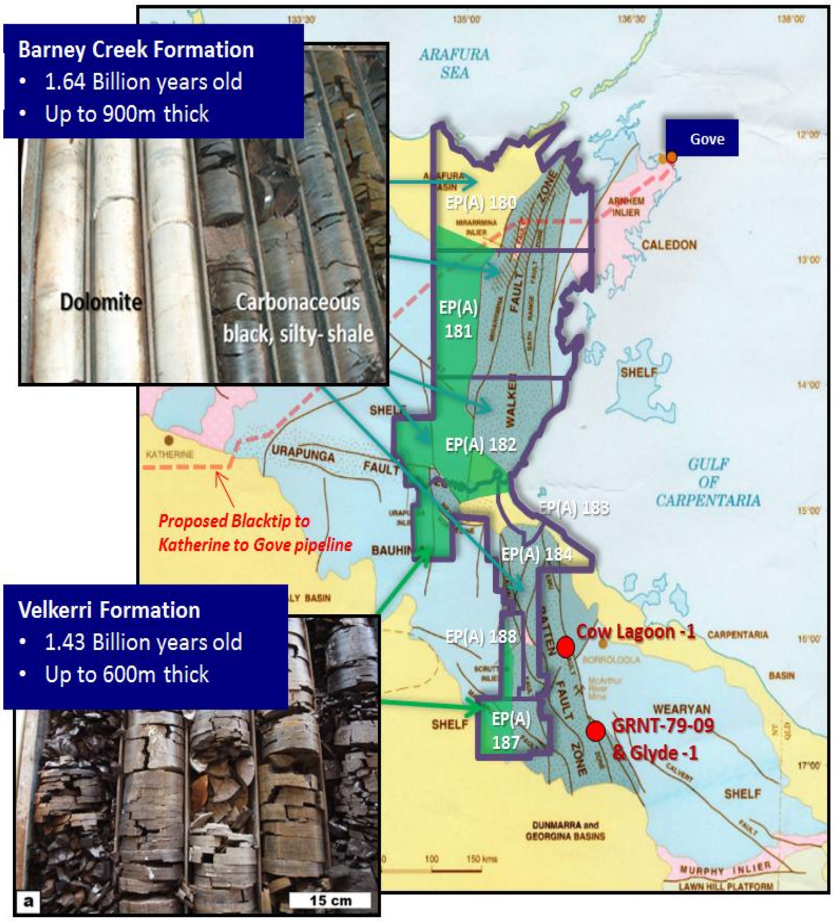
1.1 Proven Petroleum Systems

Barney Creek Shales

- Palaeo-Proterozoic
- Present over most of Imperial's area
- Anoxic sulphur-rich black gas shales
- Up to 900m thick
- Recent wells flowed naturally
- Dolomite reservoir directly beneath shale formation

Velkerri Shales

- Meso-Proterozoic
- Present in west of Imperial's area
- Laminated black carbonaceous siltstones & mudstones
- Up to 600m thick
- Recent wells flowed naturally
- Sandstone reservoir directly beneath shale formation



Analogue shale gas basins suggest Imperial's extensive acreage may contain multi-Bo/Tcfg of potential recoverable shale & conventional gas resources. Furthermore, geochemical analysis of the target shale formations by Imperial demonstrates potential for oil as well as associated liquids.

On 21st August 2013 the first of Imperial's seven areas, EP184, was formally granted and the company is now required, and is planning, to commence on-ground exploration activities.

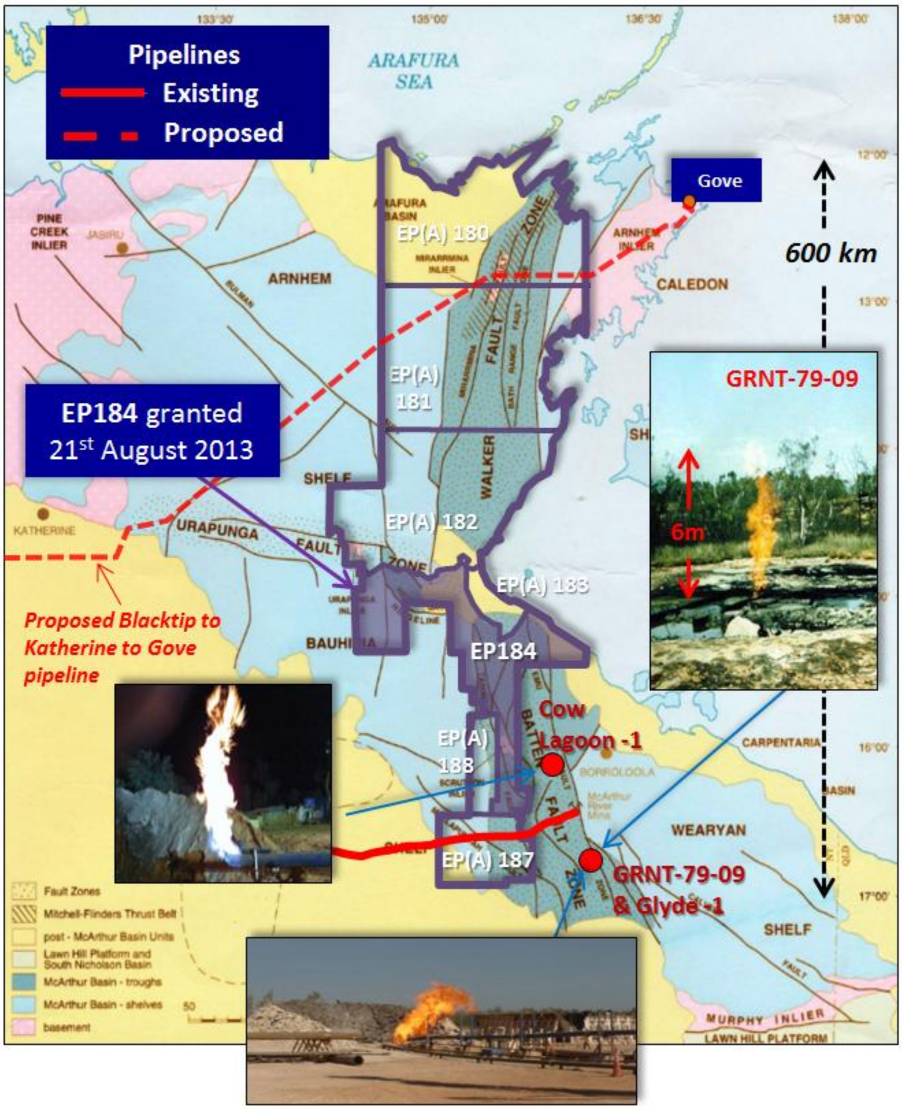
The grant of the remaining six permits and commencement of exploration operations will occur once agreements have been negotiated with Traditional Land Owners. After participating to date in 22 on-country meetings Imperial has developed excellent relations with Traditional Owners and progress is well advanced.

There is an existing gas pipeline across Imperial's southern EP(A)187 and one planned in the north through EP(A) 180 & 181.

Executive Chairman's Review of Operations (Continued)

1.2 Initial Targets

1.2.1 Unconventional - Shale Formations



The initial target petroleum resource is in 1.64 billion year old Palaeo- Proterozoic organic-rich black shales of the Barney Creek Formation and equivalents. These were first proven gas-prone in the southern McArthur Basin. The 1979 mineral core hole GRNT-79-09 ignited and sustained a 6m high yellow smoky gas flare for approximately 6 months producing an estimated 0.5 Bcf at 6mmscfd. Gas analysis revealed C1-C7 and minimal CO_2. Drilling of Cow Lagoon-1 and Glyde-1 in 2012 produced free flowing gas confirming the McArthur Basin formations to be hydrocarbon bearing. Also, oil bleeds are common in shale cores which, along with the conclusions from geochemical analyses undertaken by Imperial, suggest parts of Imperial's acreage to be prospective for oil.

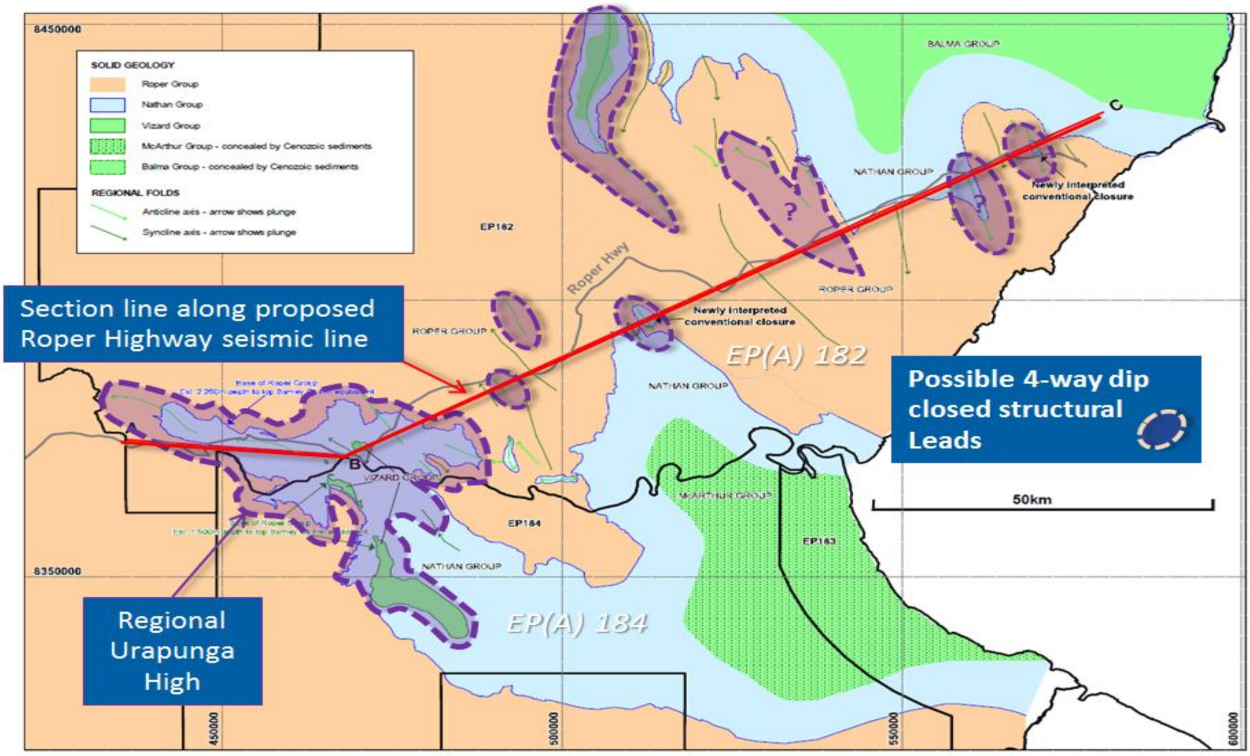
The shallower 1.43 billion year old Meso-Proterozoic Velkerri Formation also contains carbon-rich black shales & siltstones providing a second shale oil & gas exploration target in Imperial's southern EP(A)s 187 & 188 and the western regions of EP(A) 181, 182 & 184. The Velkerri Formation is the focus of shale gas exploration in the adjacent Beetaloo Basin to the south.

Executive Chairman’s Review of Operations (Continued)

1.2.2 Conventional Petroleum Reservoirs

While unconventional shales provide the primary oil & gas target there are associated carbonate and clastic formations that offer significant additional conventional resource potential. Imperial’s primary objective however for the initial exploration programme to constrain the magnitude and potential for commercially viable shale petroleum resources.

Structural modelling work undertaken by Imperial has identified to date 26 four-way dip-closed traps in the areas targeted for initial exploration, some of which are potentially large. These features will be investigated for their conventional reservoir potential while maintaining a clear focus on shale targets. The two maps below show two such conventional traps which will be the focus for exploration when agreements with Traditional Owners are completed in these areas.



Of particular note as a potential drilling target is a large regional dome referred to by Imperial as the Urapunga High. Approximately half of the surface structure (which is approximately 70km long) is within the now granted EP184 where the target petroliferous shale formations outcrop at surface. The conventional trap geometry will be documented and shales sampled for geochemical analysis during a geological field study planned for 2013.

Executive Chairman's Review of Operations (Continued)

1.2.3 Analytical Program

As is required in any frontier basin Imperial has undertaken significant technical evaluation and analysis to constrain the regional extent, quality, and thermal maturity of the target oil & gas shales. The recently completed third stage of the University of Adelaide Shale Research Group study has allowed substantial progress in this respect towards defining potential gas & oil-prone sweet spots within Imperial's acreage. Around 900 core samples were collected for the study. Of these 133 samples of Barney Creek and 68 of Velkerri Formation shale were analysed to determine their Total Organic Carbon Content ('TOC'). From those 89 Barney Creek and 35 Velkerri Formation shales were further analysed to establish their thermal maturity. These analyses will be integrated with the results of Imperial's ongoing structural & basin modelling work to characterize the type and distribution of hydrocarbons in the Southern portion of Imperial's license areas and provide for prediction in the northern areas where there are no existing petroleum geochemical data.

1.2.4 Gas to Gove

Imperial's McArthur Basin acreage is strategically located just 80 km from the Gove Refinery. In the event of gas discovery, depending on the scale of resource, Imperial can potentially supply gas locally into the proposed new gas pipeline or to support directly mining operations in the area, to replace diverted gas quotas for use in Darwin, or for inter-state or overseas export. Imperial has initiated discussions with mining companies active in the region to identify options for gas supply in the event of discovery

F. FUTURE

The Company's strategy remains to:

- To identify and acquire additional accretive oil and gas producing assets utilizing the undrawn portion (approx. $100 million) of the existing credit facility. Available head room under the facility will add additional flexibility in the funding of any acquisition identified over the short term. Although over the past 18 months the Company has not completed an acquisition, due to the inability to meet the Company's defined acquisition metrics, a steady deal flow is being reviewed; and

- Finalize the granting of the remaining 6 exploration applications in the McArthur Basin, NT by the end of 2013; and

- Identify and implement a value enhancing structure to enable the long term development of the Company's onshore McArthur Basin Assets. This may include the possibility of identifying and working with a partner over the exploration and development stages; and

- Focus on existing well re-works to maintain steady state production as well as reducing both oil and gas lifting costs; and

- Continue a marketing program to ensure the value of the Company's net assets and achievements are reflected in its market capitalization, by promoting the Company through presentations, roadshows and industry events to investors, analysts and brokers.

Executive Chairman's Review of Operations (Continued)

I would like to acknowledge the many employees, shareholders and stakeholders who have provided support and assistance in continuing the development of the Company.

Bruce McLeod
Chairman & CEO

The information in this report which relates to reserves is based on information compiled by Ralph E Davis Associates Inc, Houston, Texas, and LaRoche Petroleum Consultants Ltd., Dallas, Texas, both certified professional petroleum engineers with over five years experience and are qualified in accordance with the requirements of Listing Rule 5.11.

Neither Ralph E Davis Associates Inc, nor LaRoche Petroleum Consultants Ltd., nor any of their employees have any interest in Empire Energy E&P, LLC or the properties reported herein.

Note Regarding Forward- Looking Statements

Certain statements made and information contained in this press release are forward-looking statements and forward looking information (collectively referred to as "forward-looking statements") within the meaning of Australian securities laws. All statements other than statements of historic fact are forward-looking statements.

DIRECTORS' REPORT

The Directors of Empire Energy Group Limited ("the Company") present their report together with the Consolidated Financial Report for the half-year ended 30 June 2013 and the Auditor's Review Report thereon.

1. PRINCIPAL ACTIVITIES

During the six month financial period ended 30 June 2013 the principal continuing activities of the consolidated entity consisted of:

- the acquisition, development, production, exploration and sale of oil and natural gas. The Empire Group sells its oil and gas products primarily to owners of domestic pipelines and refiners located in Pennsylvania, New York and Kansas.
- continued progression of conventional and unconventional exploration targets in the Northern Territory.
- reviewing new exploration, development and business opportunities in the oil and gas sector to enhance shareholder value.

2. CONSOLIDATED RESULTS

The consolidated net loss of the consolidated entity for the six month period ended 30 June 2013 after providing income tax was US$356,562 compared with a loss of US$342,780 for the previous corresponding period ended 30 June 2012.

3. REVIEW OF OPERATIONS

For information on a review of the Group's operations refer to the Executive Chairman's Review of Operations Report contained on pages 4 to 20 of this Interim Financial Report.

4. DIRECTORS

The following persons held office as Directors of Empire Energy Group Limited during and since the end of the financial period:

BW McLeod - Executive Chairman
DH Sutton - Non-Executive Director
K A Torpey - Non-Executive Director

5. SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the financial half year.

6. EVENTS SUBSEQUENT TO REPORTING DATE

1) Minority Interest Buy Back
On the 9 September 2013 the Company announced that it had successfully negotiated the buyback of the minority interest in the Company's US subsidiary Empire Energy USA LLC

Director's Report (Continued)

('EEUSA'). This makes EEUSA a 100% owned subsidiary excluding the impact of the exercise of warrants, equivalent to 10% of the total issued capital of EEUSA, by Macquarie Bank Limited on or before February 2016. The effective date of this transaction is 1 January 2013. The minority interest was purchased for the following consideration:

- 4,000,000 fully paid ordinary shares in the issued capital of Empire Energy Group Limited; and
- 2,500,000 Performance Rights over ordinary shares in the Company subject to preconditions being satisfied.

2) Exploration Permit Granted, McArthur Basin, Northern Territory
On 21 August 2013 EP184 was formally granted to the Company's 100% owned subsidiary Imperial Oil & Gas Pty Ltd ('IOG'). The permit is granted for an initial period of 5 years over which IOG will be required to meet a number of minimum work requirements including geological and geophysical studies, seismic, drilling of a test well and drilling of a horizontal well.

3) Defacto moratorium on hydraulic fracking, New York State
The New York State Department of Environmental Conservation's ('DEC') is yet to make a decision on the de facto moratorium on hydraulic fracturing in New York State.

The DEC have indicated they will not take any final action or make any decision regarding hydraulic fracturing until the Department of Health completes its review of the health impact assessment of hydrofracking contained in DEC's environmental impact statement. There has been no indication given as to when the Department of Health will complete their review.

The Company has extensive Marcellus (~200,000 net acres) and Utica (~140,000 net acres) shale acreage in New York State, the ending of the hydraulic fracturing moratorium will enable the Company to seek ways to monetise this asset over the medium term.

With the exception of those matters referred to above there is no other matter or circumstance that has arisen since 30 June 2013 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2013 of the group;
- the results of those operations; or
- state of affairs, in financial years subsequent to 30 June 2013 of the group

On 10 September 2013 the financial report was authorised for issue by a resolution of Directors.

AUDITOR'S INDEPENDENCE DECLARATION

Under section 307 of *The Corporations Act 2001.*

A copy of the Auditor's Independence Declaration as required under section 307C of *The Corporations Act 2001* is set out on page 39 and forms part of the Director's Report for the six month period ended 30 June 2013. Signed in accordance with a resolution of the Directors.

B W McLeod
Signed at Sydney this 12th of September 2013

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2013

	Note	Six months ended June 2013 US$	Six months ended June 2012 US$
Revenue from continuing operations		13,457,198	13,730,272
Other income		384,065	174,461
		13,841,263	13,904,733
Expenses			
Oil and gas production		(5,741,152)	(5,500,942)
Exploration assets written off		(604,767)	(523,631)
Lease expiration expenses	2	(96,982)	(913,825)
Impairment of assets		(35,105)	(140,537)
Depreciation, depletion and amortisation		(2,476,215)	(2,370,016)
General and administration		(2,233,719)	(2,341,868)
Finance costs		(1,146,939)	(1,317,733)
Finance costs (non-cash)		(1,017,128)	(2,261,420)
Other expenses		-	(54,258)
Profit/(Loss) before income tax expense from continuing operations		489,256	(1,519,497)
Income tax (expense)/benefit	3	(845,818)	1,176,717
(Loss) after income tax (expense)/benefit from continuing operations		(356,562)	(342,780)
Other comprehensive income			
Items that are or may be reclassified subsequently to profit or loss			
Gain on the revaluation of available-for-sale assets		(103,045)	(405,403)
Exchange differences on translation of foreign operations		(129,950)	45,289
Net change in the fair value of cash flow hedges, net of tax		(348,864)	1,184,926
Other comprehensive income for the period, net of tax		(581,860)	824,812
Total comprehensive income for the period		(938,422)	482,032
(Loss) for the period is attributable to:			
Equity holders of Empire Energy Group Limited		(436,618)	(343,783)
Non-controlling interests		80,056	1,003
		(356,562)	(342,780)
Total comprehensive income for the period is attributable to:			
Equity holders of Empire Energy Group Limited		(990,325)	334,121
Non-controlling interests		51,903	147,911
		(938,422)	482,032
		Cents per share	Cents per share
Basic earnings per share	11	(0.14)	(0.12)
Diluted earnings per share	11	(0.14)	(0.12)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2013

	Note	30 June 2013 US$	31 December 2012 US$
CURRENT ASSETS			
Cash and cash equivalents		4,072,942	6,189,192
Trade and other receivables		5,082,252	5,097,864
Prepayments and other current assets		304,747	171,973
Inventory		824,744	805,646
Financial assets, including derivatives		2,440,652	3,267,501
Current income tax receivable		172,000	853,875
TOTAL CURRENT ASSETS		12,897,337	16,386,051
NON-CURRENT ASSETS			
Financial assets, including derivatives		4,466,922	5,024,544
Oil and gas properties	5	96,534,693	98,018,856
Property, plant and equipment	5	822,069	939,758
Intangible assets	6	68,217	70,367
TOTAL NON-CURRENT ASSETS		101,891,901	104,053,525
TOTAL ASSETS		114,789,238	120,439,576
CURRENT LIABILITIES			
Trade and other payables		4,887,134	6,415,637
Financial liabilities, including derivatives		-	248,575
Interest-bearing liabilities	7	45,096,956	48,924,343
Provisions	8	79,574	85,567
Current tax liability		-	-
TOTAL CURRENT LIABILITIES		50,063,664	55,674,122
NON-CURRENT LIABILITIES			
Financial liabilities, including derivatives		107,945	525,953
Interest-bearing liabilities		28,416	40,191
Provisions	7	6,270,438	6,015,635
Deferred Tax Liability		7,493,000	7,070,000
TOTAL NON-CURRENT LIABILITIES		13,899,799	13,651,779
TOTAL LIABILITIES		63,963,463	69,325,901
NET ASSETS		50,825,775	51,113,675
EQUITY			
Contributed equity	9	73,326,024	73,325,555
Reserves		6,777,710	6,710,795
Accumulated losses		(31,002,932)	(30,576,059)
Equity attributable to:			
Equity holders of Empire Energy Group Limited		49,100,802	49,460,291
Non-controlling interests		1,724,973	1,653,384
TOTAL SHAREHOLDERS' EQUITY		50,825,775	51,113,675

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

CONSOLIDATED STATEMENT OF CASHFLOWS

for the half-year ended 30 June 2013

	Six months ended June 2013 US$	Six months ended June 2012 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	13,706,490	14,567,629
Payments to suppliers and employees	(10,037,480)	(7,105,261)
Interest received	1,384	35,707
Interest paid	(1,146,939)	(1,323,414)
Income taxes paid	519,563	65,025
Net cash flows from operating activities	3,043,018	6,239,686
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments in equities	154,197	-
Payments for oil and gas assets	(690,361)	(1,617,767)
Payments for property, plant and equipment	(319,671)	(358,400)
Payments for investments in equities	(104,525)	(400,000)
Net cash flows from investing activities	(960,360)	(2,376,167)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuing of shares	469	985,923
Repayment of interest bearing liabilities	(3,641,350)	(5,374,554)
Finance lease payments	(11,775)	(6,842)
Loan acquisition costs	(494,169)	-
Net cash flows from financing activities	(4,146,825)	(4,395,473)
Net (decrease) in cash and cash equivalents	(2,064,167)	(531,954)
Cash and cash equivalents at beginning of financial period	6,189,192	4,448,495
Effect of exchange rate changes on cash and cash equivalents	(52,083)	39,386
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	4,072,942	3,955,927

The above statement of cashflows should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

for the six months ended 30 June 2013

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Non-Controlling Interests	Total Equity
Balance at 31 December 2012	**73,325,555**	**3,936,997**	**211,699**	**2,562,099**	**(30,576,058)**	**49,460,292**	**1,653,384**	**51,113,676**
Total Comprehensive income for period								
Profit after income tax from continuing operations	-	-	-	-	(436,618)	(436,618)	80,056	(356,562)
Exchange differences on translation of foreign operations	-	-	(129,950)	-	-	(129,950)	-	(129,950)
Gain on the revaluation available-for-sale investments, net of tax	-	(103,046)	-	-	-	(103,046)	-	(103,046)
Net change in the fair value of cash flow hedges, net of tax	-	(320,711)	-	-	-	(320,711)	(28,153)	(348,864)
Total comprehensive income for the period	-	(423,756)	(129,950)	-	(436,618)	(990,325)	51,903	(938,422)
Transactions with owners, recorded directly in equity								
Issue of ordinary shares	-	-	-	-	-	-	-	-
Less: share issue transaction costs	469	-	-	-	-	469	-	469
Options lapsed in period, transferred to retained earnings	-	-	-	(9,744)	9,744	-	-	-
Options issued during the period	-	-	-	223,967	-	223,967	-	223,967
Warrants issued during the period	-	-	-	406,400	-	406,400	19,685	426,085
Dilution of non-controlling interest	-	-	-	-	-	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-
Total transactions with owners	**469**	**-**	**-**	**620,622**	**9,744**	**630,836**	**19,685**	**650,521**
Balance at 30 June 2013	**73,326,024**	**3,513,240**	**81,749**	**3,182,722**	**(31,002,932)**	**49,100,803**	**1,724,972**	**50,825,775**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2012

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Non-Controlling Interests	Total Equity
Balance at 31 December 2011	71,195,874	5,249,754	150,387	3,021,425	(31,327,674)	48,289,766	1,736,764	50,026,530
Total Comprehensive income for period								
Profit after income tax from continuing operations	-	-	-	-	(343,783)	(343,783)	1,003	(342,780)
Exchange differences on translation of foreign operations	-	-	45,289	-	-	45,289	-	45,289
Gain on the revaluation available-for-sale investments, net of tax	-	(405,403)	-	-	-	(405,403)	-	(405,403)
Net change in the fair value of cash flow hedges, net of tax	-	1,038,018	-	-	-	1,038,018	146,908	1,184,926
Total comprehensive income for the period	**-**	**632,615**	**45,289**	**-**	**(343,783)**	**334,122**	**147,911**	**482,032**
Transactions with owners, recorded directly in equity								
Issue of ordinary shares	990,380	-	-	-	-	990,380	-	990,380
Less: share issue transaction costs	(4,457)	-	-	-	-	(4,457)	-	(4,457)
Options lapsed in period, transferred to retained earnings	-	-	-	(317,498)	317,497	-	-	-
Options issued during the period	-	-	-	194,964	-	194,964	-	194,964
Warrants issued during the period	-	-	-	-	-	-	-	-
Dilution of non-controlling interest	-	-	-	-	-	-	-	-
Distribution to non-controlling interests	-	-	-	-	-	-	-	-
Total transactions with owners	**985,923**	**-**	**-**	**(122,533)**	**317,497**	**1,180,888**	**-**	**1,180,888**
Balance at 30 June 2012	**72,181,797**	**5,882,370**	**195,676**	**2,898,893**	**(31,353,960)**	**49,804,776**	**1,884,674**	**51,689,450**

The above statements of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2013

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Empire Energy Group Limited ("Company") is a Company domiciled in Australia. The condensed consolidated interim financial report of the Company for the half-year ended 30 June 2013 comprises the Company and its controlled entities ("Consolidated Entity").

These general purpose financial statements for the interim half-year reporting period ended 30 June 2013 have been prepared in accordance with complied Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.* Compliance with AASB 134 ensures compliance with International Reporting Standard IAS 34 *Interim Financial Reporting.*

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2012 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001.*

Due to sustained international growth, the Empire Group's cash flows and economic returns are now denominated in US dollars ("US$"). From 1 July 2011, the Company changed the currency in which it presents its consolidated financial statements from Australian dollars ("A$") to US$.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Going concern

The consolidated financial statements have been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Empire Group's Statement of Financial Position reflects an excess of current liabilities over current assets of $37,166,327. This is primarily due to the Board determining that debt facilities be classified as current liabilities.

In January 2013 the debt facilities were extended for a further three years. The Company has decided to maintain the debt facility as a current liability.

Due to the liquidity of operating assets, the Board also determined that the USA operating assets could be classified as current assets.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2013 (continued)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

New, revised or amending Accounting Standards and Interpretations adopted
The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

The adoption of these Accounting Standards and Interpretations did not have any material impact on the financial performance or position of the consolidated entity.

NOTE 2 – LEASE EXPIRATION EXPENSES

A charge of $96,982 has been taken against the book value of undeveloped leases which have expired, or are to expire. The Company has an ongoing program to renew expiring lease, to take up options on expiring leases or acquire new leases if and when possible. The charge is a non-cash entry which has no effect on cash-flows.

NOTE 3 – INCOME TAX EXPENSE

Included in the income tax expense for the six month period is an expense of $517,265 which relates to revising the estimated deferred tax liability to reflect changes made on lodgement of the Income tax Return for Imperial Resources LLC.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2013 (continued)

NOTE 4 - OPERATING SEGMENTS

The Empire Group has two reportable segments as described below. Information reported to the Empire Group's chief executive office for the purpose of resource allocation and assessment of performance is more significantly focused on the category of operations.

	Oil & Gas		Investments		Other		Eliminations		Total	
in USD	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Revenue (external)	13,457,198	13,730,272	-	-	-	-	-	-	13,457,198	13,730,272
Other income (excluding Finance income)	228,046	147,235	153,044	-	2,975	7,835	-	-	384,065	155,070
Reportable segment profit/(loss) before tax	3,502,362	3,127,984	117,939	(158,881)	(969,067)	(928,838)	-	-	2,651,234	2,040,265
Finance income	-	-	1,094,786	526,508	2,089	19,391	(1,094,786)	(526,508)	2,089	19,391
Finance costs	(3,254,057)	(4,096,951)	-	-	(4,796)	(8,710)	1,094,786	526,508	(2,164,067)	(3,579,153)
Profit/(loss) for the period before tax									**489,256**	**(1,519,497)**
Reportable segment assets	112,604,626	122,298,851	36,114,042	35,164,747	1,598,090	1,565,222	(35,527,520)	(34,870,616)	114,789,38	124,158,204

The revenue reported above represents revenue generated from external customers. There were no intersegment sales during the period. Included in Other income above are gains disclosed separately of the face of the statement of profit and loss and other comprehensive income.

The Empire Group's reportable segments under AASB 8 are as follows:

- Oil and gas 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.
- Investments - includes all investments in listed and unlisted entities, including the investment in Empire Energy Group USA LLC, (eliminated on consolidation). Revenue is derived from the sale of the investments.
- Other - includes all centralised administration costs and other minor other income.
  Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' salaries, finance income and finance expense, gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2013 (continued)

NOTE 5 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Note	Oil & Gas – Proved and producing	Oil & Gas – Unproved & not producing	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$								
At 1 January 2013		106,126,082	5,587,534	30,591	304,209	612,387	722,153	113,382,956
Additions		789,368	206,509	-	-	-	-	995,877
New asset retirement obligation		-	-	-	-	-	-	-
Write-off of asset retirement obligation		-	-	-	-	-	-	-
Reclassifications		-	-	-	-	-	-	-
Disposals		-	(96,982)	-	-	-	-	(96,982)
Expiration costs		-	-	-	-	-	-	-
Write-off of exploration expense		(8,600)	-	-	-	-	-	-
Write-off to prepayments/inventory		-	-	-	-	-	-	(8,600)
At 30 June 2013		106,906,850	5,697,061	30,591	304,209	612,387	722,153	114,273,251
Accumulated Depreciation in US$								
At 1 January 2013		(13,694,760)	-	-	(23,885)	(342,829)	(362,869)	(14,424,342)
Depreciation and depletion		(2,364,000)	-	-	(5,669)	(38,940)	(67,606)	(2,476,215)
Disposals		(10,458)	-	-	-	-	-	(10,458)
Impairment		-	-	-	-	-	-	-
At 30 June 2013		(16,069,218)	-	-	(29,554)	(382,071)	(359,286)	(16,912,542)
Opening written down value		**92,431,322**	**5,587,534**	**30,591**	**280,324**	**269,557**	**359,286**	**98,958,614**
Impact of foreign currency adjustments		**-**	**-**	**-**	**-**	**(715)**	**(3,232)**	**(3,947)**
Closing written down value		**90,837,632**	**5,697,061**	**30,591**	**274,655**	**229,601**	**287,222**	**97,356,762**

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2013 (continued)

NOTE 5 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Note	Oil & Gas – Proved and producing	Oil & Gas – Unproved & not producing	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$								
At 1 January 2012		104,840,268	3,612,210	2,056,355	304,209	1,374,810	721,391	112,909,243
Additions		2,580,916	1,523,833	-	-	130,048	764	4,235,561
New asset retirement obligation		427,936	-	-	-	-	-	427,936
Write-off of asset retirement obligation		(57,689)	-	-	-	-	-	(57,689)
Reclassifications		1,063,550	1,675,609	(2,025,764)	-	(713,395)	-	-
Disposals		(3,079,055)	-	-	-	(141,055)	-	(3,220,110)
Expiration costs		-	(1,026,978)	-	-	-	-	(1,026,978)
Write-off of exploration expense		-	(197,139)	-	-	-	-	(197,139)
Write-off to prepayments/inventory		350,155	-	-	-	(38,022)	-	312,133
At 31 December 2012		106,126,081	5,587,535	30,591	304,209	612,386	722,155	113,382,957
Accumulated Depreciation in US$								
At 1 January 2012		(11,991,992)	-	-	(16,181)	(372,450)	(225,943)	(12,606,566)
Depreciation and depletion		(4,479,995)	-	-	(7,704)	(111,625)	(138,150)	(4,737,475)
Disposals		2,777,227	-	-	-	140,944	-	2,918,171
Impairment		-	-	-	-	-	-	-
At 31 December 2012		(13,694,760)	-	-	(23,885)	(343,131)	(364,093)	(14,425,869)
Opening written down value		**92,848,276**	**3,612,210**	**2,056,355**	**288,028**	**1,002,361**	**495,448**	**100,302,677**
Impact of foreign currency adjustments		**-**	**-**	**-**	**-**	**302**	**1,224**	**1,526**
Closing written down value		**92,431,321**	**5,587,535**	**30,591**	**280,324**	**269,557**	**359,286**	**98,958,614**

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2013 (continued)

	June 2013 $	December 2012 $
NOTE 6 - INTANGIBLE ASSETS		
Goodwill	68,217	68,217
Other intangible assets	-	2,150
	68,217	70,367
Other Intangible assets		
Carrying value at beginning	2,150	15,091
Transfer to debt	-	-
Amortisation	(2,150)	(12,941)
	-	2,150

NOTE 7 - INTEREST BEARING LIABILITIES

These accounts 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 ("AASB 101").* This accounting standard requires the Group to classify liabilities as current if the Group does not have an unconditional right to defer payment for twelve months at period end. However, the expected repayment of the borrowings is not for complete repayment within the twelve month period. In January 2013 the Company extended the Facility for a further 3 years through to 28 February 2016.

Under the terms of the Loan Facility ("Facility"), Empire Energy allocates 90% of monthly free cash flow to repay principle outstanding.

The expected loan repayments over the next 12 months comprise:
- Repayment of 90% of any monthly free cashflows

During the period the Group repaid $3,641,350 of its interest bearing facilities.

As at 30 June 2013 the loan covenants were all in compliance.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2013 (continued)

NOTE 8 - PROVISIONS

	June 2013 $	December 2012 $
Current		
Employee entitlements	79,574	85,567
Non-current		
Asset retirement obligations	6,270,438	6,015,635
Movement in Asset Retirement Obligation		
Balance at beginning of period	6,015,635	4,944,295
Additions	6,362	427,936
Write-off of accrued plugging costs	(31,509)	(57,689)
Accretion in the period, included in amortisation expense	279,950	701,093
Balance at end of period	6,270,438	6,015,635

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.

The provision represents the present value of decommissioning costs which are expected to be incurred up to 2050.

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 future oil and gas prices, which are inherently uncertain.

NOTE 9 - CONTRIBUTED EQUITY

	CONSOLIDATED 6 months to 30 June 2013	
	No. of shares	US$
a) Shares		
Issued Capital		
Balance at beginning of period	304,863,682	73,325,555
Movement in ordinary share capital		
- There was no movement in the ordinary share capital of the Company during the period.	-	-
Plus: ASX costs associated with prior share issue issues	-	469
Balance at 30 June 2013	304,863,682	73,326,024

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2013 (continued)

NOTE 9 -CONTRIBUTED EQUITY (Continued)

No shares have been issued during the period since the end of the financial period and the date of this report. The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

(b) Share Options

Total number of unissued shares under option at 1 January 2013	13,866,666
Movements	
Granted	
- 3,500,000 options were granted pursuant to the Company's Employee Share Option Plan to key management personnel on 30 June 2013,the options are exercisable @ A$0. 17 and expire 31 December 2015	3,500,000
- 1,500,000 options were granted pursuant to the Company's Employee Share Option Plan to a Director on 30 June 2013 following shareholder approval obtained at AGM held 31 May 2013. The options are exercisable @ A$0.17 and expire 31 December 2015.	1,500,000
- 1,500,000 options were granted pursuant to the Company's Employee Share Option Plan to a Director on 30 June 2013 following shareholder approval obtained at AGM held 31 May 2013. The options are exercisable @ A$0.18 and expire 31 December 2015.	1,500,000
No options were granted since the end of the half-year financial period	
Exercised	
No options were exercised during or since the end of the half-year financial period	-
Expired	
66,666 executive options exercisable @ A$0.1575 expired on 5 March 2013	(66,666)
Since the end of the financial period 1,650,000 executive options exercisable @A$0.17 and 3,500,000 exercisable @A$0.15 expired on 1 July 2013. At the date of the these accounts the company has 15,150,000 unissued shares held under option.	
Balance as at 30 June 2013	20,300,000

(c) Performance Rights

Total number of unissued shares subject to Performance Rights at 1 January 2013	-
Movements	
Granted	
No Performance Rights were granted during the financial period.	
Since the end of the financial period 2,500,000 Performance Rights over fully paid ordinary shares subject to preconditions being satisfied have been issued.	
Balance as at 30 June 2013	-

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2013 (continued)

NOTE 9 -CONTRIBUTED EQUITY (Continued)

At balance date the Empire Group had the following securities on issue:

Shares

304,863,682 listed fully paid ordinary shares – ASX Code EEG

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time are entitled to one vote per share at meetings of the Company. No dividends were paid or declared during the half-year, or since half-year end.

Options

At balance date the Company had 20,300,000 unissued shares under option.
These options are exercisable on the following terms:

Number of options		Exercise Price (A$)	Expiry Date
3,500,000	Executive Options	$0.15	1 July 2013
1,650,000	Executive Options	$0.17	1 July 2013
1,650,000	Executive Options	$0.18	31 December 2013
7,000,000	Executive Options	$0.35	31 December 2014
1,500,000	Executive Options	$0.18	31 December 2015
5,000,000	Executive Options	$0.17	31 December 2015
20,300,000			

NOTE 10 - DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 11 - EARNINGS PER SHARE

	June 2013	June 2012
Basic earnings per share (cents per share)	(0.14)	(0.12)
Diluted earnings per share (cents per share)	(0.14)	(0.12)
(Loss)/Profit used in the calculation of basic and diluted earnings per share	(436,618)	(343,783)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	304,863,682	291,823,390
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	304,863,682	291,823,390

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2013 (continued)

NOTE 12 - CONTINGENT LIABILITIES AND COMMITMENTS

There have been no changes in contingent liabilities, contingent assets or commitments since the last annual reporting date.

NOTE 13 – EVENTS OCCURING AFTER THE REPORTING DATE

1) Minority Interest Buy Back
On the 9 September 2013 the Company announced that it had successfully negotiated the buyback of the minority interest in the Company's US subsidiary Empire Energy USA LLC ('EEUSA'). This makes EEUSA a 100% owned subsidiary subject to the exercise of warrants, equivalent to 10% of the total issued capital of EEUSA, by Macquarie Bank Limited on or before February 2016. The effective date of this transaction is 1 January 2013. The minority interest was purchased for the following consideration:

    - 4,000,000 fully paid ordinary shares in the issued capital of Empire Energy Group Limited; and
    - 2,500,000 Performance Rights over ordinary shares in the Company subject to preconditions being satisfied.

2) Exploration Permit Granted, McArthur Basin, Northern Territory
On 21 August 2013 EP184 was formally granted to the Company's 100% owned subsidiary Imperial Oil & Gas Pty Ltd ('IOG'). The permit is granted for an initial period of 5 years over which IOG will be required to meet a number of minimum work requirements including geological and geophysical studies, seismic, drilling of a test well and drilling of a horizontal well.

3) Defacto moratorium on hydraulic fracking, New York State
The New York State Department of Environmental Conservation's ('DEC') is yet to make a decision on the de facto moratorium on hydraulic fracturing in New York State.

   The DEC have indicated they will not take any final action or make any decision regarding hydraulic fracturing until the Department of Health completes its review of the health impact assessment of hydrofracking contained in DEC's environmental impact statement. There has been no indication given as to when the Department of Health will complete their review.

   The Company has extensive Marcellus (~200,000 net acres) and Utica (~140,000 net acres) shale acreage in New York State, the ending of the hydraulic fracturing moratorium will enable the Company to seek ways to monetise this asset over the medium term.

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LEAD AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Empire Energy Group Limited

As lead auditor for the half-year review of Empire Energy Group Limited for the six month period ended 30 June 2013 I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Sydney
13 September 2013

Robert Mayberry
Partner

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DIRECTORS' DECLARATION

For the half-year ended 30 June 2013

In the opinion of the Directors of Empire Energy Group Limited:

1. The financial statements and notes are in accordance with the *Corporations Act 2001*, including:

   a) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2013 and of its performance, as represented by the results of its operations and its cash flows, for the six month period ended on that date; and

   b) complying with Accounting Standard AASB 134 "*Interim Financial Reporting*" and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of Directors made pursuant to Section 303(5) of the *Corporations Act 2001*.

On behalf of the Directors

B W McLeod
Executive Chairman
Dated this 12th day of September 2013.

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF EMPIRE ENERGY GROUP LIMITED

We have reviewed the accompanying interim financial report of Empire Energy Group Limited, which comprises the consolidated interim Statement of Financial Position as at 30 June 2013, Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the half-year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 13 and the Directors' Declaration.

Directors' Responsibility for the Interim Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's financial position as at 30 June 2012 and its performance for the half year ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As auditor of Empire Energy Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Empire Energy Group Limited is not in accordance with the Corporations Act 2001, including:

a. giving a true and fair view of the Group's financial position as at 30 June 2013 and of its performance for the half-year ended on that date; and

b. complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Nexia Court & Co

Nexia Court & Co
Chartered Accountants

Robert Mayberry
Partner

Sydney
12 September 2013