



ACHIEVING SIGNIFICANCE IN THE OIL & GAS INDUSTRY

Update - March 2012



EMPIRE ENERGY GROUP LIMITED

www.empireenergygroup.net

Disclaimer



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In accordance with Chapter 5 of the ASX Listing Rules, all reserves and resources have been calculated by Ralph E Davis Associates Inc, Petroleum Consultants of Houston, Texas and LaRoche Petroleum Consultants Ltd, Dallas, Texas.

Current Operations

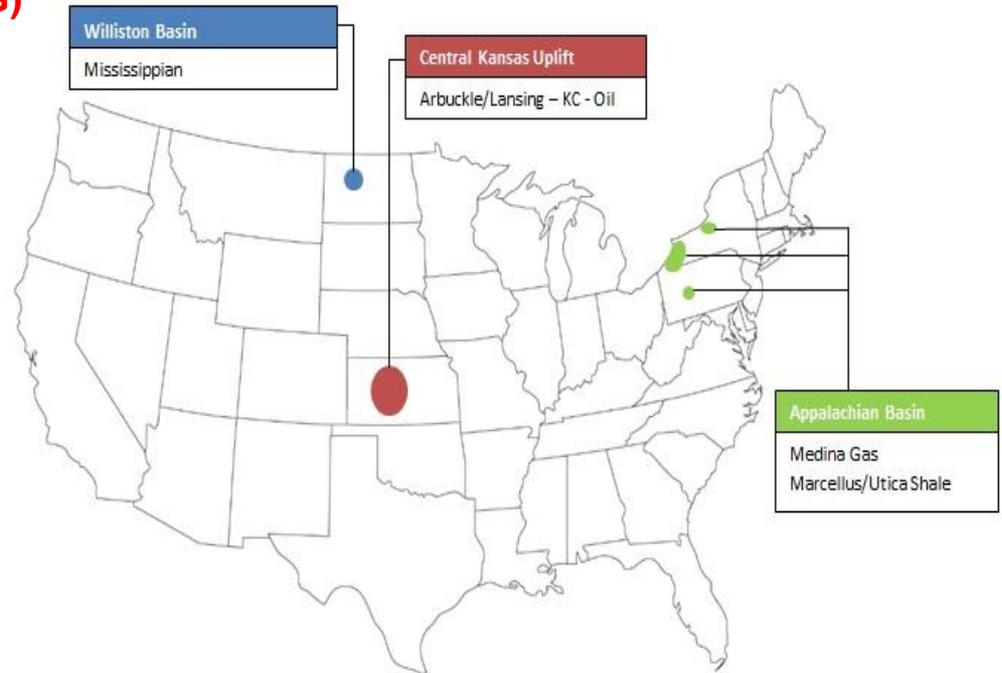


❑ Empire Energy Group Limited (EEG)

Owens ~96% of USA subsidiary
Empire Energy USA, LLC**

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

** Funder holds warrants =10% of issued capital



Corporate Snapshot (as at March, 2012)



❑ Key Board & Management (refer to last slide)

❑ Financials

- ❑ Field EBITDDA (2012) = \$17.0 MM
- ❑ EBITDDA (2012) = \$15.5 MM
- ❑ PV10 (2P) = \$156 MM
- ❑ Av Debt (2012) = \$54 MM

❑ Key Financial Ratio's

- ❑ EV/Field EBITDA = 4.7x
- ❑ EV/EBITDA = 6.1x
- ❑ Mkt Cap/EBITDA = 2.3x
- ❑ Mkt Cap/Net Debt = 0.7x
- ❑ EBITDA/interest = 6.2x

❑ Key Valuation Multiple

- ❑ EV/2P Reserves = \$5.13/Boe

❑ Major Shareholders

- ❑ Macquarie Bank Limited 13.0%
- ❑ Imperial Investments P/L 5.3%
- ❑ Insiders 3.4% (+17% options)
- ❑ Top 20 shareholders 38.9%

Corporate Structure

Aust. Securities Exchange OTC-QX (New York)	EEG EEGNY
Shares on issue	293.5 mm
Share Price	US\$0.13
Market Cap	US\$37.9 mm
Debt	US\$58 mm
Cash & liquids	US\$ 5.0 mm
Enterprise Value	US\$90.9 mm
Options Outstanding (av exercise price = \$0.15)	26.8 mm



❑ Central Kansas Uplift

- ❑ Field operations based in Wichita, KS
- ❑ Operating ~256 wells
- ❑ Commenced drilling program June 2011
 - FY 12 – budget includes 10 development wells and 5 polymer recompletions
 - Well target:- 30–40 Boe/d; EUR +50,000 Bbl/well
- ❑ Seeking opportunities to book new 1P & 2P reserves by:
 - Reviewing existing assets and targeting formations (behind pipe)
 - Identifying new assets for farm-in or acquisition of development acreage

❑ Appalachia

- ❑ Operating ~1,800 wells
- ❑ Continuing program to upgrade transportation network
- ❑ Expect increased production through improved operational efficiencies
- ❑ Marcellus and Utica exploratory programs being implemented

❑ McArthur Basin – Australia

- ❑ Early stage exploration – 14.5 million acres black shale targeting +12Tcfe

❑ Corporate

- ❑ Continue development of on-line management systems
- ❑ US operations centralised in Pittsburgh, PA

Key Milestones & Targets

- ❑ Skill base to build business to 10,000 Bbl/d by 2015
- ❑ Currently seeking acquisitions up to US\$100 million
- ❑ 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
(ii) 17,000 (gross)
acres Nth Dakota



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

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

2010 Actual:
Net Oil : 55 MBbls
Net Gas: 2.0 Bcf

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

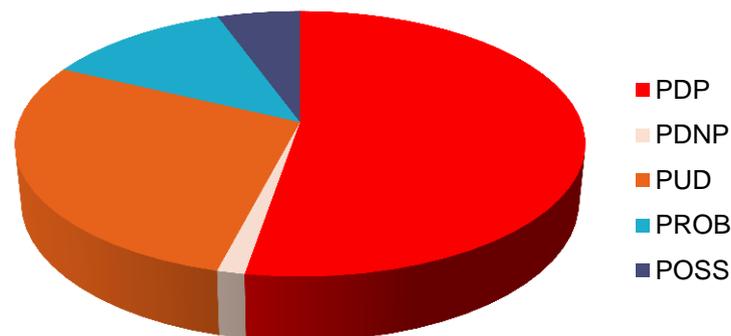
2011 Actuals:
Net Oil : 162 MBbls
Net Gas: 2.1 Bcf

Net Oil Rev: \$15.5mm
Net Gas Rev:\$12.1mm

Reserves & Operations



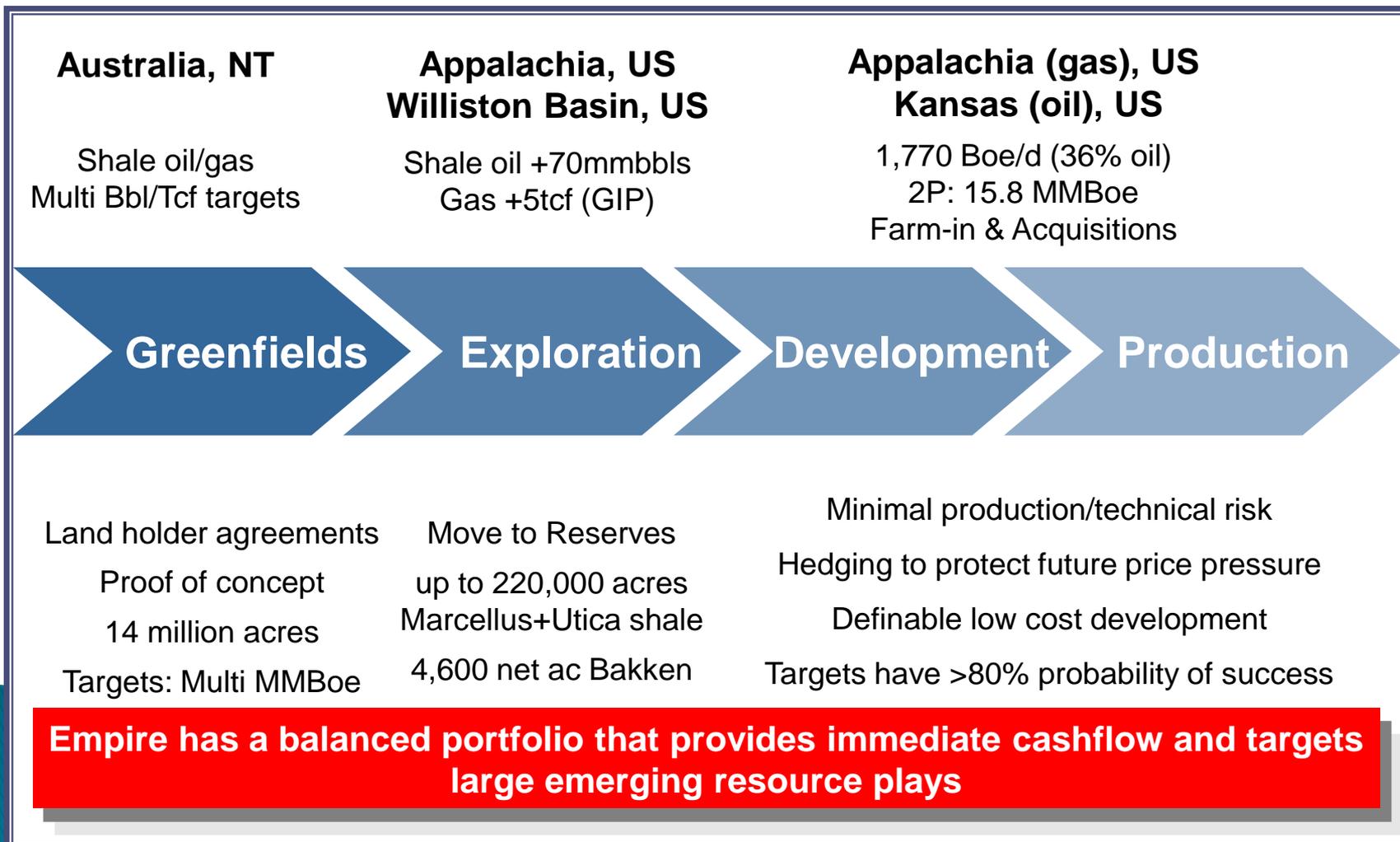
3P Reserves = 18.2 mmBoe



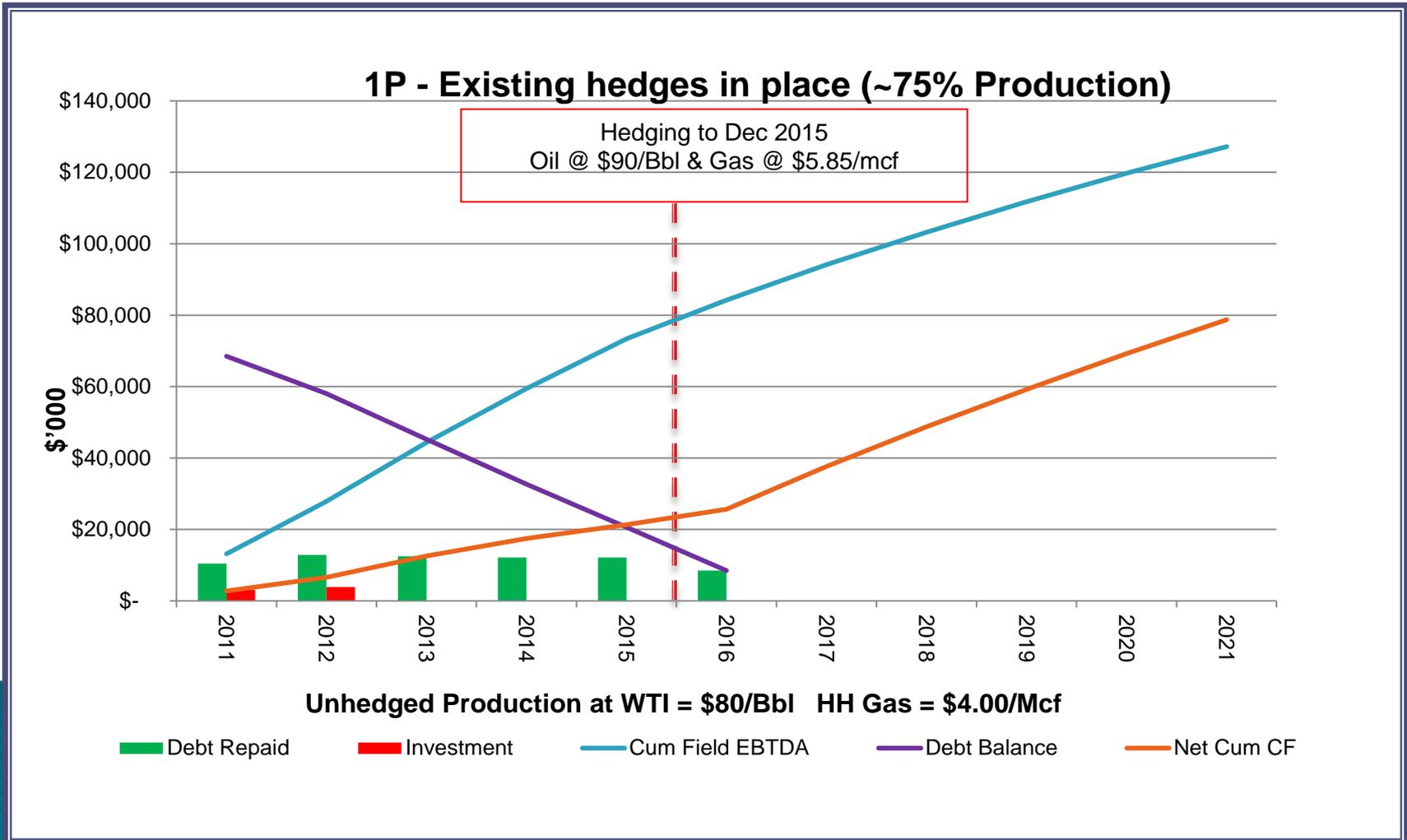
- ❑ Current Average Equiv Production (6:1 oil:gas)
 - ❑ ~1,770 Boe/d (35% Oil)
- ❑ Current Average Net Production:
 - ❑ KS – 520 Bbl/d
 - ❑ PA, NY – 1250 Boe/d
- ❑ Av Lifting Costs (2012)
 - ❑ \$21.70 /Bbl (incl taxes \$3.20)
 - ❑ \$2.15 /Mcf (incl taxes \$0.26)
- ❑ Empire Energy operator of ~99% of all assets
- ❑ Hedging:
 - ❑ ~70% natural gas production through to 2015 @ av \$5.85/mcf
 - ❑ ~72% oil production through to 2015 @ av \$90.00/Bbl
- ❑ Utica & Marcellus Shale, Pennsylvania & New York
 - ❑ Prospective Reserves/Resource* – Marcellus Oil +70 MMBbls (RF = 3%)
 - ❑ Prospective Resource* – Utica Gas +5Tcf (GIP unrisked)
- ❑ McArthur Basin – Australian Shale
 - ❑ 14.5 million acres with numerous gas, oil and bitumen shows
 - ❑ Preliminary target resource +14Tcf

**Natural gas and oil reserves/resources have been certified Ralph E Davis Associates, Inc, Houston, petroleum engineers.*

Development Pipeline



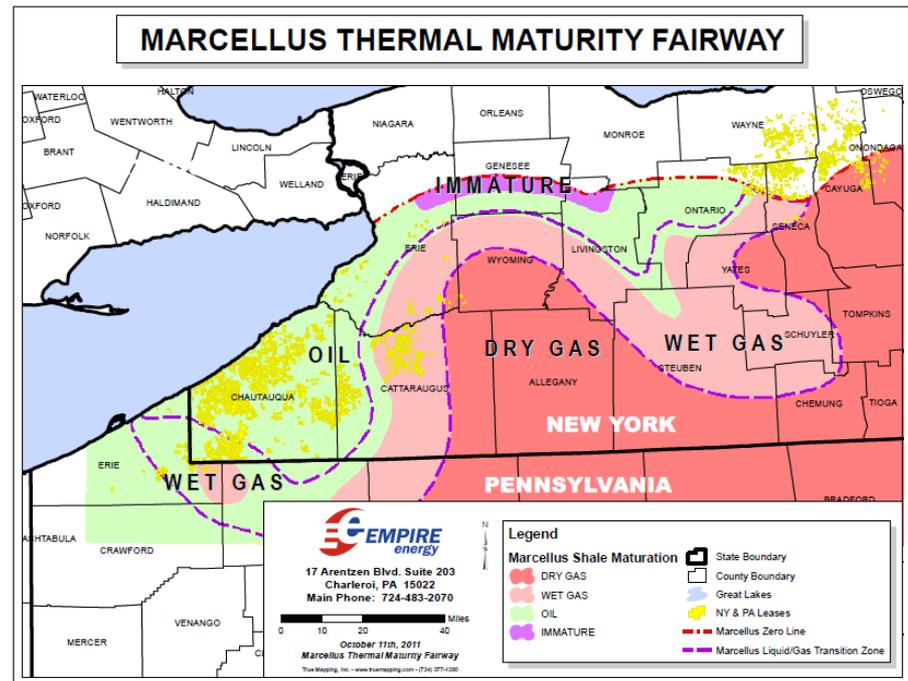
Controlled Debt Structure



Marcellus Shale Assets



- ❑ The hydraulic fracturing moratorium in New York State to be lifted 2012?
- ❑ Marcellus Shale assets considered in be in the wet gas/oil transition zone
- ❑ ~220,000 acres
- ❑ Oil - Possible Resource = 70.3 MMBbls based on most likely acreage specified with a 3% recovery factor
- ❑ Resource based on 100,000 acres
- ❑ Gas - Resources P50 = 49.5Bcf
- ❑ Thickness up to 150 ft
- ❑ No pricing comparison for similar Marcellus acreage in NY State

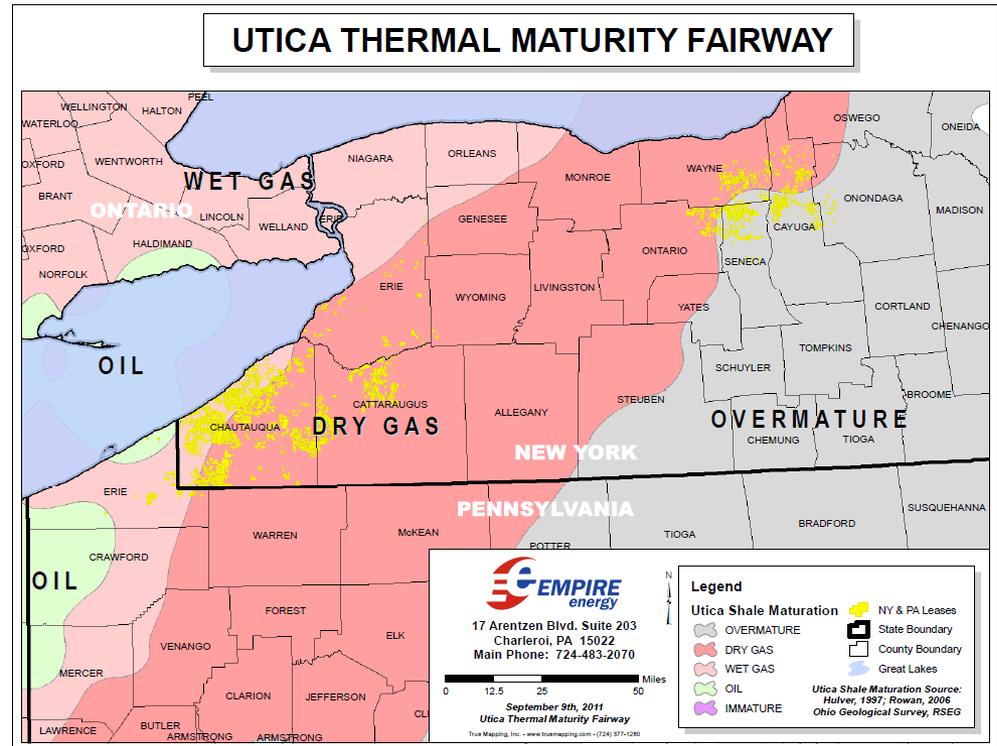


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Utica Shale Assets



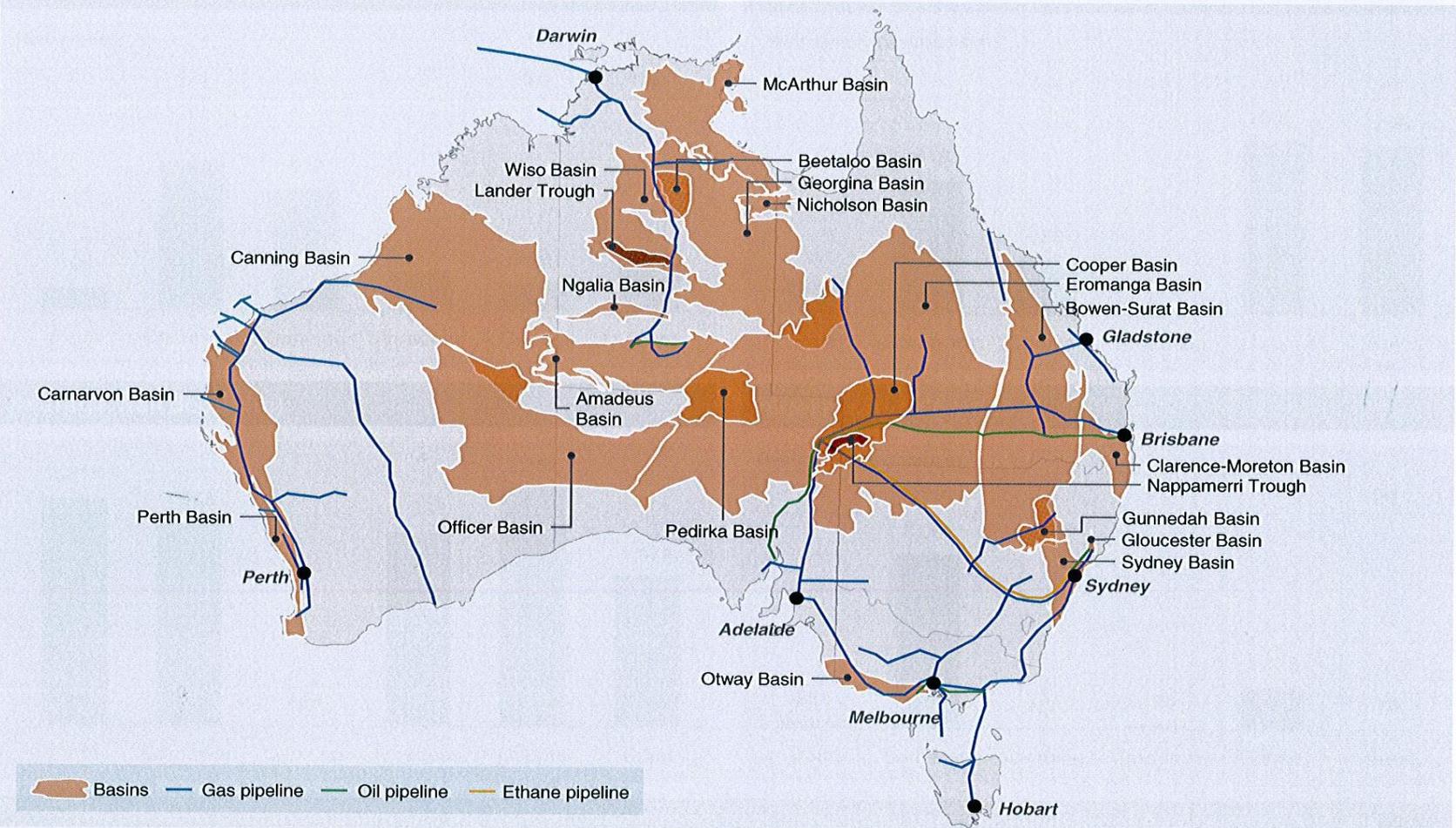
- ❑ The hydraulic fracturing moratorium in New York State to be lifted 2012?
- ❑ Utica Shale assets considered in be in the dry gas / wet gas transition zone
- ❑ ~180,000 acres
- ❑ Gas Resource P50 = 5 Tcf GIP (based on 18,000 acres)
- ❑ Expected recovery factor = 20%
- ❑ Thickness 150ft to 300ft
- ❑ Recent Utica Shale sale & farm-in Arrangements, Ohio State (oil/wet gas corridor) at \$6,000 – \$15,000 /acre



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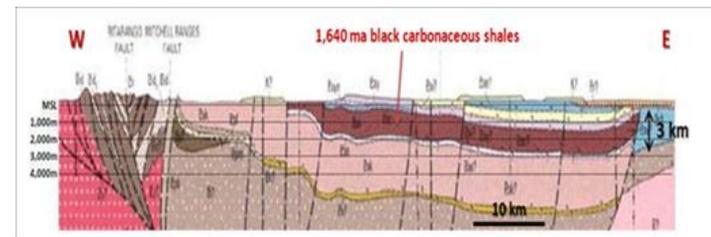
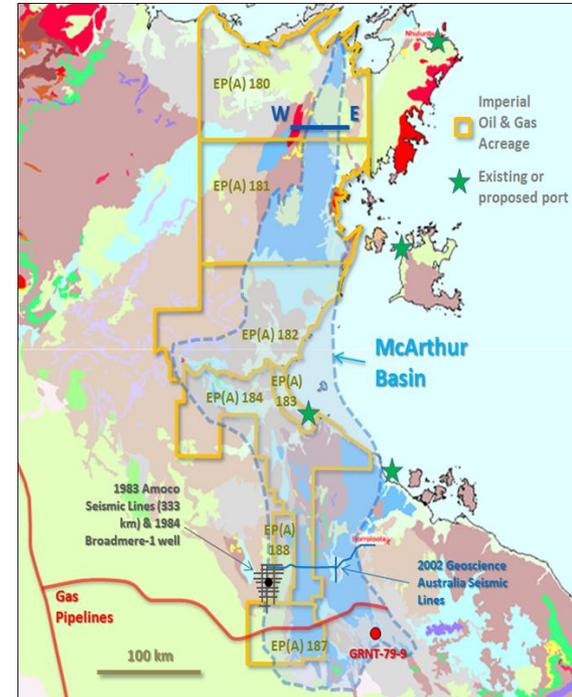
Major Australian Shale Basins

Basin and pipeline locations

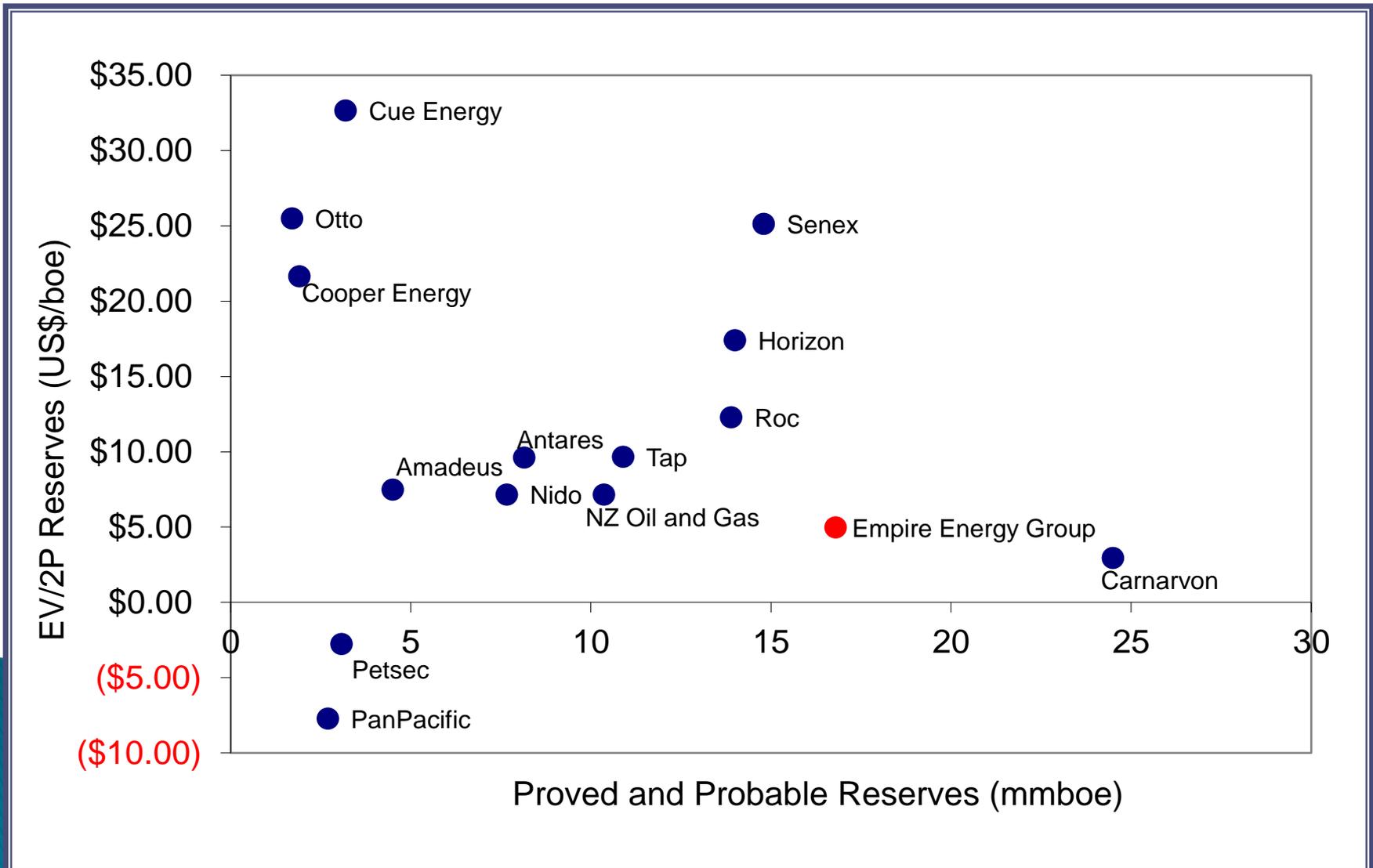


According to the U.S. Energy Information Administration, Australia has estimated technically recoverable shale gas resources of 396Tcf

- ❑ Held by Imperial Oil & Gas (100% owned subsidiary)
- ❑ 14.6mm acres in the MacArthur & Georgina Basins, NT
- ❑ Large scale shale oil & gas exploration play
- ❑ Low historic exploration maturity
- ❑ Target – organic rich black oil and gas shales of the Barney Creek Formation of Palaeo– and Meso–Proterozoic age
- ❑ Shales up to 4,000 ft thick in regions
- ❑ Oil and bitumen bleeds in core
- ❑ Proven to be gas–prone. A mineral exploration well GRNT–9 (in adjacent lease) ignited and produced a 6m flare for 6 months. Estimated 0.5Bcf flow over the 6 months
- ❑ Initial exploration areas of interest identified and negotiations commenced. First Licences expected commencing 2012
- ❑ Licence Categories:
 - ❑ 1: EP(A) 187 – gas pipeline passes through
 - ❑ 2: EP(A) 180 to 184, 187 (Aboriginal Land)
 - ❑ 3: EP(A) 188 (Native Title)
- ❑ Target +12Tcf



ASX Comparables



SWOT Analysis



Strengths

- Recent oil acquisition balances production
- Long life, slow decline oil & gas production
- Production from 1800 gas & 256 oil wells
- +30 oil locations / reworks in Kansas
- ~75% production hedged at attractive prices
- 2P = 15.8MM Boe –strong cash flow generation
- Cash/liquids availability of ~ US\$6 MM
- Operating in known and developed regions
- Strong development & exploratory pipeline
- Experienced management & operational team
- Proprietary operational systems
- US\$150 MM credit facility, drawn to US\$58 MM

Weaknesses

- Low gas prices
- Low 2P/3P reserves
- Oil = ~30% 2P reserves (oil % to be increased)

Opportunities

- Accretive acquisitions in Appalachia & Kansas
- Marcellus & Utica Shales – 230,000/190,000 acres in NY and PA indicating significant oil, wet & dry gas development opportunities
- Very large shale oil & gas exploration play with low historic exploration maturity in the McArthur Basin, Australia

Threats

- Unknown guidelines following lifting of fracking moratorium in NY State
- Timing in relation to land owner negotiations and structure in the McArthur Basin, Australia

Board & Management



- ❑ **Bruce W McLeod – Executive Chairman & CEO, B.Sc (Maths), M.Com (Econ)** – extensive experience in the Australian Corporate and Resource Capital markets. Over the past 20 years he has been involved in the acquisition and rationalisation of listed and unlisted companies, as well as raising debt and equity capital for projects and companies. Prior to this he spent six years with the Bank of America subsidiary BA Australia Limited, where he was Executive Director, responsible for the financial and capital markets operations.
- ❑ **David Sutton – Non Executive Director**
- ❑ **Kevin Torpey – Non Executive Director**

- ❑ **Dr John Warburton –Director & CEO Imperial Oil & Gas Pty Ltd, FGS, MAICD** – 27 years of technical and leadership experience in International Petroleum E&P including 11 years with BP and 4 years as General Manager Exploration & New Business for LASMO–ENI in Pakistan. John's petroleum expertise covers the Middle East, Kazakhstan, Azerbaijan, North & West Africa, Pakistan, Europe, Australia, New Zealand, PNG, SE Asia, China, Korea and Japan. He has published 28 internationally recognised technical articles with particular focus on petroleum exploration in complex fold and thrust belts.
- ❑ **Al Boyer – SVP & COO** – involved in the natural gas business for +40 years. Operates over 40 privately owned wells. In early 2000's involved in a well drilling program (200 wells in 20 months) and the consolidation of field operations for Somerset Oil & Gas Inc until its takeover by EOG Resources. Has drilled 1,000's of wells in western PA, NY, OH and WV.
- ❑ **Rob Kramer – VP – Mid Continent Operations, B.Sc (Ind. Eng)** – responsible for the Company's Mid-Continent operations in Kansas and North Dakota. Prior to joining Empire Energy Rob was a Completions and Production Engineer for Anshutz Exploration Corp, USA. Prior to that Rob played a key role in the establishment of Sanjel (USA) Inc in the Mid Continent where he was Lead Engineer for well design including cementing, fracturing, acidizing as well as coil tubing operations. Rob began his E&P engineering career with Schlumberger where he was a Field Engineer for Well Stimulation Services
- ❑ **Tim Hull – VP – Appalachia Operations** – responsible for Appalachian operations. Tim has been involved in the North Eastern US natural gas industry for over 20 years. He is a director member of IOGA (New York).
- ❑ **Tony Crisafio – CFO** – serves as Contract Chief Financial Officer. Tony is an independent business consultant, providing financial and operational advice to 8 businesses. Prior, Tony was the Chief Operating Officer to Cinema World, Inc. and a Partner with Ernst & Young. Tony is also a Director and Chairman of the Audit Committee of Petroleum Development Corporation Inc, an E&P company with operations in the Appalachians, Michigan and the Rocky Mountain Region.