EMPIRE ENERGY GROUP LIMITED
Level 7, 151 Macquarie Street
Sydney NSW 2000
T: 02 9251 1846
F: 02 9251 0244
(ASX: EEG)
(OTCQX: EEGNY)

ASX Announcement

14 September 2016

RELODGEMENT OF HALF YEAR FINANCIAL REPORT

The Half Yearly Report and Accounts have been re-lodged due to the exclusion of a sub note on page 26.

Yours faithfully

R Ryan
Secretary

EMPIRE ENERGY GROUP LIMITED

and its controlled entities

ABN 29 002 148 361

HALF YEAR
FINANCIAL REPORT
30 JUNE 2016

CONTENTS

COMPANY INFORMATION

Directors
B W McLeod (Executive Chairman)
D H Sutton
K A Torpey

Registered Office's
Level 7
151 Macquarie Street
Sydney NSW 2000 AUSTRALIA
Telephone: +61 2 9251 1846
Facsimile: +61 2 9251 0244

380 Southpointe Boulevard, Suite 130
Canonsburg PA 15317 USA
Telephone: +1 724 483 2070

Auditors
Nexia Australia
Level 16
No.1 Market Street
Sydney NSW 2000

US Auditors
Schneider Downs & Co. Inc
1133 Penn Avenue
Pittsburgh PA 15222

Share Registry
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
Telephone: 1300 850 505

www.empireenergygroup.net

Company Secretary
R V Ryan

Bankers
Australian & New Zealand Banking Group Limited
Macquarie Bank Limited
PNC Bank

Solicitors
Clifford Chance
Level 16
No. 1 O'Connell Street
Sydney NSW 2000

US Solicitors
K&L Gates LLP
K&L Gates Center
210 Sixth Avenue
Pittsburgh PA 15222-2613

Stock Exchange Listings

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

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

Executive Chairman's Review of Operations

KEY POINTS FOR THE 6 MONTHS ENDING 30 JUNE 2016

- **Group EBITDAX $1.4 million** (30 June 2015: $2.2 million).
- **After tax profit was $13.6 million** (after write-back of previously impaired assets plus the addition of new assets).
- **Production 1,109 Boe/d** (30 June 2015:1,151 Boe/d).
- **2P PV10 59% higher at $70.8mm** (compared to 2015 report at $44.5mm).
- **2P reserves 8% higher at 13.7 MMBoe** (compared to 2015 report at 12.7MMBoe).
- **McArthur Basin Prospective Resource increased P(50)* of 2,068 MMBoe**
- **Cash flow positive at current oil and gas prices**
- **Approximately 95% of oil now hedged at a minimum $67.00/Bbl until December 2017**
- **Net tangible assets per share $0.10** (30 June 2015: $0.13)

** "Prospective Resource"- is the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

Valuation of assets

At December 31, 2015 due to prevailing oil and gas prices and production environment, it was determined that a majority of undeveloped locations were uneconomic at the time. At June 30, 2016, with an improved production environment for both oil and gas, slightly improved prices, the addition of new reserves through updated seismic and additional leases, a newly engineered water flood program and a review of behind pipe opportunities, the Company undertook a review of reserves at the half year. 2P reserves increased by 1.0MMBoe to 13.7MMBoe and the PV10 for 2P reserves increased by 59% to $70.8 million. This led to a non-cash write-back of approximately $20.6 million against the December 31, 2015 asset impairment charge of $22.2 million.

Executive Chairman's Review of Operations (Continued)

REVIEW OF OPERATIONS AND FINANCIAL RESULTS

Empire Energy Group Limited's ('Empire', 'the Group' or 'the Company') oil and gas production is operated by the wholly owned US subsidiary, Empire Energy E&P, LLC. The Company maintains a small Head Office in Australia and manages the exploration program in the McArthur Basin, Northern Territory, under its 100% owned subsidiary Imperial Oil & Gas Pty Ltd ('Imperial').

A. OPERATING STATS

TABLE A - Production

Operating Statistics:		6 Months ended		
	Notes	30 June 2016	30 June 2015	% change
Gross Production:				
Oil (MBbls)		97.74	111.62	-12%
Natural gas (MMcf)		1,059.93	1,093.87	-3%
Net Production by Region:				
Oil (MBbls):				
Appalachia		1.67	1.63	3%
Mid-Con		59.58	70.28	-15%
Total Oil		61.26	71.90	-15%
Weighted Avg Sales Price (/Bbl):				
Before Hedge		$34.89	$47.66	-27%
After Hedge		$61.79	$72.72	-15%
Natural gas (MMcf):				
Appalachia		840.07	861.28	-2%
Mid-Con		6.46	6.70	-4%
Total Natural Gas		846.53	867.98	-2%
Weighted Avg Sales Price (/Mcf):				
Before Hedge		$1.47	$1.99	-26%
After Hedge		$3.20	$3.93	-19%
Oil Equivalent (MBoe):	1.0			
Appalachia		141.69	145.17	-2%
Mid-Con		60.66	71.39	-15%
Total		202.35	216.57	-7%
Weighted Avg Sales Price (/Boe)				
Before Hedge		$16.71	$23.81	-30%
After Hedge		$32.09	$39.88	-20%
Net Daily Production (Boe/d)		1,109	1,187	-7%
Lifting Costs (incl. taxes):	1.1			
Oil - Midcon (/Bbl)		$21.92	$25.36	-14%
Natural gas - Appalachian (/Mcf)		$2.17	$2.24	-3%
Oil Equivalent (/BOE)		$15.72	$17.39	-10%
2P Reserves (MMBoe) (30/6/2016)	1.2	13.7	14.3	-5%
2P PV10 ($MM) (30/6/2016)		$70.79	$86.7	-18%

Executive Chairman's Review of Operations (Continued)

Notes to Table A:

1.0 Conversion of natural gas 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.

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

1.2 **Reserves –** reserves where updated as of June 30, 2016 by Ralph E Davis Associates, Inc., Houston, TX (Appalachian and MidCon assets). Prices for reserve calculations were NYMEX strip as at close June 30, 2016.

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 and reserve growth related 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.
- Unlike IFRS accounting policies which constantly change, EBITDAX reporting provides consistency over accounting periods to enable stakeholders to receive a precise snap shot of historic business operations.

Executive Chairman's Review of Operations (Continued)

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:

TABLE B – Revenues and Expenses

Operations - EBITDAX		6 months ended	
(In $ thousands)	Notes	30 June 2016	30 June 2015
Net Revenue:			
Oil Sales	1.3	3,785	5,229
Natural Gas Sales	1.3	2,705	3,401
Other		252	200
		6,742	8,830
Production costs:			
Lease operating expenses - Oil		1,218	1,674
Lease operating expenses - Gas		1,511	1,539
Taxes - Oil		96	150
Taxes - Natural Gas		91	168
Total		2,916	3,531
Field EBITDAX		3,826	5,299
Field & Workover Costs		1,068	1,136
G&A	1.4	1,340	1,318
EBITDAX		1,418	2,845
Geo/Exploration/Acquisitions	1.5	612	1,095
EBITDA		806	1,750
Depn, Amort, Depl etc		1,470	3,014
Loss/(Gain) on assets		-	143
EBIT		(664)	(1,407)
Interest		1,202	1,684
EBT		(1,866)	(3,091)
EBITDAX/Interest		1.3x	1.7x

Notes to Table B:

1.3 Sales include realised hedges, being $1.5 million and $1.7 million for natural gas and oil respectively.

1.4 Includes Sydney HO, USA HQ at Canonsburg, PA and regional field offices KS and NY. Significant USA expenses for the period were - salaries and wages $164,627; audit/tax and accounting $142,889; travel and accommodation $25,170; rent and accommodation costs $82,077; Professional Services $115,462 and Management and Director fees $218,300 (of

Executive Chairman's Review of Operations (Continued)

which $75,000 was paid to Empire). Significant Australian expenses for the period were - consultants $169,016; salaries $106,586; audit & accounting $40,232; listing related expenses $22,895; rent, communications and IT $80,206.

1.5 Geological and engineering expenses directly associated with actual and potential exploration and development project or acquisitions and may include legal, tax and financial advice, fees and mobilisation costs.

B. 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 note below provides reconciliation of EBITDAX (Table B) to the financial statements.

Net Earning - Effective Date	**6 months ended**	
(In $ thousands)	**30 June 2016**	**30 June 2015**
Net Earnings- production date	**$1,418**	**$(2,072)**
Net Earnings- effective date	**$(2,333)**	**$(3,096)**
Intergroup management fee	$75	$75
Revenue and expenses (remaining Empire Group)		
Other Income	$13	$138
Unrealised derivative movements*	$(4,583)	$(2,508)
General and administration – head office	$(55)	$(138)
General and administration – other*	$(16)	$(177)
Impairment of asset (write-back)*	$20,555	-
Net (loss)/profit before income tax expense	$13,656	$(5,706)
* ***Indicates non-cash items***		

Executive Chairman's Review of Operations (Continued)

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

The McArthur Basin is an underexplored yet emerging petroleum frontier basin with direct indications of oil and gas. To date there has been 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 located 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.

Farmout Agreement

The Northern Territory Farm-out with AEGP Pty Ltd, an affiliate of American Energy Partners, LP ('AEP'), signed on December 22, 2015, did not close on April 20, 2016. Ongoing discussions continue with the McClendon Estate, following the deferment of the completion of the Northern Territory Farmout Agreement due to the unexpected passing of Mr. Aubrey McClendon. It seems unlikely that the McClendon Estate wish to proceed with the Farmout, the Company is currently in negotiation with other parties to continue a similar exploration program.

Ongoing program – Northern Territory

Until the parties to the Farmout Agreement between Imperial and the McClendon Estate resolve the current situation, the planned seismic and drilling program for 2016 has been deferred. The exploration program has been scaled back to focus on defining the Tawallah Group resource. To date these studies have indicated an additional Prospective Resource P50 of approximately 240MMBoe.

Total Prospective Resource Estimates for the McArthur Basin are summarised below:

INDEPENDENTLY CERTIFIED ESTIMATED PROSPECTIVE RESOURCE* (Unrisked)						
IDENTIFIED		**Geological Factor Discount**	**AREA M acres**	**P90**	**P50**	**P10**
Barney Creek Formation	Bcf	50-90%	3,559	3,304	8,699	20,172
	MMBO	50-90%		66	174	403
Velkerri Formation	Bcf	50%	315	383	1,192	3,086
	MMBO	50%		8	24	62
Wollogorang Formation	Bcf	90%	1,384	524	1,185	2,371
	MMBO	90%		10	24	47
TOTAL	**MMBO**			**786**	**2,068**	**4,784**

* "Prospective Resource" - This estimate of prospective resources must be read in conjunction with the cautionary statement on page 4.

Executive Chairman's Review of Operations (Continued)

D. OTHER

1.1 Hedging

Hedging outstanding at balance date.

Year	Est. Net mmBtu	Hedged mmBtu	%	Ave $/mmBtu	Est. Net Bbl	Hedged Bbl	%	Av[1] $/Bbl
2016	900,000	690,000	76.7%	$4.30	63,000	60,000	95.2%	$68.26
2017	1,675,000	1,068,000	63.8%	$4.05	119,500	114,000	95.4%	$67.80
2018	1,620,000	1,008,000	62.2%	$4.11				
2019	1,550,000	491,500	31.7%	$3.45				
Total	5,745,000	3,257,500	53.0%	$4.08	182,500	174,000	95.3%	$68.12

(1) *Includes av 1,767 Bbl/mth of collars*

The fair value (marked to market) of combined oil and gas hedges in place for the Period was approximately $6.6 million. Oil and gas hedge contracts were valued based on NYMEX Henry Hub and WTI forward curves at market close on 30 June 2016.

1.2 Exploration & Development

Capex (In $ thousands)	6 months ended 30 June 2016	30 June 2015	% change
Acquisitions	$49	$51	-4%
New wells – IDC	$596	$100	496%
New well - Capital	$16	$63	-75%
Undeveloped Leases	$31	$392	-92%
Northern Territory, Australia	$453	$1,483	-69%
Capital Expenditures	$1,145	$2,089	-45%
Sale of Assets	$0	$927	N/a

1.3 Credit Facility

At the end of the period the Company had US$40.5 million drawn at an average cost of LIBOR+4.7%. Empire Energy retains Credit Facility availability of US$159.5 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

	Drawdown End of period US$M	Interest Rate LIBOR+
Term	$37,538	4.85%
Revolver	$3,000	3.00%
	$40,538	4.70%

Executive Chairman's Review of Operations (Continued)

1.4 Oil & Gas Reserves

Net 3P Reserves: An updated Reserve Estimate, at NYMEX strip prices as at June 30, 2016 was completed and is reviewed below.

NET RESERVES & CASH FLOW - NYMEX STRIP, JUN 30, 2016

Reserves - As of June 30, 2016	Oil (Mbbls)	Gas (MMcf)	MBoe	Gross Wells	Capex US$M	PV0 US$M	PV10 US$M
Region (Reserves) - USA							
Proved Developed Producing	1,495	25,187	5,693	1,991	$0	$70,133	$29,725
Proved Developed Non-producing	517	0	517	28	$2,434	$13,156	$6,517
Proved Behind Pipe	146	38	152	15	$575	$5,372	$1,467
Proved Undeveloped	861	95	877	36	$9,023	$26,770	$9,226
Total 1P	3,019	25,320	7,239	2,070	$12,032	$115,431	$46,935
Probable	2,772	22,314	6,491	149	$51,839	$96,783	$23,862
Total 2P	5,791	47,634	13,730	2,219	$63,871	$212,214	$70,797
Possible	1,660	3,820	2,297	225	$28,116	$77,143	$12,112
Possible - NY Shale	90,740	12,460	92,817				
Total 3P	98,191	63,914	108,843	2,444	$91,987	$289,357	$82,909
Prospective Resource New York Shale P(50)	203,500	1,221,000	407,000				
Prospective Resource P(50) - Australia (NT)	222,000	11,076,000	2,068,000				
Total Reserves & Resources	523,691	12,360,914	2,583,843				

USA Reserves by: RE Davis Associates, Inc & Pinnacle Energy Services, LLC.
Northern Territory Resources by: Muir & Associates P/L and Fluid Energy Consultants

The following NYMEX price strip, as at June 30, 2016 was used to calculate reserves:

Year	$/Bbl	$/Mcf
2016	49.00	3.07
2017	52.17	3.18
2018	53.45	3.02
2019	54.60	3.00
2020	55.44	3.06
2021	56.22	3.19
2022	57.98	3.35

1.5 The New York Fracking Ban

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. In December 2014 the Department of Health and Governor Cuomo announced that hydraulic fracturing be prohibited in New York State. As a result of the New York fracking moratorium, the Company has not been able to develop the most lucrative aspects of its ~300,000 acres of lease holdings in New York State. The Company continues to aggregate HBP acreage whenever possible.

Bruce McLeod
Chairman & CEO

***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.*

Executive Chairman's Review of Operations (Continued)

Notes to Reserves

- An updated Reserve Estimate, NYMEX strip prices as at 30 June 2016, was completed in August 2016 and be viewed on the Company's website or the ASX website. The announcement was titled "1P Reserve Values up by 65%" and was dated 23 August 2016.
- The scope of the Reserve Studies reviewed basic information to prepare estimates of the reserves and contingent resources.
- The quantities presented are estimated reserves and resources of oil and natural gas that geologic and engineering data demonstrate are "In-Place", and can be recovered from known reservoirs.
- Oil prices are based on NYMEX West Texas Intermediate (WTI).
- Gas prices are based on NYMEX Henry Hub (HH).
- Prices were adjusted for any pricing differential from field prices due to adjustments for location, quality and gravity, against the NYMEX price. This pricing differential was held constant to the economic limit of the properties.
- All costs are held constant throughout the lives of the properties.
- The probabilistic method was used to calculate P50 reserves.
- The deterministic method was used to calculate 1P, 2P & 3P reserves.
- The reference point used for the purpose of measuring and assessing the estimated petroleum reserves is the wellhead.
- "PV0" Net revenue is calculated net of royalties, production taxes, lease operating expenses, and capital expenditures but before Federal Income Taxes.
- "PV10" is defined as the discounted Net Revenues of the Company's reserves using a 10% discount factor.
- "1P Reserves" or "Proved Reserves" are defined as Reserves which have a 90% probability that the actual quantities recovered will equal or exceed the estimate.
- "Probable Reserves" are defined as Reserves that should have at least a 50% probability that the actual quantities recovered will equal or exceed the estimate.
- "Possible Reserves" are defined as Reserves that should have at least a 10% probability that the actual quantities recovered will equal or exceed the estimate.
- "Bbl" is defined as a barrel of oil.
- "Boe" is defined as a barrel of oil equivalent, using the ratio of 6 Mcf of Natural Gas to 1 Bbl of Crude Oil. This is based on energy conversion and does not reflect the current economic difference between the value of 1 Mcf of Natural Gas and 1 Bbl of Crude Oil.
- "M" is defined as a thousand.
- "MM" is defined as a million.
- "MMBoe" is defined as a million barrels of oil equivalent.
- "Mcf" is defined as a thousand cubic feet of gas.
- All volumes presented are net volumes and have had subtracted associated royalty burdens.
- Utica shale gas potential resources have only been calculated for the region where drill data is available. Very few wells have been drilled into the Utica in Western NY and NW Pennsylvania. Estimates for GIP have been made were the few existing wells have been drilled. Empire holds additional acreage outside the current potential resource region. It is expected that as with shale characteristics, the shale formations will continue within the remaining acreage. The potential GIP should increase if more data was available.

The information in this report which relates to the Company's reserves is based on, and fairly represents, information and supporting documentation prepared by or under the supervision of the following qualified petroleum reserves and resources evaluators, all of whom are licensed professional petroleum engineer's, geologists or other geoscientists with over five years' experience and are qualified in accordance with the requirements of Listing Rule 5.42:

Name	*Organisation*	*Qualifications*	*Professional Organisation*
Allen Barron	*Ralph E Davis Associates, Inc*	*BSc*	*Society of Petroleum Engineers*
John P Dick	*Pinnacle Energy Services, LLC*	*BPE*	*Society of Petroleum Engineers*
Wal Muir	*Muir and Associate P/L*	*BSc,MBA*	*Petroleum Exploration of Australia*

None of the above evaluators or their employers have any interest in Empire Energy E&P, LLC or the properties reported herein. The evaluators mentioned above consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

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 2016 and the Auditor's Review Report thereon.

1. PRINCIPAL ACTIVITIES

During the six month financial period ended 30 June 2016 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 profit of the consolidated entity for the six month period ended 30 June 2016 after providing income tax was US$13,628,360 compared with a net loss of US$5,219,937 for the previous corresponding period ended 30 June 2015.

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 12 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

a) Macquarie Bank Credit Facility – Since the end of the half year the Company has entered into two amendments to the credit facility held with Macquarie Bank Limited. Details of these amendments are in Note 7 of this Report.

b) On the 12th August 2016 the Company held an Extraordinary General Meeting, at which shareholder approval was given for the Company to issue shares to raise up to $5 million dollars in addition to its existing placement capacity under ASX Listing Rules 7.1 and 7.1A.

With the exception of those matters referred to above there is no other matter or circumstance that has arisen since 30 June 2016 that has significantly affected or may significantly affect:

Director's Report (Continued)

- the operations, in financial years subsequent to 30 June 2016 of the group;
- the results of those operations; or
- state of affairs, in financial years subsequent to 30 June 2016 of the group

On 8 September 2016 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 31 and forms part of the Director's Report for the six month period ended 30 June 2016. Signed in accordance with a resolution of the Directors.

B W McLeod
Signed at Sydney this 13th of September 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the half-year ended 30 June 2016

	Note	30 June 2016 US$	30 June 2015 US$
Sales Revenue		7,070,396	8,987,080
Cost of Sales		(4,430,992)	(5,079,262)
Gross Profit		2,639,404	3,907,818
Other income		90,844	107,512
General and administration expenses		(1,689,926)	(2,073,804)
Exploration expenses		(267,134)	(485,202)
Write-back of impaired assets	6	20,555,100	-
Other non-cash expenses	4	(6,656,960)	(6,212,700)
Operating Profit/(Loss) before interest costs		14,671,328	(4,756,376)
Net interest (expense)/income		(1,015,685)	(949,499)
Profit/(Loss) before income tax expense		13,655,643	(5,705,875)
Income tax expense/benefit	3	(27,283)	485,938
Profit/(Loss) after income tax benefit from continuing operations		13,628,360	(5,219,937)
Other comprehensive income			
Profit on the revaluation of available-for-sale assets		-	35,578
Exchange differences on translation of foreign operations		(54,982)	(153,108)
Other comprehensive income for the year, net of tax		(54,982)	(117,530)
Total comprehensive income for the year		13,573,378	(5,337,467)
		Cents per share	Cents per share
Basic earnings per share	11	3.96	(1.69)
Diluted earnings per share	11	3.96	(1.69)

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 2016

	Note	30 June 2016 US$	31 December 2015 US$
CURRENT ASSETS			
Cash and cash equivalents		804,002	1,126,543
Trade and other receivables		1,668,251	1,874,474
Prepayments and other current assets		726,522	672,044
Inventory		485,777	553,184
Financial assets, including derivatives		3,537,227	5,579,991
TOTAL CURRENT ASSETS		7,221,779	9,806,236
NON-CURRENT ASSETS			
Financial assets, including derivatives		3,227,644	5,766,521
Oil and gas properties	6	77,342,326	58,275,023
Property, plant and equipment	6	479,810	532,286
Intangible assets		68,217	68,217
TOTAL NON-CURRENT ASSETS		81,117,997	64,642,047
TOTAL ASSETS		88,339,776	74,448,283
CURRENT LIABILITIES			
Trade and other payables		3,570,513	3,760,766
Interest-bearing liabilities	7	38,691,854	40,460,495
Provisions	8	8,856	12,377
TOTAL CURRENT LIABILITIES		42,271,223	44,233,638
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	7	26,218	31,560
Provisions	8	12,730,326	11,496,833
TOTAL NON-CURRENT LIABILITIES		12,756,544	11,528,393
TOTAL LIABILITIES		55,027,767	55,762,031
NET ASSETS		33,312,009	18,686,252
EQUITY			
Contributed equity	9	74,240,545	74,240,545
Reserves		2,670,053	4,436,865
Accumulated losses		(43,598,589)	(59,991,158)
TOTAL SHAREHOLDERS' EQUITY		33,312,009	18,686,252

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 2016

	Six months ended June 2016 US$	Six months ended June 2015 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	7,389,440	12,029,995
Payments to suppliers and employees	(6,617,649)	(8,431,754)
Interest received	213	4,242
Interest paid	(882,322)	(1,069,587)
Income taxes paid	(27,282)	(17,283)
Net cash flows from operating activities	(137,600)	2,515,613
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of oil and gas assets	-	197,615
Proceeds from sale of investments in equities	-	211,326
Payments for oil and gas assets	(141,886)	(2,580,477)
Payments for property, plant and equipment	(5,164)	(11,402)
Net cash flows from investing activities	(147,050)	(2,182,938)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from interest bearing liabilities	-	500,000
Repayment of interest bearing liabilities	-	(1,809,751)
Finance lease payments	(17,637)	(3,388)
Net cash flows from financing activities	(17,637)	(1,313,139)
Net (decrease)/increase in cash and cash equivalents	(302,287)	(980,464)
Cash and cash equivalents at beginning of financial period	1,126,543	3,092,991
Effect of exchange rate changes on cash and cash equivalents	(20,254)	(183,846)
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	804,002	1,928,681

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 2016

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Total Equity
Balance at 31 December 2015	**74,240,545**	**127,396**	**(96,233)**	**4,405,702**	**(59,991,158)**	**18,686,252**	**18,686,252**
Total Comprehensive income for period							
Profit after income tax from continuing operations	-	-	-	-	13,628,360	13,628,360	13,628,360
Exchange differences on translation of foreign operations	-	-	(54,983)	-	-	(54,983)	(54,983)
Gain on the revaluation available-for-sale investments, net of tax	-	-	-	-	-	-	-
Net change in the fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(54,983)	-	13,628,360	13,573,377	13,573,377
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	-	-	-	-	-	-	-
Less: share issue transaction costs	-	-	-	-	-	-	-
Options lapsed in period, transferred to retained earnings				(173,149)	173,149	-	-
Warrants lapsed in period, transferred to retained earnings	-	-	-	(2,591,060)	2,591,060	-	-
Options issued during the period	-	-	-	32,380	-	32,380	32,380
Warrants issued during the period	-	-	-	1,020,000	-	1,020,200	1,020,000
Total transactions with owners	**-**	**-**	**-**	**(1,711,829)**	**2,764,209**	**1,052,380**	**1,052,380**
Balance at 30 June 2016	**74,240,545**	**127,396**	**(151,216)**	**2,693,873**	**(43,598,589)**	**33,312,009**	**33,312,009**

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 2015

Consolidated	Issued Capital	Fair Value Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Attributable to owners of equity parent	Total Equity
Balance at 31 December 2014	**73, 683,238**	**132,541**	**79,650**	**4,228,939**	**(32,992,161)**	**45,132,207**	**45,132,207**
Total Comprehensive income for period							
Profit after income tax from continuing operations	-	-	-	-	(5,219,937)	(5,219,937)	(5,219,937)
Exchange differences on translation of foreign operations	-	-	(153,108)	-	-	(153,108)	(153,108)
Gain on the revaluation available-for-sale investments, net of tax	-	35,578	-	-	-	35,578	35,578
Net change in the fair value of cash flow hedges, net of tax	-	-	-	-	-	-	-
Total comprehensive income for the period	-	35,578	(153,108)	-	(5,219,937)	(5,337,467)	(5,337,467)
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	-	-	-	-	-	-	-
Less: share issue transaction costs	-	-	-	-	-	-	-
Options lapsed in period, transferred to retained earnings	-	-	-	-	-	-	-
Options issued during the period	-	-	-	110,210	-	110,210	110,210
Warrants issued during the period	-	-	-	-	-	-	-
Total transactions with owners	**-**	**-**	**-**	**110,210**	**-**	**110,210**	**110,210**
Balance at 30 June 2015	**73,683,238**	**168,119**	**(73,458)**	**4,339,149**	**(38,212,098)**	**39,904,950**	**39,904,950**

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 2016

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 2016 comprises the Company and its controlled entities ("Consolidated Entity").

These general purpose financial statements for the interim half-year reporting period ended 30 June 2016 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 2015 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 international operations, the Company's cash flows and economic returns are denominated in US dollars ("US$"). The Company changed the currency in which it presents its consolidated financial statements from Australian dollars ("A$") to US$ on 1 July 2011.

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 normal course of business.

The Empire Group's Statement of Financial Position reflects an excess of current liabilities over current assets of $35,049,444. This is primarily due to the Board determining the debt facilities be classified as current liabilities. Net assets are $33.33 million

In April 2016 the debt facilities were extended for a further three years. The Group is required to make a debt repayment of US$1,500,000 (refer to Note 7) under Tranche D of the Term Loan due on 16 September 2016. In August 2016 shareholders approved that the Company raise up to $5m to provide liquidity to acquire oil and gas assets in a weak, onshore USA merger and acquisition market; enhance the balance sheet to provide adequate working capital or equity cushion to enable continued accessibility of the existing credit facility, including the repayment of the debt payment; and to provide general working capital.

The directors have reviewed the Group's financial position and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Group will be able to secure additional funds to meet the debt repayment and any other working capital requirements, as and when required. However, if market conditions materially change and the Group is not successful in securing sufficient additional funds when required, then there may be uncertainty about whether the Group is able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded assets or to the amounts or classification of recorded assets or liabilities that might be necessary should the Group not be able to continue as a going concern.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

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 $202,300 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 leases, 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 $27,283 which relates to revising the estimated deferred tax liability to reflect changes made on lodgement of the Income tax Return for Empire Energy Holdings LLC.

NOTE 4 – OTHER NON-CASH EXPENSE

	June 2016 $	June 2015 $
Depreciation, depletion & amortisation	1,248,341	2,384,504
Lease expiration	202,300	348,563
Non-cash interest	534,847	287,861
Change in fair value of hedges	4,582,840	2,507,780
Other	88,632	683,992
	6,656,960	6,212,700

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

NOTE 5 - 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	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Revenue (external)	7,070,396	8,987,080	-	-	-	-	-	-	7,070,396	8,987,080
Other income (excluding Finance income)	87,623	108,536	-	134,824	3,221	(135,848)	-	-	90,844	107,512
Reportable segment profit/(loss) before tax	17,177,776	(3,981,049)	(2,455,568)	134,824	(532,391)	(659,485)	-	-	**14,189,817**	**(4,505,710)**
Finance income	213	4,242	178,616	169,572	460	32,953	(178,616)	(169,572)	673	37,195
Finance costs	(710,596)	(1,403,929)	-	-	(2,867)	(3,003)	178,616	169,572	(534,847)	(1,237,360)
Profit/(loss) for the period before tax									**13,655,643**	**(5,705,875)**
Reportable segment assets	87,985,540	94,392,945	(286,021)	224,510	180,243	411,310	460,014	7,405	88,339,776	95,036,170

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 2016

NOTE 6 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

	Oil & Gas – Proved and producing	Oil & Gas – Unproved & not producing	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$							
At 1 January 2016	116,883,304	7,243,258	30,591	328,948	716,286	639,941	125,842,328
Additions	105,792	69,198	-	-	4,719	445	180,154
New asset retirement obligation	1,022,525	-	-	-	-	-	1,022,525
Write-off of asset retirement obligation	-	-	-	-	-	-	-
Disposals	(791,938)	(435,062)	-	-	-	-	(1,227,000)
Expiration costs	-	(202,300)	-	-	-	-	(202,300)
Write-off of exploration expense	(29,690)	-	-	-	-	-	(29,690)
At 30 June 2016	117,189,993	6,675,094	30,591	328,948	721,005	640,386	125,586,017
Accumulated Depreciation in US$							
At 1 January 2016	(65,603,144)	-	-	(62,803)	(593,570)	(501,221)	(66,760,738)
Depreciation and depletion	(1,189,923)	-	-	(6,277)	(27,473)	(24,668)	(1,248,341)
Disposals	-	-	-	-	-	-	-
Write-back of impaired assets	20,555,100	-	-	-	-	-	20,555,100
Impairment	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
At 30 June 2016	(46,237,967)	-	-	(69,080)	(621,043)	(525,889)	(47,453,979)
Opening written down value	**51,280,160**	**7,243,258**	**30,591**	**266,145**	**122,716**	**138,720**	**59,081,590**
Impact of foreign currency adjustments	**-**	**(284,794)**	**-**	**-**	**(4,179)**	**(20,929)**	**(309,902)**
Closing written down value	**70,952,026**	**6,390,300**	**30,591**	**259,868**	**95,783**	**93,568**	**77,822,136**

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

NOTE 6 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Oil & Gas – Proved	Oil & Gas – Unproved	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$							
At 1 January 2015	113,043,192	6,723,646	30,591	328,948	717,543	633,942	121,477,864
Additions	2,779,610	1,213,873	-	-	4,107	20,078	4,017,668
New asset retirement obligation	3,205,890	-	-	-	-	-	3,205,890
Write-off of asset retirement obligation	(88,341)	-	-	-	-	-	(88,341)
Reclassifications	-	-	-	-	-	-	-
Disposals	(2,057,047)	(268,061)	-	-	(5,364)	(14,079)	(2,344,551)
Expiration costs	-	(426,200)	-	-	-	-	(426,200)
Write-off of exploration expense	-	-	-	-	-	-	-
At 31 December 2015	116,883,304	7,243,258	30,591	328,948	716,286	639,941	125,842,328
Accumulated Depreciation in US$							
At 1 January 2015	(37,890,234)	-	-	(50,250)	(508,320)	(461,204)	(38,910,008)
Depreciation and depletion	(5,616,528)	-	-	(12,553)	(85,177)	(56,719)	(5,770,977)
Write-off sale of wells	88,694	-	-	-	-	-	88,694
Disposals	-	-	-	-	(73)	16,702	16,629
Impairment	(22,202,568)	-	-	-	-	-	(22,202,568)
Change in ARO	17,492	-	-	-	-	-	17,492
At 31 December 2015	(65,603,144)	-	-	(62,803)	(593,570)	(501,221)	(66,760,738)
Opening written down value	**75,152,958**	**6,723,646**	**30,591**	**278,698**	**206,231**	**157,258**	**82,549,382**
Impact of foreign currency adjustments	**-**	**(248,395)**	**-**	**-**	**(4,315)**	**(21,571)**	**(274,281)**
Closing written down value	**51,280,160**	**6,994,863**	**30,591**	**266,145**	**118,401**	**117,149**	**58,807,309**

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

NOTE 6 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (Cont'd)

At December 31, 2015 due to prevailing oil and gas prices and production environment, it was determined that a majority of undeveloped locations were not viable or were uneconomic at the time. At June 30, 2016, with an improved production environment for both oil and gas, slightly improved prices, the addition of new reserves through updated seismic and additional leases, a newly engineered water flood program and a review of behind pipe opportunities, the Company undertook a review of reserves at the half year. 1P reserves increased by 1.3MMBoe to 7.2MMBoe with a PV8 for 1P reserves now $53.8 million. This led to a non-cash write-back of approximately $20.6 million against the December 31, 2015 asset impairment charge of $22.2 million.

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 February 2016 the Company extended the Facility for a further 3 years through to 26 February 2019.

<u>Credit facility summary</u>

Empire Energy USA, LLC maintains a long-term credit facility with Macquarie Bank Limited (Macquarie), which matures in February 2019, consisting of the following:

Revolver facility (revolving line-of-credit):	$50,000,000
Term Loan facility:	$150,000,000

<u>Uses of credit facility:</u>

Revolver:	To refinance existing debt and to undertake acquisitions. The Revolver is subject to a borrowing base consistent with normal and customary oil and gas lending practices of the bank.
Term Loan:	As an acquisition and development term credit facility to undertake acquisitions and support capital expenditure under an agreed development plan for oil and gas properties and services companies in the United States. Drawdown on the Term Facility is based on predefined benchmarks and segregated in tranches.

<u>Credit facility structure</u>

Revolver:	Borrowing base limit	$3,000,000
	Interest rate	LIBOR+6.5%
	Availability [1]	Nil
	Maturity	Feb 2019
	Repayment	Feb 2019

(1) the borrowing base limit changes with operations and opportunities with approval of the lender.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

NOTE 7 - INTEREST BEARING LIABILITIES (Cont'd)

Term Loan:	Borrowing base limit	$35,083,291
	Current portion payable	$1,500,000
	Interest rate	LIBOR+6.5%
	Availability (1)	Nil
	Maturity	Feb 2019
	Repayment (2)	Amortization

(1) draw down is based on predefined benchmarks, with approval of the lender.
(2) repayment is monthly from net cash flow and capital transaction proceeds of USA operations, with remaining payable at maturity.

Other features of the credit facility:

Outstanding borrowings under the facilities are secured by a majority of the assets of the Company. The Revolver and Term Facility are guaranteed by the Company.

Reserve Assessment of 1P reserves are based on third party reserve engineering consultants.

Under terms of the facilities, the Company is required to maintain financial ratios customary for the oil and gas industry. These include certain operational and financial covenants for which the Company is required to maintain, the most restrictive of which is the adjusted proved developed producing (PDP) present value (PV).

Key financial covenants:	1.5x 1P PV10 coverage to net loan (after adjustment for cash & hedges) at April 1, 2017. 1.0x PDP PV10 coverage to net loan (after adjustment for cash & hedges) at November 1, 2016. 1.0x Current Ratio. 1.8x EBITDA/Interest Ratio. (Note: PDP PV10 ratio also adjusted for PSI/PDNP reserves)
Fees:	1% on draw down amount.

Amendments to Credit Facility:

In February 2016, the credit facility was extended for 3 years. Under this extension the Company agreed to allocate US$5 million of the initial US$7.5 million payment to be received from American Energy Partners, LP (AEP) on April 20, 2016 (as part of an 80% Farmout of the Company's interest in its McArthur Basin, Northern Territory project). The unexpected death of Mr. Aubrey McClendon, Founder of AEP, has meant that the closing of Farmout is unlikely to occur, with the AEP Farmout now an asset controlled by the Trustee of the McClendon Estate. Without receipt of the US$5 million, the Company entered into two amendments to the credit facility, the key items are as follows:

- The payment of US$5 million or future payments from the Farmout Agreement have been cancelled.
- In its place, a payment of US$1.5 million is due on September 16, 2016.
- Margins payable on the credit facility increased from an average of LIBOR+4.7% to LIBOR+6.5%.
- The Interest Rate Coverage Ratio, on an ongoing last 4 quarterly rollover basis, to be changed from 2.5x to 1.8x.
- The Loan to Asset Coverage Ratio's are as set out above.

The original Macquarie credit agreement assigned warrants to Macquarie to purchase 10% of the equity in the Company's subsidiary Empire Energy USA, LLC (EEUSA). Under the new Credit Facility signed in February 2016, previous warrants expired and were replaced with a new agreement. Keys points in relation to the warrants are as follows:

- Macquarie can exercise warrants at $0.01 to purchase 10% of the equity in EEUSA.
- Costs of the warrants are treated as a transaction cost and amortised over the life of the loan.
- Amortisation of the warrants over the current period is $113,000.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

NOTE 7 - INTEREST BEARING LIABILITIES (Cont'd)

	June 2016 $	December 2015 $
Term Facility:		
Tranche A	6,181,553	6,181,553
Tranche B	10,583,403	10,583,403
Tranche C	10,773,188	9,585,871
Tranche D	10,000,000	10,000,000
Revolver	3,000,000	3,000,000
Sub-total	40,538,144	39,350,827
Less discount on debt	-	(97,234)
Less deferred financing costs, net	(1,861,853)	-
	38,676,291	39,253,593
Acquisition Commitment	-	1,193,896
Finance Lease Liability	15,563	13,006
Total Current Debt	38,691,854	40,460,495
Current portion due 16 September 2016	1,500,000	-
Residual current balance	37,191,854	40,460,495
Current debt per balance sheet	38,691,854	40,460,495

NOTE 8 - PROVISIONS

	June 2016 $	December 2015 $
Current		
Employee entitlements	8,856	12,377
Non-current		
Asset retirement obligations	12,730,326	11,496,833
Movement in Asset Retirement Obligation		
Balance at beginning of period	11,496,833	7,953,969
Additions	622,525	353,413
Write-off of accrued plugging costs	(28,743)	(113,922)
Accretion in the period, included in amortisation expense	239,711	422,431
Change in estimate	400,000	2,880,942
Balance at end of period	12,730,326	11,496,833

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.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

NOTE 9 - CONTRIBUTED EQUITY	CONSOLIDATED	
	6 months to 30 June 2016	
	No. of shares	US$
a) Shares		
Issued Capital		
Balance at beginning of period	344,313,877	74,240,545
Movement in ordinary share capital		
- There was no movement in the ordinary share capital of the Company during the period.	-	-
Balance at 30 June 2016	344,313,877	74,240,545

Since the end of the financial period and the date of this report the Company has issued the following shares:
- 2,000,000 shares were issued on 7 July 2016 in lieu of cash payment of $20,000 for services rendered, at a deemed issue price of $0.01 per share
- 1,000,000 shares were issued on 25 August 2016 for nil cash consideration, for services rendered to the Company at a deemed issue price of $0.02 per share

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 2016	10,750,000
Movements	
Granted	
No options were granted during the half-year financial period.	-

Since the end of the financial period and the date of this report the Company has issued the following options:

- 1,000,000 unlisted options exercisable @ $0.03 prior to 25/8/2019

Exercised	
No options were exercised during or since the end of the half-year financial period.	-

NOTES TO THE FINANCIAL STATEMENTS

for the half-year ended 30 June 2016

NOTE 9 - CONTRIBUTED EQUITY (Cont'd)

Expired	
On 26 February 2016 4,250,000 options exerciseable at $0.119 expired unexercised. No other options have expired during or since the end of the half-year financial period.	(4,250,000)
Balance as at 30 June 2016	6,500,000

At the date of these accounts the Company has 7,500,000 unissued shares held under option.

(c) Performance Rights	
Total number of unissued shares subject to Performance Rights at 1 January 2016	2,500,000
Movements	
No Performance Rights have been exercised or granted during or since the end of the half-year financial period.	-
Balance as at 30 June 2016	2,500,000

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

Shares

At balance date the Company had 344,313,877 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 6,500,000 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	$0.149	31 December 2016
1,500,000	Executive Options	$0.169	31 December 2016
1,500,000	Executive Options	$0.179	31 December 2016
6,500,000			

Performance Rights

At balance date the Company had 2,500,000 unissued shares subject to Performance Rights. The Performance Rights are subject to certain preconditions being met.

NOTE 10 - DIVIDENDS

No dividends have been declared or paid during the period.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2016

NOTE 11 - EARNINGS PER SHARE

	June 2016	June 2015
Basic earnings per share (cents per share)	3.96	(1.69)
Diluted earnings per share (cents per share)	3.96	(1.69)
Profit/(Loss) used in the calculation of basic and diluted earnings per share	13,628,360	(5,219,937)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	344,313,877	308,863,682
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	344,313,877	308,863,682

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

a) Macquarie Bank Credit Facility – Since the end of the half year the Company has entered into two amendments to the credit facility held with Macquarie Bank. Details of these amendments can be found in Note 7 of this Report.

b) On the 12th August 2016 the Company held an Extraordinary General Meeting, at which shareholder approval was given for the Company to issue shares to raise up to $5 million dollars in addition to its existing placement capacity under ASX Listing Rule 7.1 and 7.1A.

nexia australia

the next solution

LEAD AUDITOR'S INDEPENDENCE DECLARATION

To the Board of Directors of Empire Energy Group Limited

As lead audit partner for the review of the financial statements of Empire Energy Group Limited for the financial period ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

Lester Wills
Partner

Nexia Court & Co.
Chartered Accountants

Sydney

Date: 13 September 2016

Sydney Office
Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nexiacourt.com.au, www.nexia.com.au

Independent member of Nexia International

DIRECTORS' DECLARATION
For the half-year ended 30 June 2016

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 2016 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 13th day of September 2016.

the next solution

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF EMPIRE ENERGY GROUP LIMITED

We have reviewed the accompanying half-year financial report of Empire Energy Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, consolidated statement of profit or loss and other comprehensive Income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, 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 half-year 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 half-year 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 half-year 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 2016 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 a half-year 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*.

Sydney Office
Level 16, 1 Market Street, Sydney NSW 2000
PO Box H195, Australia Square NSW 1215
p +61 2 9251 4600, f +61 2 9251 7138
info@nexiacourt.com.au, www.nexia.com.au

Independent member of Nexia International

nexia australia

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year 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 2016 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.*

Emphasis of Matter

Without further modifying our conclusion, we draw your attention to Note 1 'Going concern' of the financial report, which indicates the company has an excess of current liabilities over current assets of $35,049,444 as at 30 June 2016. The Company is required to repay debt of $1,500,000 by 16 September 2016 and is currently undertaking a capital raise of up to $5m via a share issue.

The financial report had been prepared on a going concern basis which assumes continuity of normal business activities, the realisation of assets and the settlement of liabilities in the ordinary courses of business.

In Note 1, the directors state why they consider the going concern basis used in the preparation of the financial report is appropriate. As discussed in that note, if the capital raising does not generate sufficient funds, there exists a material uncertainty as to whether the Company and the Group will be able to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Lester Wills

Lester Wills
Partner

Nexia Court & Co

Nexia Court & Co.
Chartered Accountants

Sydney

Date: 13 September 2016