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ASX Announcement

26th OCTOBER 2018

MACQUARIE BANK REFINANCING REACHES FINANCIAL CLOSE

NEW CREDIT FACILITY

Empire Energy Group Limited ("Empire" or the "Company") is pleased to advise that it has completed the major recapitalisation exercise that it announced to the ASX on 6th August 2018 by reaching financial close of its new 3 year senior secured credit facility ("the New Credit Facility") with Macquarie Bank Limited ("Macquarie").

The opening balance of the New Credit Facility had previously been expected to be US\$26.5m. However, due to additional cash repayments that Empire has been able to make over recent months due to strong commodity prices and the efficient operation of its cash flow positive US assets, the opening cash balance of the New Credit Facility will be US\$26.06m.

ISSUE OF SHARES AND OPTIONS TO MACQUARIE

As previously announced to the ASX, under the terms of the New Credit Facility, Macquarie has agreed to convert US\$4,000,000 of the existing credit facility to ordinary equity. Under the terms of the debt for equity conversion, Empire has today issued 285,847,000 Empire ordinary shares to Macquarie.

Empire has also issued 120,000,000 options to acquire Empire shares exercisable at 3.2c on or before 31 December 2021 to Macquarie.

Macquarie will become Empire's largest shareholder with approximately 14.7% of the Company's ordinary issued capital.

KANSAS DEVELOPMENT PROGRAM

Under the terms of the New Credit Facility, Macquarie has agreed to defer US\$440,000 of fixed amortisation payments to allow Empire to carry out a low cost, low risk, high return development program on its producing oil assets in Kansas.

Empire has high graded a number of existing wells that are strong candidates for either 1) polymer jobs which increases production from existing formations or 2) recompletion jobs which create production from

new formations. The cost of polymer jobs is US\$55,000 to US\$70,000 per well and the cost of recompletions is US\$20,000 to US\$30,000 per well.

The Company anticipates that the development program will increase production, cash flow and reserves. Initial results are expected in December 2018.

COMMODITY HEDGING

Under the terms of the New Credit Facility, Empire is required to enter into hedging to protect it from price risks associated with future oil and gas prices.

The Company has entered into fixed price swaps over US oil production and it has acquired put options over US gas production for 2019 to 2021.

The Company already has existing fixed price swaps over US gas production for the remainder of 2018 and 2019 which will remain in place.

The Company's existing and new hedging contracts are summarised in the table below:

Period	Commodity	Volume	Hedge Type	Strike Price
November 2018 – December 2018	NYMEX Henry Hub Natural Gas	84,000 mmbtu per month	Existing Swaps	US\$4.11 per mmbtu
January 2019 – December 2019	NYMEX Henry Hub Natural Gas	41,500 mmbtu per month	Existing Swaps	US\$3.45 per mmbtu
January 2019 – December 2019	NYMEX Henry Hub Natural Gas	85,000 mmbtu per month	New Put Options	US\$2.50 per mmbtu
January 2020 – December 2020	NYMEX Henry Hub Natural Gas	120,000 mmbtu per month	New Put Options	US\$2.50 per mmbtu
January 2021 – December 2021	NYMEX Henry Hub Natural Gas	25,000 mmbtu per month	New Put Options	US\$2.50 per mmbtu
January 2019 – December 2019	WTI Crude Oil	9,000 barrels per month	New Swaps	US\$66.50 per barrel
January 2020 – December 2020	WTI Crude Oil	8,000 barrels per month	New Swaps	US\$64.00 per barrel
January 2021 – December 2021	WTI Crude Oil	2,000 barrels per month	New Swaps	US\$60.00 per barrel

ISSUE OF ORDINARY SHARES AND OPTIONS TO INVESTORS

The Company has issued 12,000,000 shares at A\$0.02 per share under ASX Listing Rule 7.1A and 6,000,000 options exercisable A\$0.03 per share on or before 26 September 2020 at under Listing Rule 7.1 to two longstanding shareholders for total consideration of A\$240,000. The issuance of shares and options to these shareholders is on identical terms to the recent A\$15,000,000 capital raising. Both shareholders had provided subscription agreements in accordance with the recent capital raising but due to delays in settlement of bank transfers they missed the deadline for allotment by one day. The Company was not contractually bound to issue the shares and options to these shareholders but has elected to do so in recognition of their long-standing support for the Company and because it is in the best interests of the Company to raise the additional capital by issuing the shares and options. The funds will be used for working capital purposes and to advance the Company's Northern Territory exploration program.

Alex Underwood, Chief Executive Officer and Managing Director of Empire, said:

"I am delighted that Empire has reached the successful conclusion of the 2018 recapitalisation process.

The Company entered 2018 with unsustainably high levels of debt and an interest burden which consumed the vast majority of the free cash flow generated by our US producing assets.

The support of Macquarie and our shareholders throughout this process has allowed us to reduce our debt by more than 30% to more sustainable levels and has put the Company's balance sheet on a stable footing.

We welcome Macquarie's increased shareholding in the Company. As one of Australia's premier financial institutions with deep knowledge and expertise in upstream oil and gas, they understand value creation in upstream oil and gas companies and they are supportive of our growth plans.

We are grateful to our existing and new shareholders who have provided their support for our recapitalisation plan, which required very difficult decisions to be made to strengthen the Company's balance sheet as we enter a new period of growth.

The greater than 30% reduction in debt from ~US\$38m to ~US\$26m under New Credit Facility will materially reduce our interest expense and allow us to focus on our most important goal as a management team which is to create value for our shareholders."

ABOUT EMPIRE ENERGY GROUP LIMITED

Empire Energy is a conventional oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the MidCon (Kansas and Oklahoma) regions of the USA.

The Company has over 14.5 million acres in the McArthur & Beetaloo Basins, Northern Territory, both of which are considered highly prospective for large shale oil and gas resources. Work undertaken by the Company over the past 5 years demonstrates that the Central Trough of the McArthur Basin, of which the Company holds around 80%, is highly prospective, with key similarities to those extending through Oman, Siberia and Southern China and which contain resources of billions of barrels of oil equivalent.