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Quarterly Report – For the period ending 30 June 2013

16 July 2013

HIGHLIGHTS FOR 2nd QUARTER

- Estimated oil & gas net revenue for the period US$6.8 million (1Q2013: US$6.4 million).
- Unaudited Field EBITDAX of US$4.7 million (1Q2013: US$4.4 million).
- Gross production
  - Oil: 66,123 Bbls (1Q2013: 67,567) -2.1%.
  - Gas: 653,772 Mcf (1Q2013: 603,936) +8.3%
- Estimated Group EBITDAX was US$3.22 million (1Q2013: US$2.96 million)
- Approximately US$2 million in debt was repaid and cash on hand is US$4 million.
- Two Mid-Con oil wells completed.
- Acquisition of ~100 miles of gas pipelines and gathering networks in New York State.
- Northern Territory:
  - Exploration Agreement for EPA 184, was signed by Traditional Owners.
  - Grant of the exploration permit is expected in July 2013, at which time exploration activities will commence.
- Northern Territory exploration expenses were US$224,029 (1Q2013:US$377,580)

OPERATING REVIEW

A. EMPIRE ENERGY USA, LLC (95%)

The Company’s operations are in the Central Kansas (oil) and in the Appalachian Basin (gas).

Operations

Estimates have been made for the last 2 production months of the quarter under review due to customer payment/invoice cycles. As such, there may be changes to production, revenues and operating ratios for the previous quarter as final production statements are received.

Estimated Production

Qtr	Net Bbl	Av Price $/bbl	Net Mcf	Av Price $/mmBtu	Net Boe	Net Boe/d
Sep-12	46,203	$84.47	467,352	$5.82	124,095	1,379
Dec-12	43,903	$81.02	501,499	$5.63	127,486	1,417
Mar-13	43,179	$85.37	472,928	$5.48	122,000	1,356
Jun-13	42,287	$84.12	508,369	$5.50	127,015	1,411
Year	175,572	$83.75	1,950,148	$5.61	500,597	1,371

- Kansas – production was lower than forecast with uptime for the period at approximately 90% of production capacity. Downtime was due to:
  - Continuing well work overs; and
  - Electrical problems caused by electrical storms and tornado's.
- Appalachia – gas production increases due to:
  - Wells being bought back on line following repairs to pipelines.
  - The Company completed negotiations for the acquisition of approximately 100 miles of pipeline from the local utility. Once this transfer is completed shrinkage (currently around 10% in the region the pipelines have been purchased) should be reduced by at least 50-60%.

Estimated Field Operating Revenues

Qtr	Net Revenue US$M	LOE US$M	Prod. Taxes US$M	Field EBITDAX US$M	Leases US$M	N/recurr. Expenses US$M	F&A Costs US$M	Field G&A US$M	G&A (1)	Other (2) US$M	EBITDAX US$M
Sep-12	$6,710	$1,974	$315	$4,421	$109	$243	$150	$136	$312	$374	$3,097
Dec-12	$6,552	$1,679	$340	$4,533	$27	$460	$196	$150	$306	$132	$3,262
Mar-13	$6,474	$1,691	$306	$4,775	$78	$377	$192	$214	$411	$31	$3,174
Jun-13	$6,772	$1,754	$300	$4,718	$66	$498	$192	$170	$363	-$38	$3,467
Year	$26,806	$7,098	$1,261	$18,447	$280	$1,578	$730	$670	$1,392	$499	$13,298

(1) G&A costs for US operations

(2) Major expenses include movement in inventory, acquisition costs & land/leasing costs:

- *Change in inventory decrease of US$71,000 (1Q2013: $3,000)*
- *Costs relating to potential acquisitions US$27,000 (1Q2013: $21,000)*

Estimated Key Operating Ratios:

Qtr	Av Price $/Bbl	LOE $/Bbl	Non-recurr $/Bbl	Taxes $/Bbl	Net Other $/Bbl	Av Price $/Mcf	LOE $/Mcf	Non-recur $/Mcf	Taxes (1) $/Mcf	Net Other $/Mcf
Sep-12	$84.47	-$23.20	-$3.33	-$3.07	$0.00	$5.82	-$1.93	-$0.19	-$0.37	$0.22
Dec-12	$81.02	-$19.70	-$8.31	-$3.87	$0.09	$5.63	-$1.68	-$0.10	-$0.34	$0.20
Mar-13	$85.37	-$22.65	-$5.72	-$3.54	$2.69	$5.48	-$1.58	-$0.23	-$0.31	$0.18
Jun-13	$84.12	-$23.13	-$7.38	-$3.48	-$1.68	$5.50	-$1.53	-$0.36	-$0.30	$0.00
Av Year	$83.75	-$22.17	-$6.19	-$3.49	$0.27	$5.61	-$1.68	-$0.22	-$0.33	$0.15

(1) - Taxes include severance, ad valorum and production taxes

(2) Net other includes change in oil inventory and delayed rental payments

Estimated Netbacks:

- Kansas -oil
  - Netback Mid-Con oil: $48.46/Bbl (1Q2013 $56.14/Bbl).
- Appalachia – gas
  - Netback Appalachia gas: $3.31/Mcf (1Q2013 $3.55/Mcf).

CAPEX:

Capital expenditure incurred for the period was $421,908 (1Q2013 $472,049) development and additional leases. Wells drilled over the period and currently being completed are:

- Barnhart #24-1, Pratt County – 8 feet of potential Lansing/Kansas City zone encountered at 4,206 feet as well as 10 feet of potential Viola zone encountered at 4,500 feet. The Viola zone is currently being fracked and will be bought on line over the next several days. The Arbuckle zone at 4,720 feet was found to be non-productive.
- Burmesiter #1-18, Meade County – 10 feet of potential Morrow Lime at 5,816 feet. In the Mississippian Lime sequence, 36 feet of potential Chester Lime at 5,830 to 6,060 feet and 42 feet of St Genevieve Lime at 6,098 feet. The well has just been perforated and fracked and is currently producing a small amount of gas and liquids.

Credit Facilities:

Interest expenses accrued over the quarter were $564,000 (1Q2013: $753,000). Net debt repaid over the quarter was US$2 million (1Q2013: $1.6 million).

At the end of the quarter the Company had US$45.8 million drawn at an average cost of LIBOR + 4.34%. Empire Energy retains Credit Facility availability of ~US$104 million, which can be utilized for acquisitions and development drilling subject to normal energy borrowing base requirements.

	Drawdown End of Qtr US$M	Interest Rate LIBOR+	Interest Qtr US$M	Interest YTD US$M
Term	$42,300	4.50%		
Revolver	$3,500	2.50%		
	$45,800	4.35%	$564	$1,317

Hedging:

A hedging policy has been implemented by the Company with the underlying objective to ensure the cash flows are protected over the period the Credit Facility is drawn for the funding of a defined set of assets. Hedge contracts are a component of Empire's Credit Facility and no cash margins are required if contracts are outside the marked to market price for each commodity hedged.

The following table summarizes current hedging in place based on NYMEX – Henry Hub and WTI Contracts:

Year	Est. Net	Hedged		Average	Est. Net	Hedged		Average
	mmBtu	mmBtu	%	$/mmBtu	Bbl	Bbl	%	$/Bbl
2013	1,000,000	703,860	70.4%	$5.97	74,649	56,580	75.8%	$90.00
2014	1,850,000	1,335,488	72.2%	$5.91	141,058	105,120	74.5%	$90.00
2015	1,790,000	1,166,000	65.1%	$5.45	133,280	98,160	73.6%	$90.00
2016	1,730,000	1,200,000	69.4%	$4.43	126,616	42,000	33.2%	$85.67
2017	1,675,000	570,000	34.0%	$4.57	120,285	39,600	32.9%	$85.23
2018	1,620,000	510,000	31.5%	$4.75				
Total	9,665,000	5,485,348	56.8%	$5.25	595,888	341,460	57.3%	$88.91

B. IMPERIAL OIL & GAS PTY LTD (100%):

The Company's wholly owned subsidiary, Imperial Oil & Gas P/L signed the Exploration Agreement for the first of its seven tenements, EP(A) 184, during the period.

Imperial continues to make significant progress in its Traditional Owner negotiations for the other areas and the necessary archaeological, anthropological, work programme and policy submissions are well underway in preparation for commencement of exploration on all tenements.

The 7 exploration licence areas comprise a total of 14,500,000 acres (or 59,172km^2) and cover around 75% of the petroleum-prospective central trough of the onshore McArthur Basin in the Northern Territory, Australia.

McArthur Basin Expenditure:

Current quarter accrued expenses: US$224,029 (1Q2013 US$377,580). Until actual exploration licences are granted the Company's policy is to expense all exploration costs.

McArthur Basin Project Progress:

Achievements during the last quarter:

- The terms of the Exploration Agreement for area EP(A) 184 were finalised and the document was signed on 14th June 2013 by Imperial Oil & Gas, Aboriginal Native Title Claimants and the Northern Land Council. EP(A) 184 occupies 2.77 million acres (11,220 km^2). The relevant Northern Territory government authorities are now required also to complete their formalities prior to permit grant which is expected to take place by August 2013 after which Imperial will commence its exploration activities.

- Imperial continued to prepare for the commencement of on ground exploration activities in anticipation of the imminent grant of area EP(A) 184. This involved the evaluation of tenders submitted by candidate seismic, drilling and related service providers to undertake the planned operational work. The 'tendering' process is important to ensure those contractors that bid for the work can satisfy the stringent technical, environmental and commercial standards required by Imperial.

- The University of Adelaide Shale Research Group completed its geochemical analysis of 650 samples collected from relevant existing cores from the prospective McArthur Basin black shale formations. These data characterise the organic geochemistry, carbonate & clay content of the target shales and help to understand their diagenetic history and petroleum potential.

- A number of productive workshops were held with the University Shale Research Group during the reporting period. The emphasis of their proprietary study of core samples on behalf of Imperial progressed from the geochemical analysis phase into the crucial phase of data interpretation. Integration of the geochemical results with structural & burial history analysis, determination of lithofacies associations and the prediction of gross depositional environments of the target shale intervals continued during the period. The results of the integrated studies will provide a synergistic and predictive petroleum geological framework for the McArthur Basin. The fully integrated model will characterize the nature and distribution of hydrocarbons in the prospective shales within the license areas and help high rank particular areas for shale oil and gas drilling.

C. EMPIRE ENERGY GROUP LIMITED OPERATING COSTS

Empire Energy Group Limited's head office is located in Sydney, Australia. Operating costs cover all Group overhead, including the costs of listing on both the Australian Securities Exchange and the OTCQX Exchange, New York, USA.

- Net Operating Profit/Expense: US$(239,915) (1Q2013: US$(207,428)), consisting of:
    - *Revenues US$2,088 (1Q2013: US$174,860)*
    - *Directors/Consultants: US$54,104 (1Q2013: US$121,640)*
    - *Employment Costs: US$43,605 (1Q2013: US$82,270)*
    - *Listing Expenses: US$7,475 (1Q2013: US$37,120)*
    - *G&A: US$136,818 (1Q2013: US$141,260)*

Executive Options

During the quarter 6,500,000 executive options were granted pursuant to the Company's Employee Share Option Plan as an incentive to employees of the Company. The Options were granted for nil consideration. All options granted are exercisable prior to 31 December 2015, 1,500,000 options are exercisable at $0.18 with the remaining 5,000,000 options exercisable at $0.17. 3,000,000 of these options were granted to a Director of the Company following approval by shareholders at the Company's Annual General Meeting.

ABOUT EMPIRE ENERGY GROUP LIMITED

Empire Energy USA is an oil and natural gas producer with operations in Appalachia (New York and Pennsylvania) and the Central Kansas Uplift (Kansas). Empire Energy implemented a US$150 million credit facility with Macquarie Bank Limited for the sole purpose of acquiring and developing oil and gas assets in the USA.

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Financial Terminology

Statements in this announcement may make reference to the terms "EBITDAX", Field EBITDAX, "field netback" or "netback", "cash flow" and "payout ratio", which are non-IFRS financial measures that do not have any standardised meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other companies. Investors should be cautioned that these measures should not be construed as an alternative to net income calculated in accordance with IFRS. Management believes that these measures provide useful information to investors and management since these terms reflect the quality of production, the level of profitability, the ability to drive growth through the funding of future capital expenditures and sustainability of either debt repayment programs or distribution to shareholders. However, 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.

Note regarding Barrel of Oil Equivalent

Empire Energy has adopted the 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. In addition, given that the value ratio based on the current price of oil as compared to natural gas is significantly different from the energy equivalent of six to one, utilizing a Boe conversion ratio of 6 Mcf to 1 Bbl would be misleading as an indication of value.

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.

Glossary

Bbl	-	One barrel of crude oil, 42 US gallons liquid volume
Boe	-	Barrel of oil equivalent, determined using the ratio of six Mcf of natural gas to one Bbl of crude oil, condensate or natural gas liquids
Delay Rentals	-	Payments made to Lessor to maintain leases
GIP	-	Gas in place
HBP	-	Held by production
Mcf		One thousand cubic feet (natural gas volumetric measurement)
M or MM		M = Thousand, MM = Million
NRI	-	Net revenue interest
PDNP	-	Proved developed non producing
PDP	-	Proved, developed producing well
PV10	-	Pre-tax value of a cash flow stream, over a defined time period, discounted at 10%
Royalty	-	Funds received by the landowner for the production of oil or gas, free of costs, except taxes
Tcf	-	Trillion cubic feet
TOC	-	Total organic content
WI	-	Working interest