HALF YEAR
FINANCIAL REPORT

2019

Empire Energy Group Limited
and its controlled entities
ABN 29 002 148 361

CONTENTS

CORPORATE DIRECTORY

Directors
Paul Espie AO (Chairman)
Alexander Underwood (Chief Executive Officer and Managing Director)
John Gerahty
David Sutton (resigned 28 June 2019)
Prof John Warburton (appointed 6 February 2019)
Linda Tang (removed 6 February 2019)

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US Auditors
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Telephone: 1300 85 05 05

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Company Secretary
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Houston, TX 77002

Stock Exchange Listings
Australia
Australian Securities Exchange
(Home Exchange Sydney, New South Wales)

ASX Code: EEG

United States of America
New York OTC Market:
Code: EEGNY
OTC#: 452869103
Sponsor: Bank of New York
1 ADR for 20 Ordinary Shares

www.empireenergygroup.net

CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Shareholders,

Empire Energy was a pioneer in the Beetaloo and McArthur Basins under its founding Chief Executive Officer Bruce McLeod.

In 2010, Bruce engaged our now fellow Director, Professor John Warburton, to identify shale basins outside the United States of America that had similarities to certain productive US shale basins including the Marcellus Shale.

At the time, only a small percentage of the land area of the Northern Territory had been 'pegged' for oil and gas exploration, and few had recognised the potential of the Northern Territory's onshore shale basins.

The potential of the Beetaloo and McArthur Basins dates back to 1980. Amoco, searching for base metals, drilled a mineral exploration well to the east of our properties. When the well intersected the Barney Creek Shale, it hit liquids rich natural gas, and produced significant quantities of hydrocarbons for several months until the start of the rainy season when the gas flows ceased.

John Warburton located the completion report for this well and realised he had identified a major hydrocarbon rich shale basin. Shortly thereafter Empire submitted applications for over 14.5 million acres.

Since that time, there has been a land rush into the area involving major companies in the Australian energy sector.

As our CEO Alex Underwood will describe, we have ambitious plans for our assets in the Northern Territory and are working closely with several stakeholders including Traditional Aboriginal Landowners and Government.

This story is evolving rapidly as you will be aware, with big plans for exploration and development drilling by some of our powerful neighbours.

These have been revealed to the market recently. Seismic and drilling activity will be building up in coming months.

As the Company has explained in recent announcements, Empire Energy has developed a strategy of reducing its producing assets in Kansas and Appalachia and the substantial debt that was on the balance sheet 12 months ago.

This frees us up to proceed with our own exploration and appraisal work in the Northern Territory in the coming months.

We are building a high calibre team to guide the company through the upcoming phase of growth.

Our balance sheet including cash balances is well prepared for this and we look forward to reporting the results of our program through the coming year and beyond.

Yours sincerely,

Paul Espie AO
Chairman
Empire Energy Group Limited

CHIEF EXECUTIVE OFFICER'S LETTER TO SHAREHOLDERS

Dear Shareholders,

I am pleased to present you with Empire's 2019 Half Yearly Financial Report.

Over the first half of 2019 we have been diligently executing our strategy for shareholder wealth creation which was detailed in our 2018 Annual Report and other correspondence to shareholders.

Our balance sheet is in the strongest position it has been for many years. Our debt has reduced by more than a third and cash balances are four times higher than a year ago. Further major debt reduction is anticipated once the sale of the Kansas assets is completed. This will leave the Company with the cash resources required to carry out the Northern Territory seismic program. The continuing cash flow positive production from the Appalachia assets will support the residual debt.

Our US business had another solid half year. Aggregate production rates were maintained, and we further reduced US corporate overheads. Our US operations generated sufficient free cash flow to fund both interest expense and debt reduction.

Although we generated an accounting loss of $7.4 million for the half year, this was primarily due to non-cash items of $7.3 million including depletion, change in value of hedges, Kansas lease expiry expenses and asset impairment expense (due to a reduction in discount rates driven by falling global interest rates which increased the present value of future asset retirement obligations).

The first half of 2019 has been a busy and productive time for our Company. Immediately following the completion of the 2018 recapitalisation, we commenced a process of seeking buyers for our US assets to further reduce debt and focus on the core Northern Territory assets.

Weak oil prices at the beginning of 2019 hampered those efforts. But as prices recovered, we received multiple expressions of interests from Australian and US companies interested in acquiring our Kansas properties.

In June 2019, the Company executed an agreement to sell our Kansas assets for US$19.1 million to Mai Oil Operations, Inc. ("Mai Oil"). Mai Oil has already paid a US$2 million cash deposit and the sale transaction is proceeding well. We anticipate completing the sale by the end of Q3 2019.

Throughout the half the Company has continued to focus on cost reduction opportunities. US management headcount has been reduced and further overhead reduction opportunities have been identified. These changes have resulted in some one-off costs but will improve our operating margins over time.

Over recent months, we have been progressing work program approvals for our Northern Territory assets. Our initial work programs will focus on EP187, immediately adjacent to Santos' core Beetaloo – McArthur Basin work program areas. Our technical analysis indicates a clear continuation of the Velkerri Shale from Santos' tenement into ours. Our forthcoming seismic program will provide detail and confirm this.

Empire is one of the most active companies in these basins. We are one of the first companies to have both seismic and drilling Environment Management Plans ("EMP") accepted for final assessment by the Northern Territory Government since the lifting of the fracking moratorium.

We anticipate receipt of Government approval for the seismic program in the coming weeks and will commence land clearing and seismic acquisition once those approvals are granted.

An EMP for the drilling of exploration wells in EP187 has been accepted by the NT Government for final assessment which will result in Empire being the only company in these basins with 100% equity in its projects and drill ready prospects.

Major operators in these basins are substantially ramping up their activities now that Government regulations are in place to allow a recommencement of industry activities.

Origin Energy and its joint venture partner, Falcon Oil & Gas, have announced that they will commence the drilling of their first well in the coming weeks, with fracture stimulation operations to be carried out shortly thereafter. We understand that this well will be the first of many on Origin's properties in the year ahead.

Santos has announced that it will fracture stimulate an existing well in the adjacent property this year, and that it will be drilling and completing two horizontal fracture stimulated wells targeting the Velkerri Shale next year.

Appraisal success by our neighbours in these basins is likely to further increase interest from major oil and gas companies globally, as well as the large LNG consumers in North Asia. We receive regular inbound inquiries from such parties.

Over the first half of the year the Company carried out further Board changes consistent with our strategy to build a Board of Directors and management team with the experience and capability to guide the Company through what we believe will be a substantial period of growth.

Professor John Warburton agreed to join our Board of Directors in February. John is a highly regarded petroleum geoscientist who has been involved in the discovery of billions of barrels of oil and gas equivalent around the world over the last 35 years. John was responsible for identifying the potential of the Northern Territory shale basins for our Company in 2010 and has been actively involved in the Company ever since. His strong relationships with the Northern Territory Government, businesses and local people, particularly Traditional Aboriginal Landowners, are helping the Company navigate the new regulatory environment and increasing industry activity.

In late June, David Sutton retired from the Board of Directors. David was a Director of the Company for over 20 years. We wish David the best for his future endeavours and thank him for his long period of service to the Company.

The impact of shale drilling and completion technology in the United States of America over the last 15 years cannot be overstated. The US has gone from being heavily reliant on imported energy to energy self-sufficient. The displacement of coal generated baseload power with shale gas generated baseload power has driven down aggregate CO_2 emissions. Affordable shale derived oil and natural gas has generated broad economic benefits for the people of the United States, with manufacturing flourishing, household energy bills lower, and millions of direct and indirect jobs created.

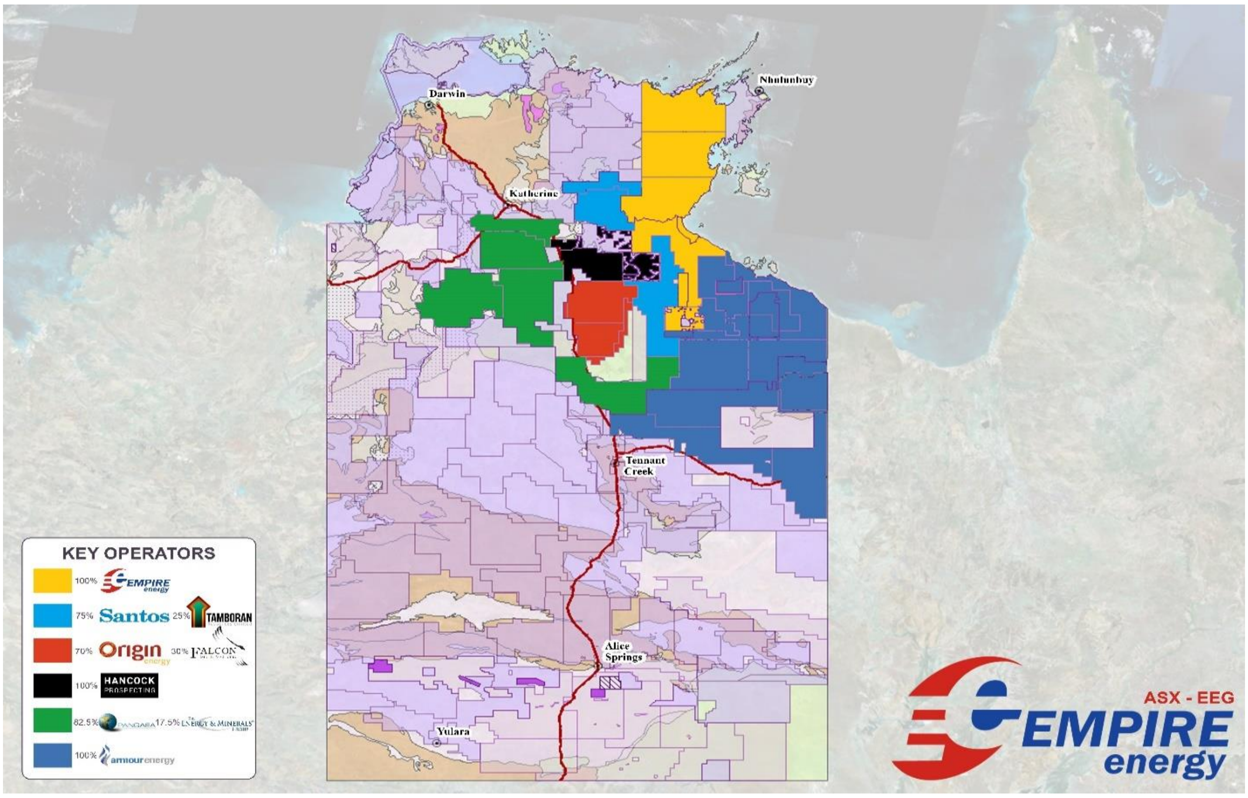
It is now Australia's opportunity to share in the substantial benefits that shale drilling and completion technology can bring. I feel honoured to lead an Australian company at the forefront of unlocking this opportunity.

As the only ASX-listed small cap company with a substantial acreage position in both the Beetaloo and McArthur Basins, Empire Energy shareholders are uniquely placed to generate substantial returns as these basins progress from the exploration stage into appraisal and development.

I would like to thank our employees, directors, contractors and consultants in the United States and Australia for their hard work over the last 6 months, and our shareholders for your ongoing support.

Yours sincerely,

Alex Underwood
Chief Executive Officer
Empire Energy Group Limited



Map detailing major operators in Beetaloo and McArthur Basins

OPERATIONS REVIEW

A. 2019 OVERVIEW & HIGHLIGHTS

Empire Group's functional currency is in United States Dollars. All references to dollars are United States Dollars unless otherwise stated.

GROUP FINANCIAL HIGHLIGHTS

- Group Revenue $6.7 million (June 2018: $6.9 million)
- Net production 1,151 boe per day (June 2018: 1,157 boe per day)
- Outstanding gross debt $25.4 million (June 2018: $37.9 million)
- Cash at bank $4.8 million (June 2018: $1.1 million)

AUSTRALIA – NORTHERN TERRITORY

- Empire Energy has a very large (approximately 59,000 square kilometres) acreage position across the Beetaloo and McArthur Basins located onshore in the Northern Territory, Australia.
- Empire has a 100% working interest in these properties.
- A Prospective Resource P (50) (**"PRP (50)"**) of ~2.1 billion Boe or ~12.4Tcfe was announced in February 2016 for the Company's Northern Territory Assets. The PRP (50) covers approximately 5.5 million acres of the total 14.5 million acres held by the Company and with an average shale thickness of 330 feet. In most of the area reviewed, the shale thickness can be considerably thicker than that used for the PRP (50) estimate. (Refer to page 12 for definition of Prospective Resource)
- In April 2018, the Northern Territory Government announced that it would lift the moratorium on fracture stimulation of onshore shale gas reservoirs and implement regulations in accordance with the recommendations of the Independent Inquiry into Fracture Stimulation of Onshore Unconventional Reservoirs in the Northern Territory.
- Since then, the Northern Territory Government has been implementing regulations required to allow a recommencement of industry activities including drilling and hydraulic fracturing.
- All regulations required for a recommencement of industry activities are now in place.
- Major operators in these basins are recommencing their activities, with the first hydraulically fracture stimulated horizontal well since the lifting of the moratorium expected to commence drilling in the coming weeks.
- The Company is preparing to recommence exploration activities on EP187, with Government approvals for 2D seismic acquisition expected very soon. The Company anticipates that it will acquire these 2D seismic data during the 2019 Dry Season.
- The Company has submitted, and the Northern Territory Government has accepted for final assessment, an EMP for the drilling of up to 2 exploration wells in EP187. The Company anticipates that the wells will be drilled in the 2020 Dry Season (subject to Government approvals).
- The Company is proceeding with landholder, Traditional Owner and Government approvals processes to progress its Exploration Permit Applications (EP(A) 180,181,182,183 and 188) to granted Exploration Permit status. Recommencement of these activities reflects increasing confidence given that the Northern Territory Government's decision to support the onshore shale petroleum industry has provided greater investment certainty.
- The Company is in discussions with the Northern Territory Government regarding the imposition of proposed Reserved Blocks on part of its Northern Territory holdings. This process is expected to take several months and shareholders will be kept informed as discussions progress.

OPERATIONS REVIEW (Continued)

USA – APPALACHIA & MIDCON

- USA operations continued to trade in challenging market conditions throughout the first half of 2019 characterised by gas prices remaining below $3/mcf for most of the period and oil prices experiencing significant volatility throughout the period.

- The Company's conservative hedging program stabilised earnings. Approximately 90% of oil production was hedged at US$66.50 / barrel. Gas production was well hedged with swaps at US$3.45 / mmbtu, floors at US$2.50 / mmbtu, and fixed price offtakes at US$2.94 / mmbtu.

- Oil production was substantially higher early in 2019 due to the successful Kansas workover and recompletion program carried out in late 2018. Those wells experienced natural decline over the period as expected and production was hampered by severe weather in Kansas for much of the period. However, aggregate oil production was higher overall than the previous corresponding period.

- The successful Kansas workover and recompletion program enhanced the marketability of those assets to potential purchasers, and in late June 2019 the Company announced the sale of the Kansas assets to Mai Oil Operations, Inc for US$19.1 million. The Company anticipates that the sale will complete by the end of Q3 2019.

- The Appalachia team continued to focus on managing costs during the half year and was able to maintain production rates with little decline despite minimal capital investment in those properties.

- Cost reduction efforts continued throughout the half year. The Company has made a number of senior US management roles redundant and is further reducing headcount through natural attrition.

- After the completion of the Kansas sale, the Company will most likely close the Southpointe Pennsylvania finance and accounting office. That function will be relocated to the Mayville New York office where Appalachian operations are managed. This is expected to further reduce US corporate overheads.

- The Company incurred one-off restructuring costs during the half such as redundancy payments. These one-off costs will be offset by lower corporate overheads in future periods.

- The Company made principal repayments under the Credit Facility during the half year totalling US$640,000 from free cash flow.

B. OPERATIONS

The Company maintains a small head office in Australia and manages oil and gas production operations through its 100% owned USA subsidiary Empire Energy E&P, LLC (**"Empire E&P"**). The exploration programs in the Beetaloo and McArthur Basins in the Northern Territory, are operated through its 100% owned subsidiary Imperial Oil & Gas Pty Ltd.

OPERATIONS REVIEW (Continued)

C. OPERATIONS REVIEW – USA

US Operations Key Operating Metrics

Operating Statistics	Notes	Jun 30, 2019	Jun 30, 2018	% change
Gross Production:				
Oil (MBbls)		97	93	4%
Natural gas (MMcf)		1,065	1,115	-4%
Net Production:				
Oil (MBbls)		65	63	3%
Natural gas (MMcf)		866	890	-3%
Net production (MBoe):	1.1	**210**	**211**	-
Net Daily Production (Boe/d):		**1,151**	**1,157**	-
Average sales price per unit (after hedging):				
Oil ($/Bbl)		$59.85	$60.51	-1%
Natural gas ($/Mcf)		$2.91	$3.19	-9%
Oil Equivalents ($/Boe)		$32.27	$31.43	3%
Average sales price per unit (before hedging):				
Oil ($/Bbl)		$52.29	$60.51	-14%
Natural gas ($/Mcf)		$2.63	$2.51	5%
Oil Equivalents ($/Boe)		$28.54	$28.54	-
Lifting Costs (incl taxes):	1.2			
Oil ($/Bbl)		$22.39	$21.45	4%
Natural gas ($/Mcf)		$1.43	$1.18	21%
Oil Equivalents ($/Boe)		$13.40	$11.33	18%
2P Reserves (MMBoe):		**15.7**	**11.6**	**35%**

1.1 **BOE** - based on SEC guidelines of an oil:gas ratio of 1:6.
1.2 **Lifting Costs** - includes lease operating expenses, production and ad valorem taxes but excludes nonrecurring expenses, G&A and field overhead.

D. OPERATIONS REVIEW – USA

Net Production by Region

Operating Statistics	Jun 30, 2019	Jun 30, 2018	% change
Oil (MBbls)			
Appalachia	1	1	-
Mid-Con	64	62	3%
Total (MBbls)	**65**	**63**	**3%**
Natural gas (MMcf)			
Appalachia	863	885	-3%
Mid-Con	3	5	-40%
Total (MMcf)	**866**	**890**	**-3%**

OPERATIONS REVIEW (Continued)

E. US CAPITAL EXPENDITURE

Capex *(In $ thousands)*	Jun 30, 2019	Jun 30, 2018
Capital Expenditures		
Acquisition Capital	-	47
New Wells – Drilling and Completion	2	307
New Wells - Capital	(20)	58
Undeveloped Leases	2	-
Total	**(16)**	**412**

F. CREDIT FACILITY

The Company has a Credit Facility with Macquarie Bank Limited.

The facility has the following key terms:

- $26.06 million initial availability
- LIBOR + 650 bps (unchanged)
- 2% upfront fee on total initial availability
- 12 million unlisted options exercisable at A$0.32 per share on or before 31 December 2021 (on a post-consolidation basis)
- Maturity Date 28 February 2022
- Repayment through sweep of 100% of US Net Operating Cash Flow (i.e. after payment of operating expenses with an allowance for general and administrative expenses and after interest expenses) subject to a minimum cumulative annual repayment of $2.5m, payable quarterly commencing in May 2019.

The draw down on the Macquarie Bank Limited Credit Facility as at June 30, 2019 was $25.4 million (cf $37.9 million at June 2018). Principal repayments made in the first half of 2019 were $640,000.

G. HEDGING

Due to the risk/growth model implemented by Empire, a comprehensive hedging strategy has been adopted to ensure a reduction in commodity risk over the period that a major portion of debt financing is repaid. The portion of production hedged will naturally reduce as drill bit production comes on line or on the other hand increase as non-economic wells are shut-in.

The fair value (marked to market) of combined oil and gas hedges in place as at June 30, 2019 was $1.7 million. Oil and gas hedge contracts were valued based on NYMEX Henry Hub and WTI forward curves at market close on June 28, 2019.

H. RESERVES – USA

The Company's reserves are reviewed annually by independent third-party reservoir engineers. The scope of the reviews is to prepare an estimate of the proved, probable and possible reserves attributable to Empire's ownership position in the subject properties.

In previous years, the company attributed 3P Possible Reserves volumes and P(50) Prospective Resource volumes to its New York State shale properties. Given that there is a ban on fracture stimulation in New York State which prevents the Company from developing these areas, the Company has elected to reduce these volumes to zero.

OPERATIONS REVIEW (Continued)

Oil and Gas Reserves as at December 31, 2018 – USA (NYMEX Strip Dec 28, 2018 including hedges)

Reserves - As of Dec 31, 2018	Oil (Mbbls)	Gas (MMcf)	MBoe	Capex $M	PV0 $M	PV10 $M
Reserves (Reserves)						
Proved Developed Producing	1,700	48,183	9,731	$29	$97,645	$34,337
Proved Developed Non-producing	579	-	579	$1,403	$14,145	$7,340
Proved Behind Pipe	361	-	361	$583	$5,054	$5,054
Proved Undeveloped	1,021	3,597	1,621	$14,807	$31,603	$8,172
Total 1P	**3,661**	**51,780**	**12,292**	**$16,822**	**$148,447**	**$54,903**
Probable	319	6,986	3,368	$8,968	$23,930	$3,986
Total 2P	**3,980**	**58,766**	**15,660**	**$25,790**	**$172,377**	**$58,889**
Possible	1,752	3,936	2,378	$24,590	$63,185	$11,967
Total 3P	**5,732**	**62,702**	**18,038**	**$50,380**	**$235,562**	**$70,856**
Prospective Resource P(50) - Aust (NT)	222,000	11,076,000	2,068,000			

USA Reserves by: Graves & Co Consulting
Northern Territory Resources by: Muir & Associates P/L and Fluid Energy Consultants

Notes to Reserves

- "Prospective Resources" 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.
- 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 and 3P reserves.
- The reference point used for 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.
- "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.

OPERATIONS REVIEW (Continued)

- 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.
- Reserve estimates have been prepared by the following independent reserve engineers:
- New York & Pennsylvania (Appalachia) and Kansas (Mid-Con) – Graves & Co Consulting.
- Oklahoma (Mid-Con) - Pinnacle Energy Services, LLC.
- Northern Territory - Muir & Associates P/L and Fluid Energy Consultants.
- The following NYMEX prices, as at December 31, 2018, were used to calculate reserves and cash flow:

Year	$/Bbl	$/Mcf
2019	46.62	2.96
2020	48.25	2.69
2021	49.30	2.60
2022	50.31	2.64
2023	51.25	2.70
2024	51.84	2.79
2025	52.08	2.89
2026	52.11	3.01
2027	52.03	3.10

I. NORTHERN TERRITORY – A LARGE EMERGING PETROLEUM PLAY

Empire Energy Group Limited, through its 100% owned subsidiary Imperial Oil & Gas Pty Ltd ("Imperial"), holds a 100% interest in 59,000 square km (14.5 million acres) of prospective shale oil and gas exploration acreage, in the Meso-Proterozoic Beetaloo and Palaeo-Proterozoic McArthur Basin. The majority of the eastern depositional trough of the McArthur Basin is contained within this acreage.

The Beetaloo and McArthur Basins contain proven oil and gas-prone petroleum systems and are emerging as important petroleum basins following the discovery of significant petroleum deposits. Accordingly substantial industry exploration and appraisal activity is underway.

The Independent Prospective Resource estimates attributable to the Company's Northern Territory tenements are set out below:

INDEPENDENTLY CERTIFIED ESTIMATED PROSPECTIVE RESOURCE (Unrisked)					
IDENTIFIED		**AREA MM acres**	**P90**	**P50**	**P10**
Barney Creek Formation	Bcf	2,982	3,304	8,699	20,172
	MMBO		66	174	403
Velkerri Formation	Bcf	635	383	1,192	3,086
	MMBO		8	24	62
Wollogorang Formation	Bcf	1,384	524	1,185	2,371
	MMBO		10	24	47
TOTAL	**MMBOE**		**786**	**2,068**	**4,783**

Conversion Factor oil:gas is 1:6. Refer to page 12 for definition of Prospective Resource

OPERATIONS REVIEW (Continued)

J. BUSINESS RISK

Exploration Risk - Empire and its subsidiaries have interests in assets at various stages of exploration, appraisal and development. Many leases have had very low levels of exploration undertaken to date and may not yield commercial quantities of hydrocarbons. Oil and gas exploration is inherently subject to numerous risks, including the risk that drilling will not result in commercially viable oil and gas production.

Application Risk – A number of Empire's Northern Territory assets are in application stage requiring native title and / or regulatory approvals to be granted as Leases capable of being explored on. Such approvals may or may not be granted which could adversely impact the value of the Company.

Regulatory Risk – Empire has operations spanning several States in the USA and the Northern Territory, Australia. Regulatory approvals are required to explore, appraise, develop and produce from the assets. Where such regulatory approvals are already in place, there is a risk that they could be revoked. Where such regulatory approvals are not in place, there is a risk that they may not be granted.

Debt Facility Risk – Empire, through its US subsidiaries, has debt facilities in place with Macquarie Bank Limited. Whilst Empire has financial flexibility and expects to generate sufficient cash flow to repay the debts in full, there is a risk in the future that financial and other covenants under the debt facilities, could be breached, which could result in Macquarie exercising its security rights under the facilities.

Commodity Price Risk – Empire, through its US subsidiaries, sells oil and gas at market prices to customers who price the products off US benchmark oil and gas markets. Empire is exposed to the risk of material declines in the prices of those commodities. Empire, through its Australian subsidiary, explores for oil and gas in Australia and maybe subject to domestic Australian gas price risk, LNG price risk and oil price risk.

Reliance on Key Personnel – Empire's success depends in large measure on certain key personnel. The loss of the services of such key personnel may have a material adverse effect on the business, financial condition, results of operation and prospects.

Economic Risk – General economic conditions, movements in interest rates, inflation rates and foreign exchange rates, investor sentiment, demand for, and supply of capital and other general economic conditions may have a negative impact on Empire and its subsidiaries ability to carry out its exploration, appraisal, development and production plans.

Environmental Risk – The upstream oil and gas industry is exposed to environmental risks, including the risk of oil and chemical spills, the risk of uncontrolled gas venting, and other material environmental risks. If an environmental incident was to occur, it may result in Empire's subsidiaries' licenses being revoked, its rights to carry on its activities suspended or cancelled, or significant legal consequences.

Title Risk – Interests in tenements in Australia are governed by the respective Territory legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

Native Title and Aboriginal Land - The Tenements extend over areas in which legitimate common law native title rights of indigenous Australians exist. The ability of the Company to gain access to its Tenements and to conduct exploration, development and production operations remains subject to native title rights and aboriginal land rights and the terms of registration of such title agreements.

Reserves Risk – Reserves assessment is a subjective process that provides an estimate of the volume of recoverable reserves. Oil and gas estimates are not precise and are based on knowledge, experience, interpretation and industry practices. There is a risk that the Company's reserves do not generate the actual revenues and cashflows that are currently being budgeted which could adversely impact the Company.

Services Risk – Empire engages the services of third party service providers to carry out exploration, appraisal, development and operating activities. The cost of such services is subject to very high price volatility, particularly in remote areas. There is a risk that such services may not be able to be provided at a reasonable price, thereby preventing exploration, appraisal, development and operations activities from occurring.

Production Risk – Empire has producing oil and gas assets in the USA. If these assets do not produce the level of production currently budgeted by Empire, then the cashflow they deliver will not materialise. The carrying values of these assets could also be adversely impacted. Production risk has the potential to adversely impact the Company.

OPERATIONS REVIEW (Continued)

Insurance Risk – The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company. Insurance against all risks associated with mining exploration and production is not always available and where available the costs can be prohibitive.

Acquisitions – The Company may decide to pursue potential acquisitions in the future. This may give rise to various operational and financial risks, including, but not limited to, poor integration resulting in higher than expected integration costs, and financial underperformance of the acquired assets. There is also additional risk associated with the Company's inability to identify suitable acquisitions in the future that meet the Company's criteria. This may potentially have an adverse impact on the financial performance of the Company.

Funding Risk – The Company may need future capital in the future to progress the development of its acreage. There can be no guarantee that future capital, whether it be debt or equity, will be available or will be available on attractive terms. The inability to secure future capital, or in the ability to secure future capital on attractive terms, could adversely impact the value of the Company.

K. COMPONENT PERSONS STATEMENT

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*
Mel Hainey	*Graves & Co. Consulting LLC*	*BSc*	*SPE*
Wal Muir	*Muir and Associate P/L*	*BSc,MBA*	*PESA*

** SPE: Society of Petroleum Engineers*
**PESA: Petroleum Exploration Society 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.

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

DIRECTORS' REPORT
For the half-year ended 30 June 2019

In respect of the half-year financial year ended 30 June 2019, the Directors of Empire Energy Group Limited ("Company") present their report together with the Financial Report of the Company and of the consolidated entity ("Empire Group"), being the Company and its controlled entities, and the Auditor's Review Report thereon.

DIRECTORS

The following persons held office as Directors of Empire Energy Group Limited at any time during or since the end of the financial period:

P Espie AO	Non-Executive Chairman
A Underwood	Chief Executive Officer / Managing Director
J Gerahty	Non-Executive Director
D H Sutton	Non-Executive Director (retired 28 June 2019)
L Tang	Non-Executive Director (removed 6 February 2019)
J Warburton	Non-Executive Director (appointed 6 February 2019)

All the Directors have been in office since the start of the period unless otherwise stated.

PRINCIPAL ACTIVITIES

During the half-year the principal continuing activities of the consolidated entity consisted of:

The acquisition, development, production, exploration and sale of oil and natural gas. Empire sells its oil and gas products primarily to owners of domestic pipelines and refiners located in Pennsylvania, New York and Kansas.

Reviewing new exploration, development and business opportunities in the oil and gas sector to enhance shareholder value.

The Company holds two exploration licences and five licence applications over 14.5 million acres in the McArthur Basin, in the Northern Territory. Work undertaken to date has shown this region to be highly prospective for shale oil and gas. Empire is actively progressing work program approvals to recommence exploration activities in the second half of 2019.

CONSOLIDATED RESULTS

The consolidated net loss of the Empire Group for the half-year ended 30 June 2019 after providing for income tax was US$7,340,606 compared to a consolidated net loss for the previous corresponding reporting period of US$2,992,307.

REVIEW OF OPERATIONS

For information on the Company's operations refer to the Operations Review contained on pages 8 to 15 of this report.

DIVIDENDS

The Directors have not recommended the payment of an interim dividend.

Directors' Report
for the half-year ended 30 June 2019

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.

LIKELY DEVELOPMENTS

Except for information disclosed on certain developments and the expected results of those developments included in this report under review of operations, further information on likely developments in the operations of the consolidated entity and the expected results of those operations have not been disclosed in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

MATTERS SUBSEQUENT TO BALANCE DATE

1) On July 31, 2019 the Company announced that following the completion of the Kansas sale slated for late Q3 2019, the Company intends to wind up its Kansas operations and shut the Wichita office which will result in a one-off cost of ~US$500,000 in late Q3 2019 or early Q4 2019.

2) On August 1, 2019, the Company announced an Unmarketable Parcel Share Sale Facility.

AUDITOR'S INDEPENDENCE DECLARATION

Under section 307 of *The Corporations Act 2001.*

A copy of the Auditors' Independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 18 and forms part of the Director's Report for the six-month period ended 30 June 2019.

AUDITOR

Nexia Sydney Partnership continues in office in accordance with Section 327 of the *Corporations Act 2001*. No officers of the Empire Group were previously partners of the audit firm.

This report is made in accordance with a resolution of the Directors.

A Underwood
Managing Director
Sydney 13 September 2019

The Board of Directors
Empire Energy Group Limited
Level 7, 151 Macquarie Street
SYDNEY NSW 2000

13 September 2019

To the Board of Directors of Empire Energy Group Limited

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

As lead audit partner for the review of the financial statements of Empire Energy Group Limited for the six-month period ended 30 June 2019, 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.

Yours sincerely

Nexia Sydney Partnership

Lester Wills
Partner

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Liability limited by a scheme approved under Professional Standards Legislation.

Nexia Sydney Partnership (ABN 71 502 156 733) is an independent firm of Chartered Accountants. It is affiliated with, but independent from Nexia Australia Pty Ltd, which is a member of Nexia International, a worldwide network of independent accounting and consulting firms. Neither Nexia International nor Nexia Australia Pty Ltd, deliver services in its own name or otherwise. Nexia International Limited and the member firms of the Nexia International network (including those members which trade under a name which includes NEXIA) are not part of a worldwide partnership.

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 30 June 2019

	Note	Half-year ended 30 June 2019 US$	Half-year ended 30 June 2018 US$
Sales Revenue		2,674,836	2,964,877
Cost of Sales		(1,953,180)	(2,119,925)
Gross Profit		721,656	844,952
Other income		108,479	124,264
General and administration expenses		(1,360,193)	(1,681,035)
Exploration expenses		(97,924)	(129,792)
Other non-cash expenses	4	(3,345,164)	(2,077,322)
Operating Loss before interest costs		(3,973,146)	(2,918,933)
Net interest expense		(418,112)	(480,539)
Loss before income tax from continuing operations		(4,391,258)	(3,399,472)
Income tax expense	3	(54,694)	(45,532)
Loss after income tax from continuing operations		(4,445,952)	(3,445,004)
(Loss)/Profit after income tax from discontinued operations	12	(2,894,654)	452,697
Loss after income tax expense for the year		(7,340,606)	(2,992,307)
Other comprehensive (loss)/income			
Items that will subsequently be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		(96,272)	132,467
Other comprehensive (loss)/income for the year, net of tax		(96,272)	132,467
Total comprehensive loss for the year		(7,436,878)	(2,859,840)
		Cents per share	Cents per share
Basic loss per share	11	(3.17)	(0.25)
Diluted loss per share	11	(3.17)	(0.25)

The above statements 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 2019

	Note	30 June 2019 US$	31 December 2018 US$
CURRENT ASSETS			
Cash and cash equivalents		4,825,051	4,157,175
Trade and other receivables		2,067,038	2,428,776
Prepayments		388,968	369,718
Inventories		35,682	8,556
Financial assets, including derivatives		320,296	256,717
Assets of discontinued operations	12	21,830,956	24,415,623
TOTAL CURRENT ASSETS		29,467,991	31,636,565
NON-CURRENT ASSETS			
Financial assets, including derivatives		-	5,425
Oil and gas properties	6	30,525,271	31,870,563
Property, plant and equipment	6	496,559	490,344
Right-of-use assets		408,691	-
Intangible assets		68,217	68,217
TOTAL NON-CURRENT ASSETS		31,498,738	32,434,549
TOTAL ASSETS		60,966,729	64,071,114
CURRENT LIABILITIES			
Trade and other payables		5,034,792	3,611,643
Interest-bearing liabilities	7	24,109,198	24,378,654
Lease liabilities of right-of-use assets		268,239	-
Provisions	8	38,036	17,805
Liabilities of discontinued operations	12	2,423,058	1,981,905
TOTAL CURRENT LIABILITIES		31,873,323	29,990,007
NON-CURRENT LIABILITIES			
Interest-bearing liabilities	7	76,242	60,847
Lease liabilities of right-of-use assets		144,817	-
Provisions	8	14,932,007	12,650,288
TOTAL NON-CURRENT LIABILITIES		15,153,066	12,711,135
TOTAL LIABILITIES		47,026,389	42,701,142
NET ASSETS		13,940,340	21,369,972
EQUITY			
Contributed equity	9	94,071,529	94,071,529
Reserves		6,211,002	6,470,493
Accumulated losses		(86,342,191)	(79,172,050)
TOTAL SHAREHOLDERS' EQUITY		13,940,340	21,369,972

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 30 June 2019

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 2018	**94,071,529**	**127,396**	**(199,373)**	**6,542,470**	**(79,172,050)**	**21,369,972**	**21,369,972**
Total Comprehensive income for year							
Loss after income tax	-	-	-	-	(7,340,606)	(7,340,606)	(7,340,606)
Exchange differences on translation of foreign operations	-	-	(96,234)	-	-	(96,234)	(96,234)
Total comprehensive loss for the year	**-**	**-**	**(96,234)**	**-**	**(7,340,606)**	**(7,436,840)**	**(7,436,840)**
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	-	-	-	-	-	-	-
Less: share issue transaction costs	-	-	-	-	-	-	-
Options lapsed during the period – share-based payments	-	-	-	(170,465)	170,465	-	-
Options issued during the period – share-based payments	-	-	-	7,208	-	7,208	7,208
Total transactions with owners	**-**	**-**	**-**	**(163,257)**	**170,465**	**7,208**	**7,208**
Balance at 30 June 2019	**94,071,529**	**127,396**	**(295,607)**	**6,379,213**	**(86,342,191)**	**13,940,340**	**13,940,340**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the half-year ended 30 June 2019

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 2017	**78,415,335**	**127,396**	**(98,333)**	**5,123,575**	**(63,304,996)**	**20,262,977**	**20,262,977**
Total Comprehensive income for year							
Loss after income tax	-	-	-	-	(2,992,307)	(2,992,307)	(2,992,307)
Exchange differences on translation of foreign operations	-	-	132,467	-	-	132,467	132,467
Total comprehensive income/(loss) for the year	**-**	**-**	**132,467**	**-**	**(2,992,307)**	**(2,859,840)**	**(2,859,840)**
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	1,516,678	-	-	-	-	1,516,678	1,516,678
Less: share issue transaction costs	(241,253)	-	-	-	-	(241,253)	(241,253)
Options issued during the period	-	-	-	82,063	-	82,063	82,063
Total transactions with owners	**1,275,425**	**-**	**-**	**82,063**	**-**	**1,357,488**	**1,357,488**
Balance at 30 June 2018	**79,690,760**	**127,396**	**34,134**	**5,205,638**	**(66,297,303)**	**18,760,625**	**18,760,625**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the half-year ended 30 June 2019

	Half-year ended June 2019 US$	Half-year ended June 2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	6,994,993	7,186,053
Payments to suppliers and employees	(6,206,983)	(6,619,651)
Interest received	271	1,610
Interest paid	(1,197,138)	(1,588,476)
Income taxes paid	(54,696)	(45,531)
Net cash flows used in operating activities	(463,553)	(1,065,995)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of oil and gas assets	5,000	-
Proceeds from sale of discontinued operations	2,000,000	28,700
Payments for oil and gas assets	(19,394)	(60,559)
Payments for property, plant and equipment	(62,667)	(35,706)
Payment for right-of-use assets	(130,937)	-
Net cash flows from/(used) in investing activities	1,792,002	(67,565)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuing of shares	-	1,275,425
Repayment of interest bearing liabilities	(639,163)	(21,708)
Finance lease payments	(12,379)	(7,390)
Net cash flows (used in)/from financing activities	(651,542)	1,246,327
Net increase in cash and cash equivalents	676,906	112,767
Cash and cash equivalents at beginning of financial year	4,157,175	908,318
Effect of exchange rate changes on cash and cash equivalents	(9,030)	92,729
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	4,825,051	1,113,814

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

CORPORATE INFORMATION

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 2019 comprises the Company and its controlled entities ("Consolidated Entity" or "the Group").

These general purpose financial statements for the interim half-year reporting period ended 30 June 2019 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 Financial 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 2018 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 Group's cash flows and economic returns are denominated in US dollars ("US$").

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 Group incurred net losses of $7.3m for the half-year ended 30 June 2019, experienced net cash outflows from operating activities of ~$0.5m and had net current liabilities of $2.4m. 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 proceeds received from the Kansas operations (note 12 and below) will be used to settle a significant portion of the debt facility. In addition, a portion of these proceeds will be used to fund working capital requirements and proceed with new projects in the Northern Territory.

Given the above and cash reserves at 30 June 2019 of $4.8m, the directors believe there are sufficient resources available to settle outstanding debts as and when they become due.

DISCONTINUED OPERATIONS

On 19 June 2019, the Group entered into a purchase and sale agreement to sell certain oil and gas leases, wells, and related properties and interests located in various counties in Kansas for cash consideration of US$19.1m.

The sale proceeds will principally be used to retire debt to a maximum remaining gross debt balance of $8 million, while retaining a proportion from the sale proceeds for working capital and continued investment in Empire's core Northern Territory shale assets.

Under the terms of the agreement the Group received a US$2m deposit which is non-refundable except in limited circumstances.

The Group determined, in accordance with Australian Accounting Standards, the operations of the Kansas properties should be reported as discontinued operations for all periods presented.

As a result, the operations and financial position of these net assets are presented as discontinued operations for all periods presented in the Group's consolidated financial statements.

All information provided in the Group's notes to the consolidated financial statements primarily include only items that are part of the continuing operations.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

NEW, REVISED OR AMENDING ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

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

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

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs).

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16.

For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

Impact of adoption:
On initial application of AASB 16, using the transitional rules available, the Group elected to record right-of-use assets based on the corresponding lease liability in the statement of financial position as at 1 January 2019. Using the simplified approach, right-of-use assets of $602,036 and lease obligations of $602,036 were recorded. As a result of this transitional option, there was no net impact on accumulated losses. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019, being 3.99%.

NOTE 2 – LEASE EXPIRATION EXPENSES

A charge of $1,399,469 has been taken against the book value of undeveloped leases which have expired, or are to expire. The Group 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.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

NOTE 3 – INCOME TAX EXPENSE

Included in the income tax expense for the six-month period is an expense of $54,694 which relates to revising the estimated tax to reflect changes made on lodgement of the Income Tax Return for Empire Energy Holdings LLC.

NOTE 4 – OTHER NON-CASH EXPENSE

	June 2019 $	June 2018 $
Depreciation, depletion & amortisation – property, plant & equipment	501,161	1,045,578
Depreciation, depletion & amortisation – right-of-use assets	126,695	-
Lease expiration	1,399,469	66,600
Non-cash interest	640,180	609,452
Change in fair value of hedges	2,194,158	677,501
Impairment expense	2,322,687	-
Other	124,131	28,203
	7,308,481	2,427,334
Portion attributable to discontinued operations	(3,963,317)	(350,012)
	3,345,164	2,077,322

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

NOTE 5 - OPERATING SEGMENTS

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

	Oil & Gas		Investments		Other		Eliminations		Discontinued Operations		Total	
in USD	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Revenue (external)	2,674,836	2,964,877	-	-	-	-	-	-	4,012,173	3,974,911	6,687,009	6,939,788
Other income (excluding Finance income)	107,415	129,922	-	-	2,000	2,545	-	-	-	-	109,415	132,467
Reportable segment profit/(loss) before tax	(2,633,642)	36,230	-	-	(701,870)	(788,878)	-	-	(2,894,654)	452,697	**(6,230,166)**	**(752,648)**
Finance income	271	1,610	682,824	301,571	2,274	2,190	(682,824)	(301,571)	-	-	2,545	3,800
Finance costs	(2,471,901)	(3,603,077)	-	-	(3,587)	(3,587)	682,824	301,571	734,372	1,107,937	(1,058,292)	(2,197,928)
Profit/(loss) for the period before tax											**(7,285,913)**	**(2,946,775)**
Reportable segment assets	36,492,913	51,114,128	13,642,938	3,656,958	2,572,730	641,728	(13,572,808)	(3,583,048)	21,830,956	24,415,623	60,966,729	76,245,389

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 2019

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

	Oil & Gas – Proved	Oil & Gas – Unproved	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in US$							
At 1 January 2019	117,776,505	6,338,732	30,591	331,798	919,220	692,584	126,089,430
Additions	20,324	118,920	-	-	11,399	51,268	201,911
Write back of ARO	2,322,687	-	-	-	-	-	2,322,687
Disposals	(37,984)	-	-	-	(15,273)	-	(53,257)
Expiration costs	-	(1,399,453)	-	-	-	-	(1,399,453)
Reclassifications to assets of discontinued operations	(59,835,159)	-	-	-	-	-	(59,835,159)
At 30 June 2019	60,246,373	5,058,199	30,591	331,798	915,346	743,852	67,326,159
Accumulated Depreciation in US$							
At 1 January 2019	(72,120,156)	-	-	(94,290)	(787,882)	(573,582)	(73,575,910)
Depreciation and depletion	(445,545)	-	-	(3,839)	(33,891)	(17,886)	(501,161)
Disposals	-	-	-	-	15,273	-	15,273
Impairment of ARO	(2,322,687)	-	-	-	-	-	(2,322,687)
Reclassification to assets of discontinued operations	40,451,730	-	-	-	-	-	40,451,730
At 30 June 2019	(34,436,658)	-	-	(98,129)	(806,500)	(591,468)	(35,932,755)
Opening written down value	**45,656,348**	**6,081,725**	**30,591**	**237,508**	**127,292**	**94,953**	**52,228,418**
Effects of 2018 reclassification for discontinued operations	(19,867,510)	-	-	-	-	-	(19,867,510)
Opening written down value	**25,788,839**	**6,081,725**	**30,591**	**237,508**	**127,292**	**94,953**	**32,360,908**
Impact of foreign currency adjustments	-	(342,643)	-	-	(4,365)	(24,567)	(371,575)
Closing written down value	**25,809,715**	**4,715,556**	**30,591**	**233,669**	**104,482**	**127,817**	**31,021,830**

At 30 June 2019, the Group reassessed the carrying amounts of its non-current oil & gas and property, plant and equipment assets for indicators of impairment in accordance with the Group's accounting policy. No impairment was recognised at the end of the half-year period.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2019

NOTE 6 - OIL AND GAS PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT (continued)

	Oil & Gas – Proved	Oil & Gas – Unproved	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in $							
At 1 January 2018	119,028,365	6,443,729	30,591	328,948	896,420	608,376	127,336,429
Additions	181,298	37,503	-	2,850	22,800	84,208	328,659
New asset retirement obligation	321,539						321,539
Write-back of asset retirement obligation	(1,688,798)	-	-	-	-	-	(1,688,798)
Reclassification to assets of discontinued operations	(60,066,140)	-	-	-	-	-	(60,066,140)
Sale of wells	(65,899)						(65,899)
Expiration costs	-	(142,500)	-	-	-	-	(142,500)
At 31 December 2018	57,710,365	6,338,732	30,591	331,798	919,220	692,584	66,023,290
Accumulated Depreciation in $							
At 1 January 2018	(55,616,054)	-	-	(86,044)	(717,849)	(542,696)	(56,962,643)
Depreciation and depletion	(1,608,357)	-	-	(8,246)	(70,033)	(30,886)	(1,717,522)
Reclassification to assets of discontinued operations	40,198,630	-	-	-	-	-	40,198,630
Write-off sale of wells	41,748	-	-	-	-	-	41,748
Write-off plugged wells	6,655	-	-	-	-	-	6,655
Impairment	(14,944,148)	-	-	-	-	-	(14,944,148)
At 31 December 2018	(31,921,526)	-	-	(94,290)	(787,882)	(573,582)	(33,377,280)
Opening written down value	**63,412,311**	**6,202,085**	**30,591**	**242,904**	**174,704**	**45,464**	**70,108,059**
Impact of foreign currency adjustments	**-**	**(257,008)**	**-**	**-**	**(4,046)**	**(24,049)**	**(285,103)**
Closing written down value	**25,788,839**	**6,081,724**	**30,591**	**237,508**	**127,292**	**94,953**	**32,360,907**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

NOTE 7 - INTEREST BEARING LIABILITIES

Empire Energy USA, LLC maintains a long-term credit facility with Macquarie Bank Limited (Macquarie), which matures on 28 February 2022, consisting of a single tranche term loan facility with a closing balance of US$25,358,259.

Credit facility key terms

Term Loan:	Borrowing base limit	$26,060,000
	Current portion payable	$2,500,000 minimum annual amortisation payable in quarterly instalments
	Interest rate	LIBOR+6.5%
	Availability (1)	$26,060,000
	Maturity	28 February 2022
	Repayment	100% of Net Operating Cash Flow of US operations after operating costs, G&A and interest subject to minimum $2.5 million per annum

Other features of the credit facility:

- Outstanding borrowings under the facility are secured by the US assets of the Company and a pledge of the Company's shareholding in Imperial Oil & Gas Pty Limited. The facility is guaranteed by the Company.
- Reserve Assessment of reserves are based on third party reserve engineering consultants.
- Under terms of the facilities, a wholly owned subsidiary of the Company is required to maintain financial ratios customary in 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). 1.3x PDP PV10 coverage to net loan (after adjustment for cash & hedges). 1.0x Current Ratio. 1.8x EBITDA / Interest Ratio.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

INTEREST-BEARING LIABILITIES (Continued)

A summary of period end debt is as follows:

	June 2019 $	December 2018 $
Facility	22,358,259	22,997,421
Revolver	3,000,000	3,000,000
Sub-Total	25,358,259	25,997,421
Less deferred financing costs, net	(1,268,607)	(1,632,938)
	24,089,652	24,364,483
Finance Lease Liability	19,546	14,171
Total Current Debt	24,109,198	24,378,654
Finance Lease Liability	76,242	60,847
Total Debt	24,185,440	24,439,501

NOTE 8 - PROVISIONS

	June 2019 $	December 2018 $
Current		
Employee entitlements	38,036	17,805
Non-current		
Asset retirement obligations	14,932,007	14,346,023
Movement in Asset Retirement Obligation		
Balance at beginning of period	14,346,023	15,186,576
Additions	-	321,539
Write-off of accrued plugging costs	-	(46,437)
Accretion in the period, included in amortisation expense	280,018	526,706
Change in estimate	2,322,687	(1,642,361)
Reclassification to liabilities of discontinued operations	(2,016,721)	(1,695,735)
Balance at end of period	14,932,007	12,650,288

Asset Retirement Obligation

The 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 the future oil and gas prices, which are inherently uncertain.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

NOTE 9 - CONTRIBUTED EQUITY

	CONSOLIDATED	
	6 months to 30 June 2019	
a) Shares	**No. of shares**	**US$**
Issued Capital		
Balance at beginning of period	2,313,084,176	94,071,529
Share Consolidation during the period	(2,081,774,875)	-
Balance at 30 June 2019	**231,309,301**	**94,071,529**

No shares have been issued during or since the end of the financial period and the date of this report.

The Company carried out a 1 for 10 share consolidation during the period.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

At the Balance Date, the Company had 231,309,301 fully paid ordinary shares on issue. ASX: EEG.

(b) Share Options

Total number of unissued shares under option at 1 January 2019	553,000,000
Movements	
Cancelled Effect of Share Consolidation during the period	(497,699,996)
Granted No options have been issued during or since the end of the financial period and the date of this report.	
Exercised No other options have been exercised during or since the end of the half-year financial period.	-
Expired The following options have expired during or since the end of the half-year financial period.	(1,450,000)
Balance as at 30 June 2019	**53,850,004**

As at the balance date, the Company had 53,850,004 unissued shares held under option.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

NOTE 9 - CONTRIBUTED EQUITY (Continued)

(c) Performance Rights

Total number of unissued shares subject to Performance Rights at 1 January 2019	2,500,000
Movements	
Cancelled	
Effect of Share Consolidation	(2,250,000)
Granted	
Performance Rights issued to Managing Director	3,150,000
Balance as at 30 June 2019	**3,400,000**

(d) Service Rights

Total number of unissued shares subject to Service Rights at 1 January 2019	-
Movements	
Service Rights issued to Managing Director	1,000,000
Balance as at 30 June 2019	**1,000,000**

At the Balance Date, the Company had 4,400,000 Performance Rights and Service Rights on Issue.

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 the balance date the Company had 53,850,004 unissued shares under option.
These options are exercisable on the following terms:

Number		Exercise Price A$	Expiry Date
100,000	Unlisted options	$0.28	25 August 2019
700,000	Unlisted options	$0.30	30 December 2021
500,000	Unlisted options	$0.30	31 January 2020
300,000	Unlisted options	$0.30	30 December 2021
300,000	Unlisted options	$0.30	30 December 2021
850,000	Unlisted options	$0.30	30 December 2022
37,500,004	Unlisted options	$0.30	26 September 2020
1,000,000	Unlisted options	$0.32	31 July 2020
600,000	Unlisted options	$0.30	26 October 2020
12,000,000	Unlisted options	$0.32	31 December 2021
53,850,004			

Performance Rights

At balance date, the Company had 3,400,000 unissued shares subject to Performance Rights. The Performance Rights are subject to certain preconditions being met.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

NOTE 9 - CONTRIBUTED EQUITY (Continued)

Service Rights

At balance date, the Company had 1,000,000 unissued shares subject to Service Rights. The Service Rights are subject to certain preconditions being met.

NOTE 10 - DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 11 - EARNINGS PER SHARE

	June 2019	June 2018
Basic loss per share (cents per share)	(3.17)	(0.25)
Diluted loss per share (cents per share)	(3.17)	(0.25)
Loss used in the calculation of basic and diluted loss per share	(7,340,606)	(2,992,307)
Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	231,309,301	1,200,054,984
Weighted average number of potential ordinary shares used in the calculation of diluted loss per share	231,309,301	1,200,054,984

NOTE 12 – DISCONTINUED OPERATIONS

The Company has evaluated the facts and circumstances surrounding the sale of the Kansas assets and operations and have determined that the sale meets the requirements for consideration as a discontinued operation. Therefore, the June 30, 2019 and December 31, 2018 consolidated statements of financial position and June 30, 2019 and 2018 statements of profit and loss reflect the impact of the discontinued operational results.

The assets and liabilities of the discontinued operations are presented below:

	June 2019	Dec 2018
Asset of discontinued operations:		
Accounts Receivable	302,678	184,353
Inventories	618,170	618,223
Fair value of hedges	1,460,030	3,712,340
Right-of-use asset	66,649	-
Prepayments	-	33,197
Oil & Gas properties	19,383,429	19,867,510
	21,830,956	24,415,623
Liabilities of discontinued operations:		
Accounts Payable	237,738	191,591
Revenue Payable	100,079	94,579
Lease Liability	68,519	-
Asset retirement obligations	2,016,722	1,695,735
	2,423,058	1,981,905

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

NOTE 12 – DISCONTINUED OPERATIONS (continued)

The revenues and expenses of the discontinued operations for the six months ended June 30 are presented below:

	June 2019	June 2018
Revenue of discontinued operations:		
Oil and gas sales	3,480,057	3,747,746
Well operations and service fees	118,254	121,391
Oil and gas price risk management income	387,585	-
	3,985,896	3,869,137
Cost of sales of discontinued operations:		
Cost of oil and gas sales	(1,845,813)	(1,702,541)
Cost of well operation services	(363,325)	(361,724)
Depreciation, depletion and amortisation	(311,508)	(338,812)
Lease expirations costs	(1,399,499)	(11,200)
	(3,920,145)	(2,414,277)
Other (Expense)/Income of discontinued operations:		
Change in fair value of hedges	(2,252,310)	-
Interest expense	(734,372)	(1,107,937)
Other income, net	26,277	105,774
	(2,960,405)	(1,002,163)
(Loss)/Profit from discontinued operations	(2,894,654)	452,697

NOTE 13 - CONTINGENT LIABILITIES AND COMMITMENTS

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

NOTE 14 – EVENTS OCCURING AFTER THE REPORTING DATE

1) On July 31, 2019 the Company announced that following the completion of the Kansas sale slated for late Q3 2019, the Company intends to wind up its Kansas operations and shut the Wichita office which will result in a one-off cost of ~US$500,000 in late Q3 2019 or early Q4 2019.

2) On August 1, 2019, the Company announced an Unmarketable Parcel Share Sale Facility.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2019

DIRECTORS' DECLARATION

In the opinion of the directors of Empire Energy Group Limited (the "Company"):

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

i Giving a true and fair view of the Group's financial position as at 30 June 2019 and its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and

ii Complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional requirements; and

b 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 the directors.

A Underwood
Managing Director
Dated: 13 September 2019

Nexia Australia

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 2019, 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 2019 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 have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Empire Energy Group Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 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 2019 and of its performance for the half-year ended on that date; and

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

Nexia

Nexia Sydney Partnership

Lester Wills
Partner

Sydney
13 September 2019