2021 Half Year Financial Report

Empire Energy Group Limited

ABN 29 002 148 361

Featured on the front cover is Scott Hobday, the Operating Company Representative from inGauge Energy, at Carpentaria-1 site.

inGauge Energy is Empire’s Operational Team who provides outstanding project management leadership.

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CORPORATE DIRECTORY

Directors	Paul Espie AO (Chairman) Alexander Underwood (Managing Director) Peter Cleary Paul Fudge (appointed 16 August 2021) Jacqui Clarke (alternate Director to Paul Fudge – appointed 16 August 2021) John Gerahty (retired 11 March 2021) Louis Rozman (appointed 11 March 2021) Prof John Warburton
Financial Controller	Kylie Arizabaleta
Company Secretary	Andrew Philips
Registered Office	Level 19, 20 Bond Street Sydney NSW 2000
Australian Auditors	Nexia Sydney Audit Pty Ltd Level 16, 1 Market Street, Sydney NSW 2000
US Auditors	Schneider Downs & Co. Inc One PPG Place, Suite 1700, Pittsburgh PA 15222
Australian Solicitors	Baker McKenzie Level 46, Tower One, International Towers Sydney 100 Barangaroo Avenue, Barangaroo NSW 2000
US Solicitors	Depew Rathbun & Gillen McInteer, LC 8301 East 21at Street North, Suite 450, Wichita, KS 67206-2936
Bankers	Macquarie Bank Limited 50 Martin Place, Sydney NSW 2000 Australia & New Zealand Banking Group Limited 1 Chifley Plaza, Sydney NSW 200 PNC Bank 249 Fifth Avenue, One PNC Plaza, Pittsburgh PA 15222
Share Registry	Computershare Investors Services Pty Limited Level 3, 60 Carrington Street, Sydney NSW 2000 Telephone: 1300 85 05 05
Stock Exchange Listings	Empire Energy Group Limited shares are listed on the: - Australian Securities Exchange (ASX code: EEG) - New York OTC Market (Code: EEGNY) OTC#: 452869103 Sponsor: Bank of New York 1 ADR for 20 Ordinary Shares
Website	www.empireenergygroup.net

CHAIRMAN AND MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS

Dear Shareholders,

We write this letter to you jointly and together we can say we are pleased to present to you discussion about our accomplishments and the financial half-year results for the period ending, 30 June 2021.

Our Company has made some encouraging progress over the last six months. Some of our achievements include:

1. Empire completed the acquisition of the Pangaea (NT) Pty Limited ("Pangaea") and EMG Northern Territory Holdings Pty Limited ("EMG NT") 100% interests in EP167, EP168, EP169, EP198 and EP305, located onshore in the Northern Territory's Beetaloo Sub-basin. Completion of the acquisition has increased Empire's best estimate Prospective Resources (2U) to ~47 TCFe comprising 42 TCF gas and 791 MMbbls liquids (condensate and oil). 2C Contingent Resources have also lifted in a similar manner and now total 220 BCFe comprising 199 BCF gas and 3.5 MMbbls of liquids. The acquisition of these extensive permits on the Western side of the Beetaloo results in the enlarged Empire, being the leading independent oil and gas company in the Beetaloo (by acreage) and having significant drilling options. Empire's expanded status in the Beetaloo fits well with our commercialisation strategy doubling access to pipelines, now with both the Amadeus Gas Pipeline (APA Group) and McArthur River Gas Pipeline (Power and Water Corporation). With both options we will be working to deliver gas and associated liquids to market in shortened time frames for the benefit of, Traditional Owners, the Northern Territory, the greater Australian economy and shareholders.

2. Empire's Board has been strengthened with the addition of Mr Paul Fudge, the architect and controlling shareholder of Pangaea and now our largest shareholder, and Ms Jacqui Clarke as Paul's alternate director. Mr Fudge has significant experience in investment and project generation in onshore Australian oil and gas, being an early mover in the Queensland Coal Seam Gas industry and in the Beetaloo Sub-basin. Also joining the Board is Mr Louis Rozman who has had a distinguished career in the natural resources sector across operations, development and project financing. Lou has held numerous senior management positions including as Chief Executive Officer of CH4 Gas Limited, key coal seam gas developer and producer in Queensland. Ms Clarke brings 30 years of professional services experience to Empire with over 15 years as a Partner at Deloitte. Ms Sonia Harvey also joined the Empire management team as Vice President, Community and Government Relations based in Darwin. We welcome them to our growing Company.

3. The balance sheet was strengthened over the financial half-year with capital raising attracting $37.2 million (gross) in fresh equity investment at $0.30 per share. The raisings involved a two-tranche placement to raise $30.0 million (gross), a directors' placement for ~$1.2 million and a Share Purchase Plan ("SPP") of $6.0 million (gross). As a result of the strong demand for the SPP, the Board of Empire exercised its discretion to increase the size of the SPP to $6 million (from $3 million) to approximately 400 Empire shareholders who demonstrated their support for the Company. Non-Executive Directors committed $1.2 million to the capital raisings, reflecting the company's outlook for returns and its role in securing incremental power supply and reliability in the national grid.

4. A four-stage vertical fracture stimulation and flow testing of the Carpentaria-1 well gave Empire its first significant gas flow and exceeded expectations. Following initial clean up, the well flowed at a peak rate of >1.6 mmcf / day and an average flow rate of 0.25 mmcf / day over a 17-day test period including a final rate of 0.25 mmcf / day. An initial analysis of the return flows by zonal contribution indicates that the middle Velkerri B shale and C Shale rank as the strongest contributors to gas flow followed by the Intra A / B Shale and the C Shale. Initial gas composition data is also positive with ethane (16.31%) and propane (3.28%) making higher value contributions to the hydrocarbon production stream. Low CO_2 levels and potentially valuable helium were also recorded. Empire will recommence flow testing at Carpentaria-1 soon following a short COVID-related shut-in.

5. Empire was the first operator to be approved for funding under the Federal Government's *Beetaloo Cooperative Drilling Program*. Empire was approved for up to $21 million in grant funding which will support the drilling and flow testing of up to three hydraulically stimulated horizontal wells in Empire's 100% owned EP187 tenement, additional seismic acquisition, and other associated costs. Empire also announced that the Senate resolved not to disallow this funding which had been brought into question by a minority committee.

6. Empire's Environment Management Plan ("EMP") for infill 2D seismic and the drilling of up to seven horizontal wells on EP187 is presently being considered by the Northern Territory Government. This has received conditional approval which has facilitated a commencement of preparatory works including seismic acquisition and access track and well pad preparation, with final drilling and fracture stimulation approvals expected in the coming weeks.

<u>Northern Territory Update</u>

Over this half year the Empire technical and field teams have been focused on the hydraulic stimulation and flow test of the vertical Carpentaria-1 well and preparation for the drilling and stimulation of our first horizontal appraisal well. The vertical flow testing program has produced gas and greatly enhanced our technical insight as we plan upcoming appraisal activities including the drilling, fracture stimulation and extended production testing of the planned horizontal Carpentaria-2 well. Likely to be drilled in the northern part of EP187 resource area, this well will be drilled where target shales are over 200 metres deeper than at the Carpentaria-1 well location. We expect this additional depth and pressure to enhance production rates. Separately, Empire intends to recommence flow testing operations at Carpentaria-1 in late September (subject to COVID-19 related restrictions). The re-entry into the Carpentaria-1 well will provide additional data for appraisal planning for the lateral drilling from that well.

Neighbouring operators Origin Energy Limited and Santos Limited have also been very active over the 2021 dry season. Both are currently drilling key wells for understanding the potential of the Beetaloo Basin in their acreage and we await results with interest. Key news from neighbouring operations includes:

1. The Origin / Falcon Oil & Gas joint venture recommenced flow testing at the Amungee NW-1H well, the first horizontal well drilled in the Beetaloo in 2015 and fracture stimulated across 11 stages in 2016 targeting the Velkerri B shale. In December 2016, a 57-day production test was completed, with production averaging 1.10 mmcf / day. The well was put back on production test in August 2021, with initial flow rates of 2 – 4 mmcf / day with rates averaging 1.2 mmcf / day over the first 23 days. A Production Logging Tool ("PLT") was run which demonstrated that 85 – 95% of production was coming from the first 4 fracture stages spanning a 200m horizontal section, with the remainder of flow restricted by either a casing deformation of the plugs not being milled out, or both. The PLT test results equate to a normalised gas flow rate of between 5.2 – 5.8 mmcf / day per 1,000m of horizontal section, an encouraging result noting that future production wells may have 3,000m horizontal sections.

2. The Santos / Tamboran Resources joint venture completed the drilling of the Tanumbirini 2H horizontal well in the adjoining EP161 permit to Empire's EP187. The well was successfully drilled to a total depth of 4,598 metres and encountered good gas shows and pressures in the Middle Velkerri B shale formation. The joint venture has commenced drilling the Tanumbirini 3H horizontal well, ahead of both wells being hydraulically stimulated and flow tested. Strong production results were also reported at the Tanumbirini-1 second vertical production test which followed an extended shut in, with an initial peak gas flow rate more than 10 mmscf / day and an average rate of 1.1 mmcf / day during the 19-day test period. Empire regards these as strong performance indicators for the Velkerri Formation generally.

3. In the period, the Origin / Falcon Oil & Gas joint venture lodged a discovery notice to the Northern Territory Government for the Kyalla 117 N2-1H ST2 exploration well near Daly Waters in the Beetaloo Sub-basin. The joint venture has commenced drilling the Velkerri 76 S2-1 well which is targeting the liquids rich Velkerri gas window.

4. As operator of the offshore Barossa joint venture Santos has announced a final investment decision ("FID") to proceed with the US$3.6 billion gas and condensate project, from Commonwealth Waters offshore Northern Territory. Barossa FID also resulted in starting the US$600 million investment in the Darwin LNG life extension and pipeline tie-in projects, extending the facility life for an estimated 20 years.

Looking Ahead

Subject to final approval of the EMP currently being considered by the Northern Territory Government, Empire is planning to carry out a ~165 kilometre 2D seismic survey in the EP187 permit. This seven line survey will further delineate the continuity of the Velkerri shale resource in EP187. Results from the survey will be integrated with existing 2D seismic data coverage. Planning for the drilling of the Carpentaria-2 well, Empire's first horizontal appraisal well, is well advanced. Its objective will be to demonstrate commercial flow rates and better understand gas composition over distance within the project area. Empire expects that this will significantly enhance Empire's Contingent Resource position and add support to discussions with prospective gas customers and transportation owners as we advance our commercialisation strategy.

Following completion of the Pangaea and EMG NT acquisition, the Empire team is carrying out further analysis and planning over the acquired Western Beetaloo acreage. Around $110 million has been spent on these areas by the Pangaea / EMG joint venture. The extensive technical data is being integrated with Empire's existing dataset. The Empire team is preparing to further engage with the stakeholders including pastoralists and Traditional Owners in the core areas this year, ahead of proposed on-ground activities commencing in 2022, to progress preferred horizontal drilling locations.

Strong positive sentiment in the global gas sector has been evidenced by trading indexes now trading at multi-year highs. The widely-watched LNG forward curve, the Japan / Korea Marker (Platts), is trading above US$20 / mmbtu for the coming northern hemisphere winter, with LNG spot prices falling below just US$2 / mmbtu in June 2020 (Platts).

LNG prices are expected to remain strong due to several factors including: (i) a warm Northern Hemisphere summer increasing power demand for cooling and drawing down on storages depleted by a cold winter; (ii) commodity traders seeking to replenish gas inventories ahead of the coming northern winter; (iii) Asia's accelerating economic recovery; and (iv) coal to gas switching policies in Asia to reduce emissions and encourage clean air.

We believe that news flow over the coming half-year will be exciting and thank you for being on the journey with us.

Yours sincerely,

Paul Espie AO
Chairman
Empire Energy Group Limited

Alex Underwood
Managing Director
Empire Energy Group Limited

OPERATIONS REVIEW

A. 2021 OVERVIEW & HIGHLIGHTS

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

GROUP FINANCIAL HIGHLIGHTS

- Group Revenue $3.1 million (2020: $3.5 million)
- Net production 4,521Mcfe per day (2020: 4,617Mcfe per day)
- Outstanding debt US$6.1 million (2020: US$6.5 million)
- Cash at bank $41.7 million (2020: $14.1 million)

AUSTRALIA – NORTHERN TERRITORY

- Empire holds a 100% working interest and operatorship in approximately 28.9 million acres of petroleum exploration tenements across the McArthur Basin and its Beetaloo Sub-basin in onshore Northern Territory, Australia

- In February 2021, the Company announced drill core analysis results from samples across the middle Velkerri shale sequences taken from samples extracted from Empire's Carpentaria-1 well in EP187. The results confirmed that porosity, hydrocarbon saturation, non-clay component and total organic carbon all compared favourably with the premier US shale basins plays. The thermal maturity levels estimated also demonstrated strong potential for liquids-rich gas production, particularly in the shallower zones.

- Also in February 2021, Empire announced its best estimate prospective gas resource for EP187 had increased by 47% to 3.5 TCF following completion of an updated independent resource report as prepared by Netherland, Sewell & Associates, Inc ("NSAI"). Empire also booked a maiden best estimate prospective condensate resource of 27mmbbls of liquids for EP187 and maiden best estimate contingent gas resource of 41 BCF within the immediate vicinity of the Carpentaria-1 well location.

- In April 2021, Empire announced it had signed a binding Sale and Purchase Agreement ("SPA") with Pangaea (NT) Pty Ltd as trustee of the Pangaea (NT) Unit Trust ("Pangaea") to acquire Pangaea's Beetaloo Sub-basin portfolio for a combination of cash, ordinary shares and unlisted options in Empire.

- April 2021 saw the Company announce that it expected to commence the fracture stimulation and flow testing of its Beetaloo Sub-basin vertical discovery well, Carpentaria-1, in early June. Fracture stimulation contracts had been signed with Schlumberger Australia Pty Limited following a rigorous tender process.

- Also in April 2021, Empire announced that EMG Northern Territory Holdings Pty Limited ("EMG NT"), a member of The Energy & Minerals Group ("EMG"), had delivered a Notice of Exercise of a Tag Along Right to Pangaea pursuant to which it had exercised its right to sell its 17.5% interest in EP167, EP168, EP169, EP198 and EP305 (collectively, "the Tenements") to Imperial Oil & Gas A Pty Limited ("Imperial A"), a wholly owned subsidiary of Empire, on the same pro rata terms as the sale of Pangaea's interests in the Tenements.

- In May 2021, Empire announced that EMG, Imperial A, and Pangaea had entered into an amended SPA, which gave legal effect to the EMG NT tag along notice announced on 26th April 2021. On completion, Empire would own a 100% interest in the Tenements, located in the Beetaloo Sub-basin, onshore Northern Territory. Empire's substantially enlarged Prospective and Contingent Resource position following completion of the acquisition is set out in the Northern Territory Resource Update section below. This deal was contingent on shareholder approval at the General Meeting held 3rd August 2021.

- In June 2021, Empire announced the start of the fracture stimulation, flowback and extended production testing program at Carpentaria-1. Four fracture stimulation stages were successfully completed in the vertical wellbore, targeting the A-Shale, Intra A / B Shale, B Shale and C Shale of the middle Velkerri formation. On 28th June 2021, it was announced that the well had flowed gas to surface at rates exceeding expectations and including an initial peak rate of >0.5 mmscf / day and an initial stabilised rate of 0.37 mmscf / day over a 72-hour test period and an instantaneous peak rate following a short shut-in of >1.6 mmscf / day. As a result, Empire lodged a Discovery Notice with the Northern Territory Government.

- In July 2021, Empire announced that the Federal Government had approved up to $21 million in grant funding to Empire under the *Beetaloo Cooperative Drilling Program*. The funding will support the drilling and flow testing of up to three fracture stimulated horizontal appraisal wells in Empire's 100% owned EP187, additional seismic acquisition and other associated costs.

- In August 2021, after shareholder approval at the recent General Meeting held 3rd August, Empire announced the completion of the acquisition of the Tenements from Pangaea-EMG. Total consideration for the acquisition is set out in the table below:

Party	Cash	Shares (12 month escrow)	Shares (24 month escrow)	Shares (un-escrowed)	Total Shares	Options[1]
Pangaea	$5,000,000	55,000,000	49,894,868[2]	15,000,000	119,894,868[2]	8,000,000
EMG	$1,060,606	11,666,667	14,848,485	3,181,818	29,696,970	1,696,970

Note:
1. Each option has an exercise price of $0.70 and an expiry date of 3 years.
2. Pangaea has the right to call for the issue of an additional 20,105,532 shares, where such issue would not result in Pangaea and its associates exceeding a voting power of more than 20% in the Company.

- August 2021 saw Empire announce the gas composition and proportional contributions from the four hydraulically stimulated zones of the middle Velkerri shales for the vertical Carpentaria-1 well determined from the liquids-rich gas flows to surface. The well was hydraulically fracture stimulated across the middle Velkerri A, Intra A / B, B and C shales. Following initial well clean up, the well flowed at a peak rate of >1.6 mmcf / day and an average flow rate of 0.25 mmcf / day over a 17-day test period including a final rate of 0.25 mmcf / day. The well was shut-in on 16th July 2021 to comply with COVID-19 operating restrictions. Empire intends to recommence flow testing operations on the Carpentaria-1 vertical well in late September.

Above: Schlumberger field crew rigging up for Carpentaria-1 hydraulic fracture stimulation

Left: inGauge Project Manager Kelvin Wuttke, NT Resources The Hon Minster Nicole Manison MLA and Managing Director Alex Underwood in front of well head at Carpentaria-1

Left: Examining proppant used for fracture stimulation at the Carpentaria-1 well site

USA – APPALACHIA

- Empire's Appalachia operations had a strong operational performance throughout the financial half-year with minimal production declines across the asset base despite minimal capital investment. To date, there has not been a single case of COVID-19 amongst Empire's Appalachia (or its Australian) workforce.

- Empire's Appalachia operations have benefited from rising Henry-Hub gas prices during the financial half-year. The Henry-Hub is trading above US$4.50 MMbtu at the time of writing supported by a period of sustained hot weather over the US summer driving demand for cooling and strong demand from the US Gulf Coast LNG exports terminals. The Henry-Hub forward curve suggests that strong gas prices will continue over the Northern Hemisphere winter months.

- Net gas production of 810,634 Mcf (2020: 875,168 Mcf) reflects some natural field decline compared to the prior year.

- Net oil production of 1,287 Bbls (2020: 442 Bbls) largely reflects timing of oil sales.

- On 4th May 2021, Empire and Macquarie Bank executed a sixth amendment and reinstatement to the credit facility. The amendment removed two financial covenants: the interest coverage ratio and 1P PV10 ratio. There were no amendment fees payable for these changes. Amortisation remains in accordance with the existing schedule (100% of US free cash flow subject to minimum US$550,000 per annum payable quarterly). The current outstanding balance of the credit facility is US$6,125,010 and it matures in September 2024.

- During the financial half-year, Empire received a second Paycheck Protection Program loan ("PPP") of US$343,602 which forms part of the US *Coronavirus Aid, Relief, and Economic Security Act* (the "CARES Act"). The PPP loan carries a fixed interest rate of 1% per annum and is fully forgivable provided loan proceeds are used for allowable expenses such as payroll over a 24-week period following disbursement. The PPP loan is unsecured and subordinated to the Macquarie Bank facility. Empire is only using the loan for forgivable purposes so that it does not have to repay the loan.

NORTHERN TERRITORY RESOURCE UPDATE

Empire Energy Group Limited, through its 100% owned subsidiaries Imperial Oil & Gas Pty Ltd ("Imperial") and Imperial A, holds a 100% interest in approximately 28.9 million acres of prospective shale oil and gas exploration acreage, across the McArthur Basin and Beetaloo Sub-basin.

Following completion on 13 August 2021 of the Pangaea / EMG Tenements, Empire's total Contingent and Prospective Resource estimate as prepared by NSAI is set out below.

Zone	**Unrisked Net Contingent Resources Liquids (MMBBL)**			**Unrisked Net Contingent Resources Sales Gas (BCF)**			**Unrisked Net Prospective Resources Liquids (MMBBL)**			**Unrisked Net Prospective Resources Gas (BCF)**		
	Estimate			Estimate			Estimate			Estimate		
	Low (1C)	Best (2C)	High (3C)	Low (1C)	Best (2C)	High (3C)	Low (1U)	Best (2U)	High (3U)	Low (1U)	Best (2U)	High (3U)
Kyalla*	0.8	3.0	11.1	0.8	4.5	27.7	88	378	1,571	184	857	4,891
Mid Velkerri*	0.1	0.5	3.0	57.2	194.0	474.1	80	413	2,037	10,163	30,214	87,735
Barney Creek*	-	-	-	-	-	-	-	-	-	1,633	11,053	45,380
Total*	**0.9**	**3.5**	**14.1**	**58.0**	**198.5**	**501.8**	**168**	**791**	**3,608**	**11,980**	**42,124**	**138,006**

**Empire derived arithmetic summation of NSAI probabilistic resource estimations*

Detailed Contingent and Prospective Resource tables are set out in the Empire ASX release dated 27th May 2021, and the 2021 AGM Managing Director's Presentation. Shareholders should also refer to the Notice of General Meeting released to ASX on 2nd July 2021.

B. CREDIT FACILITY

The Company has a Credit Facility with Macquarie Bank Limited. The facility has the following key terms:

Principal Amount	US$7.5 million (availability and outstanding loan balance US$6.1 million)
Term	5 years
Interest Rate	LIBOR + 650 bps
Repayment Terms	100% of Appalachia Net Operating Cashflow subject to minimum amortisation of US$550,000 per annum
Hedging	Empire shall maintain a rolling hedging program whereby 55% of forecast Proved Developed Producing Reserves shall be hedged for 3 years
Key Covenants	Proved Developed Producing Reserves PV10 / Net Debt > 1.3x Current Ratio > 1.0x Working capital > 0

The outstanding balance of Macquarie Bank Limited Credit Facility as at 30 June 2021 was US$6.125 million (cf US$6.675 million at June 2020). Total repayments of US$412,500 were made during the financial half-year.

Empire also has a forgivable loan with a balance of US$343,602 as at 30 June 2021 (2020: US$552,600) under the PPP which can be used for allowable expenses such as payroll over a 24-week period following loan disbursement. The loan has been originated through PNC Bank, carries a fixed interest rate of 1% per annum and has a five-year tenure. The PPP loan is unsecured and subordinated to the Macquarie Bank Limited facility.

C. HEDGING

Due to the risk model implemented by Empire, a comprehensive hedging strategy has been adopted to mitigate commodity price risk associated with its producing assets.

The fair value (marked to market) of combined oil and gas hedges in place as at 30 June 2021 was ($82,269).

D. BUSINESS RISK

COVID-19 – As at the date of this report, Australian international borders are closed. Presently the Northern Territory Government has closed its internal borders to deemed "hot spot" areas in response to the virus to mitigate the risk of transmission. These restrictions could impact Empire's ability to operate in New York State, Pennsylvania and the Northern Territory.

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 – Several 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 two 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 rectification costs, and significant legal consequences.

Title Risk – Interests in onshore tenements in Australia are governed by the respective state 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. The Northern Territory Government has declared proposed Reserved Blocks over parts of Empire's tenements which are likely to impact the Company's ability to carry out petroleum exploration and development activities on those areas.

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.

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.

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, debt or equity, will be available or available on suitable terms. It could adversely impact the value of the Company.

Climate Change Risk – Empire recognises the science supporting climate change and that the world is transitioning to a lower carbon economy in which gas has a crucial role to play. Climate change and management of future carbon emissions may lead to increasing regulation, activism, and costs. Climate change may also have a direct physical impact on our operators e.g. through changing climate patterns such as wet seasons and increased frequency of large storms.

Carpentaria-1 hydraulic fracture stimulation operations

DIRECTORS' REPORT
For the half-year ended 30 June 2021

In respect of the financial half-year ended 30 June 2021, 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	Managing Director
P Cleary	Non- Executive Director
P Fudge	Non-Executive Director (appointed 16 August 2021)
J Clarke	Alternate Non- Executive Director to P Fudge (appointed 16 August 2021)
J Gerahty	Non-Executive Director (retired 11 March 2021)
L Rozman	Non-Executive Director (appointed 11 March 2021)
J Warburton	Non-Executive Director

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

PRINCIPAL ACTIVITIES

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

The progression of exploration and appraisal work programs in Empire's wholly owned and operated exploration tenements and applications located in the highly petroleum prospective Northern Territory McArthur Basin (including the Beetaloo Sub-Basin). Key activities completed during the financial half-year and up to date of this report, included the successful hydraulic fracture stimulation and flow test of the vertical Carpentaria-1 well in EP187 and the acquisition of the Pangaea and EMG Tenements which increased the Company's position to ~29 million acres in the Northern Territory.

The production and sale of oil and natural gas in the United States of America. The Empire Group sells its oil and gas products primarily to owners of domestic pipelines, utilities and refiners located in Pennsylvania and New York.

CONSOLIDATED RESULTS

The consolidated net loss after tax of the Empire Group for the half-year ended 30 June 2021 was $6,288,364 compared to a consolidated net loss for the previous corresponding reporting period of $5,755,164.

REVIEW OF OPERATIONS

For information on the Company's operations refer to the Operations Review contained on pages 8 to 14 of this report.

Directors' Report
for the half-year ended 30 June 2021

DIVIDENDS

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

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

a) On July 7, 2021, the company announced it had issued Restricted Rights in lieu of Director Fees paid as cash, to Non-Executive Directors that was approved at the 2021 Annual General Meeting.

b) On July 8, 2021, the Company announced that the Federal Government approved up to $21 million in grant funding under the *Beetaloo Cooperative Drilling Program*. Refer to h) below on updated grant funding approved.

c) On August 3, 2021, the Company held a General Meeting virtually due to COVID-19 lockdown restrictions. All resolutions were carried by way of a Poll.

d) On August 16, 2021, the company announced the completion of the acquisition of Pangaea and EMG NT's 100% interests in EP167, EP168, EP169, EP198 and EP305, located onshore in the Northern Territory's Beetaloo Sub-basin.

e) On August 16, 2021, the Company announced it had issued 151,591,838 fully paid ordinary shares. 149,591,838 shares and $6.1 million in cash formed part of the total consideration for the Pangaea / EMG Tenements and 2,000,000 shares were issued for financial advisory fees in lieu of cash. The Company also issued 9,696,970 unlisted options that formed part of the total acquisition consideration for the Pangaea / EMG NT Tenements. The options have a three-year tenure and are exercisable into Empire shares at $0.70 per share. Stamp duty of $3.4 million was paid to the Territory Revenue Office and closing adjustments of $0.2 million were paid to Pangaea and EMG.

f) On August 16, 2021, the Company announced it had issued Performance Rights to the Managing Director that was approved at the 2021 General Meeting.

g) On August 30, 2021 the Company through its 100% owned subsidiary, Imperial Oil and Gas Pty Limited, entered into a cash-backed bank guarantee facility with ANZ Bank for $341,044 as required by the Northern Territory Government as an environmental security bond for the 2021 hydraulic stimulation program at Carpentaria-1 in EP187.

Directors' Report
for the half-year ended 30 June 2021

h) On September 10, 2021 the Company announced that it had executed three grant agreements with the Australian Government under the Beetaloo Cooperative Drilling Program. The grants will facilitate an acceleration of work program activities consistent with Empire's rapid commercialisation strategy. The total amount of grant funding for the three grants is $19.3 million.

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 2021.

AUDITOR

Nexia Sydney 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 2021

Nexia Sydney Audit Pty Ltd
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

13 September 2021

The Board of Directors
Empire Energy Group Limited
Level 19, 20 Bond Street
SYDNEY NSW 2000

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 2021, 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

Nexia Sydney Audit Pty Ltd

Joseph Santangelo
Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the half-year ended 30 June 2021

	Note	Half-year ended 30 June 2021 $	Half-year ended 30 June 2020 $
Sales revenue		3,123,073	3,539,219
Cost of sales		(2,293,955)	(2,751,200)
Gross profit		829,118	788,019
Other income		128,142	153,802
General and administration expenses		(3,963,407)	(2,573,867)
Exploration expenses		(566,860)	(46,985)
Other non-cash expenses	4	(2,325,016)	(3,604,820)
Operating loss before interest costs		(5,898,023)	(5,283,851)
Net interest expense		(286,873)	(434,061)
Loss before income tax		(6,184,896)	(5,717,912)
Income tax expense	3	(103,468)	(37,252)
Loss after income tax expense for the period		(6,288,364)	(5,755,164)
Other comprehensive income/(loss)			
Items that will subsequently be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		32,243	(530,951)
Other comprehensive income/(loss) for the year, net of tax		32,243	(530,951)
Total comprehensive loss for the period		(6,256,121)	(6,286,115)
Earnings per share for loss attributable to the owners of Empire Energy Group Limited		Cents per share	Cents per share
Basic loss per share	11	(1.90)	(2.19)
Diluted loss per share	11	(1.90)	(2.19)

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 2021

	Note	30 June 2021 $	31 December 2020 $
CURRENT ASSETS			
Cash and cash equivalents		41,679,832	14,145,866
Trade and other receivables		2,491,581	2,536,059
Prepayments		577,682	619,469
Inventories		37,727	39,717
Financial assets, including derivatives		-	482,240
TOTAL CURRENT ASSETS		44,786,822	17,823,351
NON-CURRENT ASSETS			
Financial assets, including derivatives		170,693	493,664
Oil and gas properties	6	53,237,255	46,441,614
Property, plant and equipment	6	558,962	566,797
Right-of-use assets		966,530	1,149,087
Intangible assets		90,738	88,571
TOTAL NON-CURRENT ASSETS		55,024,178	48,739,733
TOTAL ASSETS		99,811,000	66,563,084
CURRENT LIABILITIES			
Trade and other payables		6,903,135	5,969,972
Financial liabilities, including derivatives		252,962	-
Interest-bearing liabilities	7	8,238,368	7,823,606
Lease liabilities		421,675	311,233
Provisions	8	884,754	150,608
TOTAL CURRENT LIABILITIES		16,700,894	14,255,419
NON-CURRENT LIABILITIES			
Lease liabilities		679,846	972,287
Provisions	8	21,996,442	21,099,654
TOTAL NON-CURRENT LIABILITIES		22,676,288	22,071,941
TOTAL LIABILITIES		39,377,182	36,327,360
NET ASSETS		60,433,818	30,235,724
EQUITY			
Contributed equity	9	174,513,907	139,060,493
Reserves		7,895,130	6,862,086
Accumulated losses		(121,975,219)	(115,686,855)
TOTAL SHAREHOLDERS' EQUITY		60,433,818	30,235,724

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 2021

Consolidated	$ Issued Capital	$ Fair Value Reserve	$ Foreign Currency Translation Reserve	$ Options Reserve	$ Accumulated Losses	$ Total Equity
Balance at 31 December 2020	**139,060,493**	**180,499**	**(638,677)**	**7,320,264**	**(115,686,855)**	**30,235,724**
Total comprehensive loss for year						
Loss after income tax	-	-	-	-	(6,288,364)	(6,288,364)
Exchange differences on translation of foreign operations	-	-	32,243	-	-	32,243
Total comprehensive income/(loss) for the year	**-**	**-**	**32,243**	**-**	**(6,288,364)**	**(6,256,121)**
Transactions with owners, recorded directly in equity						
Issue of ordinary shares	37,182,156	-	-	-	-	37,182,156
Less: share issue transaction costs	(1,728,742)	-	-	-	-	(1,728,742)
Options issued during the period – share-based payments	-	-	-	1,000,801	-	1,000,801
Total transactions with owners	**35,453,414**	**-**	**-**	**1,000,801**	**-**	**36,454,215**
Balance at 30 June 2021	**174,513,907**	**180,499**	**(606,434)**	**8,321,065**	**(121,975,219)**	**60,433,818**

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 2021

Consolidated	$ Issued Capital	$ Fair Value Reserve	$ Foreign Currency Translation Reserve	$ Options Reserve	$ Accumulated Losses	$ Total Equity
Balance at 31 December 2019	**121,420,294**	**180,499**	**(380,008)**	**6,286,732**	**(108,002,400)**	**19,505,117**
Total comprehensive loss for year						
Loss after income tax	-	-	-	-	(5,755,164)	(5,755,164)
Exchange differences on translation of foreign operations	-	-	(530,951)	-	-	(530,951)
Total comprehensive loss for the year	**-**	**-**	**(530,951)**	**-**	**(5,755,164)**	**(6,286,115)**
Transactions with owners, recorded directly in equity						
Issue of ordinary shares	76,875	-	-	-	-	76,875
Less: share issue transaction costs	(5,795)	-	-	-	-	(5,795)
Options issued during the period – share-based payments	-	-	-	149,880	-	149,880
Total transactions with owners	**71,080**	**-**	**-**	**149,880**	**-**	**220,960**
Balance at 30 June 2020	**121,491,374**	**180,499**	**(910,959)**	**6,436,612**	**(113,757,564)**	**13,439,962**

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 2021

	Half-year ended June 2021 $	Half-year ended June 2020 $
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	3,377,217	4,842,769
Payments to suppliers and employees	(4,900,918)	(6,649,507)
Interest received	5,739	3,074
Interest paid	(292,612)	(434,061)
Income taxes paid	(103,468)	(37,251)
Net cash flows used in operating activities	(1,914,042)	(2,274,976)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for oil and gas assets	(5,696,970)	(1,012,977)
Payments for property, plant and equipment	(66,113)	(201,794)
Proceeds from sale of property, plant and equipment	5,184	-
Net cash flows used in investing activities	(5,757,899)	(1,214,771)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from issuing of shares	35,453,414	74,190
Proceeds from borrowings	446,120	840,142
Repayments of interest-bearing liabilities	(351,148)	(1,254,284)
Lease payments	(185,911)	(200,470)
Net cash flows from/(used in) financing activities	35,362,475	(540,422)
Net increase/(decrease) in cash and cash equivalents	27,690,534	(4,030,169)
Cash and cash equivalents at beginning of financial year	14,145,866	14,105,603
Effect of exchange rate changes on cash and cash equivalents	(156,568)	(58,513)
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL PERIOD	41,679,832	10,016,921

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 2021

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 2021 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 2021 have been prepared in accordance with 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'.

bThese 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 2020 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.

Empire Group's financial statements are presented in Australian dollars ("A$") which is also the functional currency of the majority of the Group's business operations."

Change in presentation currency

As the Group's strategy is focussed on the operations in the Northern Territory, Australia, the Group's cashflows are now principally denominated in Australian dollars ("A$"). From 1 January 2019, the Group changed the currency in which it presents its consolidated and parent Company financial statements from US$ to AUD$. The change has no impact on the net results of the consolidated entity other than presentation in AUD$ instead of US$. The Directors consider the change in presentation currency will provide shareholders with a more meaningful presentation of the Empire Group's underlying performance.

The presentation change was disclosed in the annual report for the period ending 31 December 2020, thus already restating balance sheet and equity balances.

To effect the change in presentation currency, the US dollar functional currency assets and liabilities at 30 June 2020 were converted at the spot rate of AUD$1:US$0.6863 on the reporting date; revenue and expenses for the six month period ended 30 June 2020 were converted at the average exchange rate of AUD$1: US$0.6577 for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent practicable and equity balances were converted at applicable historical rates.

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 $6.3 million for the half-year ended 30 June 2021, experienced net cash outflows from operating activities of ~$1.9 million and had net assets of $60.4 million.

Given the above and cash reserves at 30 June 2021 of $41.7 million, the directors believe there are sufficient resources available to settle outstanding debts as and when they become due.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

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.

NOTE 2 – LEASE EXPIRATION EXPENSES

No charge 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.

NOTE 3 – INCOME TAX EXPENSE

Included in the income tax expense for the six-month period is an expense of $103,468 which relates to revising the estimated tax to reflect changes made on lodgement of the Income Tax Return for Empire Energy Holdings LLC, a US domiciled subsidiary.

NOTE 4 – OTHER NON-CASH EXPENSE

	June 2021 $	June 2020 $
Depreciation, depletion & amortisation – oil & gas properties & property, plant & equipment	393,857	487,761
Depreciation, depletion & amortisation – right-of-use assets	186,469	180,773
Non-cash interest	690,409	859,283
Change in fair value of hedges	1,054,281	(666,531)
Impairment expense	-	2,856,803
Other	-	(113,269)
	2,325,016	3,604,820

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021
NOTE 5 - OPERATING SEGMENTS

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

	US Operations		Northern Territory		Corporate		Eliminations		Total	
in AUD	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue (external)	3,123,073	3,539,219	-	-	-	-	-	-	3,123,073	3,539,219
Revenue (internal)	-	-	-	-	2,122,136	1,345,792	(2,122,136)	(1,345,792)	-	-
Other income (excluding interest income)	128,142	91,303	-	-	-	62,500	-	-	128,142	153,803
Reportable segment result before tax	374,337	(61,799)	(2,776,942)	(1,455,880)	(169,600)	(84,896)	-	-	(2,572,205)	(1,602,575)
Adjustments:										
Effect of interest income and expense:										
- Interest income (internal)	-	-	-	-	2,283,408	1,699,910	(2,283,408)	(1,699,910)	-	-
- Interest income (external)	-	-	185	441	4,789	4,018	-	-	4,974	4,459
- Interest expense (internal)	(1,034,676)	(1,097,795)	(1,248,732)	(602,115)	-	-	2,283,408	1,699,910	-	-
- Interest expense (external)	(278,212)	(415,837)	-	-	(13,636)	(22,684)	-	-	(291,848)	(438,521)
	(1,312,888)	(1,513,632)	(1,248,547)	(601,674)	2,274,561	1,681,244	-	-	(286,874)	(434,062)
Material non-cash expenses not included in segment result										
- Depreciation and amortisation	(433,757)	(538,840)	(13,956)	(5,493)	(132,613)	(124,201)	-	-	(580,326)	(668,534)
- Share-based payment expense	-	-	-	-	(1,000,801)	(113,708)	-	-	(1,000,801)	(113,708)
- Impairment of assets	-	(2,856,803)	-	-	-	-	-	-	-	(2,856,803)
- Unrealised gain/loss on derivatives	(1,054,281)	666,531	-	-	-	-	-	-	(1,054,281)	666,531
- Finance cost - ARO accretion	(370,619)	(414,814)	-	-	-	-	-	-	(370,619)	(414,814)
- Finance cost - Discount on debt	(319,790)	(444,469)	-	-	-	-	-	-	(319,790)	(444,469)
- Other non-cash expenses	-	113,270	-	-	-	-	-	-	-	113,270
Loss before income tax - continuing operations	**(3,116,998)**	**(5,050,556)**	**(4,039,445)**	**(2,063,047)**	**971,547**	**1,358,439**	**-**	**-**	**(6,184,896)**	**(5,755,164)**
Reportable segment assets	33,365,331	35,780,701	24,743,808	6,241,005	149,989,852	101,043,632	(108,287,991)	(85,178,531)	99,811,000	57,886,807
Reportable segment liabilities	(60,669,037)	(60,912,293)	(46,506,522)	(21,336,191)	(1,712,053)	(1,743,082)	69,510,430	40,818,651	(39,377,182)	(43,172,915)

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

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 $							
At 1 January 2021	84,290,679	20,729,112	6,530	333,045	1,308,967	1,076,145	107,744,478
Additions	-	6,398,845	-	3,882	62,231	-	6,464,958
Disposals	-	-	-	-	-	(14,246)	(14,246)
At 30 June 2021	84,290,679	27,127,957	6,530	336,927	1,371,198	1,061,899	114,195,190
Accumulated Depreciation in $							
At 1 January 2021	(55,985,071)	-	-	(121,327)	(1,065,906)	(902,145)	(58,074,449)
Depreciation and depletion	(311,280)	-	-	(3,497)	(57,550)	(21,530)	(393,857)
Disposals	-	-	-	-	-	14,246	14,246
Impairment	-	-	-	-	-	-	-
At 30 June 2021	(56,296,351)	-	-	(124,824)	(1,123,456)	(909,429)	(58,454,060)
Opening written down value	**28,305,608**	**20,729,112**	**6,530**	**211,718**	**243,061**	**174,000**	**49,670,029**
Cumulative impact of foreign currency adjustments	(1,903,807)	18,777	121	(11,132)	(10,795)	(38,077)	(1,944,913)
Closing written down value	**26,090,521**	**27,146,734**	**6,651**	**200,971**	**236,947**	**114,393**	**53,796,217**

At 30 June 2021, 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.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

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 2020	84,290,679	8,129,233	6,530	333,045	1,088,981	1,056,246	94,904,714
Additions	-	12,599,879	-	-	221,632	19,899	12,841,410
Disposals	-	-	-	-	-	-	-
Expiration costs	-	-	-	-	(1,646)	-	(1,646)
At 31 December 2020	84,290,679	20,729,112	6,530	333,045	1,308,967	1,076,145	107,744,478
Accumulated Depreciation in $							
At 1 January 2020	(55,258,369)	-	-	(113,658)	(973,413)	(854,045)	(57,199,485)
Depreciation and depletion	(726,702)	`	-	(7,669)	(93,944)	(48,100)	(876,415)
Disposals	-	-	-	-	1,451	-	1,451
Impairment	-	-	-	-	-	-	-
At 31 December 2020	(55,985,071)	-	-	(121,327)	(1,065,906)	(902,145)	(58,074,449)
Opening written down value	**29,032,310**	**8,129,233**	**6,530**	**219,387**	**115,568**	**202,201**	**37,705,229**
Cumulative impact of foreign currency adjustments	(1,986,121)	(606,985)	(38)	(15,927)	(13,460)	(39,087)	(2,661,618)
Closing written down value	**26,319,487**	**20,122,127**	**6,492**	**195,791**	**229,601**	**134,913**	**47,008,411**

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 7 - INTEREST BEARING LIABILITIES

Empire Energy USA, LLC maintains a long-term credit facility with Macquarie Bank Limited (Macquarie), which matures in September 2024, consisting of a single tranche term loan facility with a current loan availability of US$6,125,020.

The credit facility balance on 30 June 2021 was US$6,125,010.

Uses of credit facility:

Term Loan: To refinance the existing secured loan facilities with Macquarie.

Credit facility structure

Principal Amount	US$7.5 million (availability and outstanding loan balance US$6.1 million)
Term	5 years (matures in September 2024)
Interest Rate	LIBOR + 650 bps
Repayment Terms	100% of Appalachia Net Operating Cashflow subject to minimum amortisation of US$550,000 per annum
Hedging	Empire shall maintain a rolling hedging program whereby 55% of forecast Proved Developed Producing Reserves shall be hedged for 3 years
Key Covenants	Proved Developed Producing Reserves PV10 / Net Debt > 1.3x Current Ratio >1.0x Working capital >0

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, the Company is required to maintain financial ratios customary for the oil and gas industry. These include certain operational and financial covenants which the Company is required to maintain.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 7 - INTEREST BEARING LIABILITIES (Continued)

A summary of period end debt is as follows:

	June 2021 $	December 2020 $
Facility (US$)	6,125,010	6,537,500
PPP term note (a)	-	10,000
PPP2 term note (b)	343,602	-
Sub-Total	6,468,612	6,547,500
Less deferred financing costs, net	(275,007)	(521,759)
Total Debt in USD	6,193,605	6,025,741
Total Debt in AUD	8,238,368	7,823,606

(a) On May 8, 2020, the Company received a Paycheck Protection Program (PPP) Term Note for US$552,600. During 2020, this loan was forgiven and recognised as a gain on PPP loan forgiveness in the consolidated statement of profit or loss. During the six-month period ended 30 June 2021, under the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) the Small Business Administrative (SBA) remitted to a financial institution payment of the remaining balance of US$10,000. The PPP Term Note remaining balance of US$10,000 was considered to be forgiven and determined to be paid in full and recognised as a gain on PPP loan forgiveness in the consolidated statement of operations.

(b) On 16 February 2021 the Company received a second term note with a collective principal amount of US$343,602 pursuant to the Second Draw Paycheck Protection Program (PPP2 Term Note) under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The PPP2 Term Note is evidenced by a promissory note, which bears interest at a fixed annual rate of 1%, with the first 10 months of interest deferred. The original agreement stated that beginning December 2021, the Company will make equal monthly payments of principal and interest with the final payment due in February 2026. Subsequent legislation has extended the deferral period for the loan payments to either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower does not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The Company intends to apply for forgiveness of the PPP2 Term Note, with the amount that may be forgiven equal to the sum of payroll costs, covered rent and mortgage obligations, and covered utility payments incurred by the Company.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 8 - PROVISIONS

	June 2021 $	December 2020 $
Current		
Employee entitlements	182,879	150,608
Provision for rehabilitation	701,875	-
Total	884,754	150,608
Non-current		
Asset retirement obligations	21,996,442	21,099,654
Total provisions	22,881,196	21,250,262
Movement in Asset Retirement Obligation / Provision for rehabilitation		
Balance at beginning of period	21,099,654	22,511,419
Additions	701,875	-
Accretion expense for the period, included in finance costs	370,619	694,257
Foreign currency translation movements	526,169	(2,106,022)
Balance at end of period	22,698,317	21,099,654

Asset Retirement Obligation / Provision for rehabilitation

The Empire Group makes full provision for the future costs of decommissioning oil and gas production facilities, pipelines and rehabilitation of explored land on a discounted basis on the installation or acquisition of those facilities.

The provision represents the present value of decommissioning and rehabilitation 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 half-year ended 30 June 2021

NOTE 9 - CONTRIBUTED EQUITY	June 2021 $	December 2020 $
a) Shares		
Issued Capital		
Balance at beginning of period	139,060,493	121,420,294
Movement in ordinary share capital		
Issue of 150,000 fully paid ordinary shares in January 2020 due to conversion of options	-	45,000
- Issue of 93,750 fully paid ordinary shares in February 2020 due to conversion of options	-	30,000
- Issue of 6,250 fully paid ordinary shares in February 2020 due to conversion of options	-	1,875
- Issue of 33,333,334 fully paid ordinary shares in September 2020 as a private placement to raise funds	-	10,000,000
- Issue of 3,575,000 fully paid ordinary shares in September 2020 due to conversion of options	-	1,072,500
- Issue of 4,087,500 fully paid ordinary shares in September 2020 due to conversion of options	-	1,226,250
- Issue of 19,245,001 fully paid ordinary shares in September 2020 due to conversion of options	-	5,773,500
- Issue of 412,500 fully paid ordinary shares in November 2020 due to conversion of options	-	123,750
- Issue of 39,318,829 fully paid ordinary shares in April 2021 as a private placement to raise funds (Tranche 1)	11,795,650	-
- Issue of 10,000,000 fully paid ordinary shares in May 2021 as a placement to raise funds through a Share Purchase Plan	3,000,000	-
- Issue of 10,000,186 fully paid ordinary shares in May 2021 as a placement to raise funds through a Share Purchase Plan	3,000,055	-
- Issue of 60,681,171 fully paid ordinary shares in June 2021 as a private placement to raise funds (Tranche 2)	18,204,351	-
- Issue of 3,940,333 fully paid ordinary shares in June 2021 as a private placement to raise funds	1,182,100	-
Less costs associated with the shares issues detailed above	(1,728,742)	(632,676)
Balance as at 30 June 2021	174,513,907	139,060,493

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 9 - CONTRIBUTED EQUITY (Continued)

b) Shares (continued) **Issued shares**	**June 2021 No. of shares**	**December 2020 No. of shares**
Balance at beginning of period	323,941,984	262,838,649
Movement in ordinary share capital		
- Issue of 200,000 fully paid ordinary shares in January 2020 due to conversion of options	-	200,000
- Issue of 150,000 fully paid ordinary shares in February 2020 due to conversion of options	-	150,000
- Issue of 93,750 fully paid ordinary shares in February 2020 due to conversion of options	-	93,750
- Issue of 6,250 fully paid ordinary shares in February 2020 due to conversion of options	-	6,250
- Issue of 33,333,334 fully paid ordinary shares in September 2020 as a private placement to raise funds	-	33,333,334
- Issue of 3,575,000 fully paid ordinary shares in September 2020 due to conversion of options	-	3,575,000
- Issue of 4,087,500 fully paid ordinary shares in September 2020 due to conversion of options	-	4,087,500
- Issue of 19,245,001 fully paid ordinary shares in September 2020 due to conversion of options	-	19,245,001
- Issue of 412,500 fully paid ordinary shares in September 2020 due to conversion of options	-	412,500
- Issue of 39,318,829 fully paid ordinary shares in April 2021 as a private placement to raise funds (Tranche 1)	39,318,829	-
- Issue of 10,000,000 fully paid ordinary shares in May 2021 as a placement to raise funds through a Share Purchase Plan	10,000,000	-
- Issue of 10,000,186 fully paid ordinary shares in May 2021 as a placement to raise funds through a Share Purchase Plan	10,000,186	-
- Issue of 60,681,171 fully paid ordinary shares in June 2021 as a private placement to raise funds (Tranche 2)	60,681,171	-
- Issue of 3,940,333 fully paid ordinary shares in June 2021 as a private placement to raise funds	3,940,333	-
Balance as at 30 June 2021	447,882,503	323,941,984

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 9 - CONTRIBUTED EQUITY (Continued)

As at the date of this report the following shares were issued after balance date:

i. On 16 August 2021, 149,591,838 fully paid ordinary shares were issued to Pangaea/EMG for partial consideration fot the acquisition of the Tenements. Refer also to Notes 14(k) and (l).

ii. On 16 August 2021, 2,000,000 fully paid ordinary shares were issued to aamica Financial Pty Ltd for financial advisory fees in lieu of cash.

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

At the date of this report, the Company had 599,474,341 fully paid ordinary shares on issue. (ASX: EEG)

(b) Share Options

Total number of unissued shares under option at 1 January 2021 and 30 June 2021	18,400,000

As at the balance date, the Company had 18,400,000 unissued shares held under option.

Number		Exercise Price $	Expiry Date
1,300,000	Unlisted options	$0.30	30 December 2021
600,000	Unlisted options	$0.30	30 December 2021
12,000,000	Unlisted options	$0.32	31 December 2021
1,700,000	Unlisted options	$0.30	30 December 2022
2,800,000	Unlisted options	$0.60	30 December 2022
18,400,000			

Since the end of the financial period and at the date of this report a total of 9,696,970 unlisted options were issued on 13 August 2021 as part of the total consideration for the Pangaea/EMG tenement acquisition, which was approved at the General Meeting held 3 August 2021.

(c) Performance Rights

Total number of unissued shares subject to Performance Rights at 1 January 2021	8,276,771
Movements	
Granted	
No Performance Rights have been issued during the financial period	-
Balance as at 30 June 2021	**8,276,771**

Since the end of the financial period and at the date of this report a total of 1,015,625 Performance Rights were issued to the Managing Director on 16 August 2021.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 9 - CONTRIBUTED EQUITY (Continued)

(d) Service Rights

Total number of unissued shares subject to Service Rights at 1 January 2021	1,838,558
Movements The following Service Rights have been issued during the financial period: - 600,000 Service Rights were issued to the Company's Non-Executive Director, Prof. John Warburton under the terms of the Company's Rights Plan approved at the Shareholders Meeting on 27 May 2021.	600,000
Balance as at 30 June 2021	**2,438,558**

(e) Restricted Rights

Total number of unissued shares subject to Restricted Rights at 1 January 2021	1,019,753
Movements The following Restricted Rights have been issued during the financial period: - 783,201 Restricted Rights were issued to the Company's employees and Managing Director under the terms of the Company's Rights Plan approved at the Shareholders Meeting on 27 May 2021.	783,201
- 1,044,000 Restricted Rights were issued to the Company's US employees under the terms of the Company's Rights Plan approved at the Shareholders Meeting on 27 May 2021.	1,044,000
- 290,598 Restricted Rights were issued to the Company's Non-Executive Directors in lieu of Director Fees paid in cash under the terms of the Company's Rights Plan approved at the Shareholders Meeting on 27 May 2021.	290,598
Balance as at 30 June 2021	**3,137,552**

Since the end of the financial period and at the date of this report a total of 94,908 Restricted Rights were issued to Non-Executive Directors in lieu of Director fees paid in cash on 1 July 2021.

At the Balance Date, the Company had 13,852,881 Performance Rights, Service Rights and Restricted Rights on issue.

At the date of this report, the Company had 14,963,414 Performance Rights, Service Rights and Restricted 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.

The Performance Rights, Service Rights and Restricted Rights are subject to certain preconditions being met.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 10 - DIVIDENDS

No dividends have been declared or paid during the period.

NOTE 11 - EARNINGS PER SHARE

	June 2021 $	June 2020 $
Basic loss per share (cents per share)	(1.90)	(2.19)
Diluted loss per share (cents per share)	(1.90)	(2.19)
Loss used in the calculation of basic and diluted loss per share	(6,288,364)	(5,755,164)
Weighted average number of ordinary shares on issue used in the calculation of basic loss per share	331,726,838	262,941,388
Weighted average number of potential ordinary shares used in the calculation of diluted loss per share	331,726,838	262,941,388

NOTE 12 - CONTINGENT LIABILITIES AND COMMITMENTS

Empire Group Limited has executed a Deed of Guarantee and indemnity in favour of Macquarie Bank Limited guaranteeing the obligations of each of Empire Energy USA LLC and its subsidiary Empire Energy E&P LLC pursuant to the Macquarie Bank Limited credit facility.

The Empire Group is subject to various federal, state and local laws and regulations relating to the protection of the environment. The Empire Group has established procedures for the ongoing evaluation of its operations, to identify potential environmental exposures and to comply with regulatory policies and procedures.

Environmental expenditures that relate to current operations are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations, and do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessment and or clean-up is probable, and the costs can be reasonably estimated. The Empire Group maintains insurance that may cover in whole or in part certain environmental expenditures. At 30 June 2021, the Empire Group had no environmental contingencies requiring specific disclosure or accrual.

The Company has the following bank guarantees:

- $60,087 held as a bank guarantee to Northern Territory Government as a bonding facility for the EP187 2019 Seismic Program. This amount has been provided for in the provision for rehabilitation note (refer note 8).

- $81,840 held as a bank guarantee to Hudson Resources Pty Ltd as a bonding facility as part of the rental agreement. If the Company defaults on rental payment or damages property, then that amount will be payable.

NOTES TO THE FINANCIAL STATEMENTS
for the half-year ended 30 June 2021

NOTE 12 - CONTINGENT LIABILITIES AND COMMITMENTS (continued)

- $300,744 held as a bank guarantee to Northern Territory Government as a bonding facility for the EP187 2020 Drilling Program. This amount has been provided for in the provision for rehabilitation note (refer note 8).

- $341,044 held as a bank guarantee to Northern Territory Government as a bonding facility for the EP187 2021 hydraulic fracture stimulation program. This amount has been provided for in the provision for rehabilitation note (refer note 8).

NOTE 13 – EVENTS OCCURING AFTER THE REPORTING DATE

a) On July 7, 2021, the company announced it had issued Restricted Rights in lieu of Director Fees paid as cash, to Non-Executive Directors that was approved at the 2021 Annual General Meeting.

b) On July 8, 2021, the Company announced that the Federal Government approved up to $21 million in grant funding under the *Beetaloo Cooperative Drilling Program*. Refer to h) below on updated grant funding approved.

c) On August 3, 2021, the Company held a General Meeting virtually due to COVID-19 lockdown restrictions. All resolutions were carried by way of a Poll.

d) On August 16, 2021, the company announced the completion of the acquisition of Pangaea's and EMG NT's 100% interests in EP167, EP168, EP169, EP198 and EP305, located onshore in the Northern Territory's Beetaloo Sub-basin.

e) On August 16, 2021, the Company announced it had issued 151,591,838 fully paid ordinary shares. 149,591,838 shares and $6.1 million in cash formed part of the total consideration for the Pangaea / EMG Tenements and 2,000,000 shares were issued for financial advisory fees in lieu of cash. The Company also issued 9,696,970 unlisted options that formed part of the total acquisition consideration for the Pangaea / EMG NT Tenements. The options have a three-year tenure and are exercisable into Empire shares at $0.70 per share. Stamp duty of $3.4 million was paid to the Territory Revenue Office and closing adjustments of $0.2 million were paid to Pangaea and EMG.

f) On August 16, 2021, the Company announced it had issued Performance Rights to the Managing Director that was approved at the 2021 General Meeting.

g) On August 30, 2021 the Company through its 100% owned subsidiary, Imperial Oil and Gas Pty Limited, entered into a cash-backed bank guarantee facility with ANZ Bank for $341,044 as required by the Northern Territory Government as an environmental security bond for the 2021 hydraulic stimulation program at Carpentaria-1 in EP187.

h) On September 10, 2021 the Company announced that it had executed three grant agreements with the Australian Government under the *Beetaloo Cooperative Drilling Program*. The grants will facilitate an acceleration of work program activities consistent with Empire's rapid commercialisation strategy. The total amount of grant funding for the three grants is $19.3 million.

DIRECTORS' DECLARATION
for the half-year ended 30 June 2021

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 2021 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 2021

Nexia Sydney Audit Pty Ltd
Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Empire Energy Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Empire Energy Group Limited (the Company and its subsidiaries ("the Group")), which comprises the Statement of Financial Position as at 30 June 2021, the Statement of Comprehensive Income, Statement of Changes in Equity and 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.

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 the Group does not comply with the *Corporations Act 2001* including:

i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date; and

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

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation 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 internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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.

Nexia

Nexia Sydney Audit Pty Ltd

Joseph Santangelo
Director
13 September 2021
Sydney