



**HALF YEAR
FINANCIAL
REPORT**

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JUNE 2023

**FEATURED ON THE FRONT COVER IS THE SILVER
CITY CREW ON RIG #40 AT CARPENTARIA-2H**

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Empire Energy Group Limited and its controlled entities

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30 June 2023

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Empire Energy Group Limited and its controlled entities

Corporate directory

30 June 2023

Directors	Peter Cleary (Chairman) Alexander Underwood (Managing Director) Paul Fudge Jacqui Clarke (Alternate Director to Paul Fudge) Louis Rozman Prof John Warburton
Company Secretary	Ben Johnston
Registered Office	Level 5 6-10 O'Connell Street Sydney NSW 2000
Share Registry	Computershare Investors Services Pty Limited Level 3 60 Carrington Street Sydney NSW 2000
Australian Auditor	Nexia Sydney Audit Pty Ltd Level 22 2 Market Street Sydney NSW 2000
US Auditor	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, LLC 8301 East 21st 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
Stock Exchange Listing	Empire Energy Group Limited shares are listed on: 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

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Empire Energy Group Limited
Report of Chairman and Managing Director to shareholders
30 June 2023

Dear Shareholders,

Empire has had another productive half year as we progress towards our goal of maiden commercial production from the Beetaloo Basin.

These developments come at a critical time for NT and East Coast Australia energy security as existing sources of gas supply decline. The Beetaloo Basin offers the lowest CO₂ source of new gas supply into constrained markets.

Carpentaria-2H (“C-2H”) was brought back online to test the benefit of soaking with excellent results. Empire announced a material increase in C-2H average flow over 30 days (“IP30”) to 3.3 TJ / day (2.81 mmscf / day) which was 17% higher than the IP30 achieved during the initial 51-day extended production test undertaken during Q3 2022. This rate is a normalised flow rate of 3.5 TJ / day (3.0 mmcf / day) per 1,000 metres at C-2H, demonstrating that soaking has had a material beneficial impact on flow rates, consistent with productivity improvements seen in other wells in the Beetaloo Sub-basin and in US shale gas basins. This rate also exceeds the benchmark other Beetaloo players have put forth as being commercial noting that Empire also benefits from cost advantages given the shallow depths of its acreage.

North American reservoir engineering firm Subsurface Dynamics, Inc. (SSD) analysed the flow testing performance of C-2H. SSD’s analysis indicates that development wells with 3km laterals in the C-2H area could generate total estimated ultimate recovery (EUR) of 7.9 PJ gas per well on a P50 basis and 9.3 PJ gas per well on a P10 basis. Most of this gas would be produced in the first 3 – 5 years, consistent with US shale basins, which would drive rapid recovery of invested capital. This represents a potential upstream development cost of A\$2 – A\$3 / GJ in future development scenarios assuming a capital cost of \$15 million - \$20 million per future development well.

Carpentaria-3H (C-3H) was flow tested for 27 days and then shut in for soaking. It was brought back online in early August, during which the well achieved an average daily production rate increase of 30% over the initial “pre-soak” test. The average rate over the first 30 days (IP30) for the “post-soak” testing was 3.3 mmscf / day (3.8 TJ / day), with a rate on day 30 of 2.6 mmscf / day (2.9 TJ / day). Testing is ongoing at the time of release.

Petrophysical interpretation of Carpentaria-4V (C-4V) data confirmed that net pay in the Middle Velkerri B is 20% greater and ~150 metres deeper than at the C-2H/C-3H location which is likely to drive greater gas in place per unit of rock and increased pressure could potentially drive higher flow rates.

The successful 2022 Beetaloo work program resulted in the certification of an LNG scale resource independently assessed by Netherland, Sewell & Associates, Inc. (NSAI) for Empire’s wholly owned and operated EP187 2C Contingent Resources increased by 270% to 1,739 PJ, a substantial volume compared to our ASX listed peers. Due to the high calorific value of the Empire’s EP187 gas, NSAI assessed sales volumes in PJ have a higher energy content than equivalent dry gas volumes.

Empire is progressing Front End Engineering and Design (“FEED”), field development planning, indigenous and regulatory approvals, gas sales and pipeline transportation negotiations for the proposed Carpentaria Pilot Project in EP187.

The Northern Territory Government announced the final implementation of all recommendations of the 2018 Scientific Inquiry into Hydraulic Fracturing in the NT chaired by Justice Rachel Pepper, establishing the platform for commencement of commercial gas production in the Beetaloo Sub-basin. The regulatory framework the NT Government has put in place is now amongst the most extensive and robust in the world which will allow the safe and sustainable development of the Beetaloo’s abundant natural gas resources.

The Final Implementation Report concluded: *“Having considered the system reform undertaken as a complete package, the NT Government is now satisfied that the risks identified by the Inquiry have been sufficiently mitigated and is confident that applications for onshore petroleum production licenses may now be accepted for consideration by the new regulatory regime.”*

Empire Energy Group Limited
Report of Chairman and Managing Director to shareholders
30 June 2023

On 10 July 2023, the Australian Government announced it had finalised the Mandatory Code of Conduct (Gas Code) which is now law. While a price cap of \$12/GJ remains, subject to a review commencing 1 July 2025, small gas producers (under 100 PJ p.a. of production) are exempt from the price cap if they supply only the domestic market. Empire expects that the exemptions will apply for its Beetaloo assets for the foreseeable future.

At the Annual General Meeting the Company announced that Mr Paul Espie AO would retire as Chairman and Non-Executive Director of Empire effective 30 May 2023. The Board and management extended sincere gratitude to Mr Espie for his leadership and significant contribution to Empire since 2018. Mr Espie AO was instrumental in the acquisition of Pangaea Resources during 2021, the recapitalisation and strategic repositioning of the Company towards its Beetaloo assets and building of the Empire team. Furthermore, under the guidance of Mr Espie AO, Empire has drilled, and fracture stimulated the longest horizontal section of any well onshore Australia at Carpentaria-3H, matured its Beetaloo assets and is now on the verge of achieving production in the Northern Territory.

Mr Espie AO is succeeded by Mr Peter Cleary as Chair. Mr Cleary was first elected to the board in July 2020 following a distinguished executive career at BP and Santos

The balance of 2023 will focus on progressing the Carpentaria Pilot Project towards maiden production. Empire is planning a staged development of upstream drilling and midstream gas infrastructure to facilitate the construction of gas gathering, gas processing, compression and associated midstream infrastructure to facilitate the Pilot Project and targeted sales gas production rate of up to 25 TJ per day utilising the existing McArthur River Pipeline to Daly Waters and the McArthur River Mine. Empire is targeting a Final Investment Decision (FID) for the Pilot Project later this year for targeted first gas sales in H1 2025.

This is the culmination of a successful exploration and appraisal program delivering a significant onshore gas resource in the vicinity of existing infrastructure. In August Empire executed an agreement with APA Group for the establishment of midstream gas infrastructure to facilitate large volumes of gas delivery into Australia's East Coast. We appreciate the potential technical and financial support that APA may bring to our plans for pilot production as an important step towards larger development plans focused on delivery of large volumes of gas to Australia's East Coast and thereafter to Asian LNG customers. Under the agreement APA has commenced investing up to \$5 million on Engineering and Design concepts for infrastructure associated with the Carpentaria Pilot Project and linkages to Australia's East Coast.

The Beetaloo is increasingly being recognised as a world-class low CO2 gas resource with the capacity to satisfy both domestic and international demand in a supply constrained world.

The Federal government has provided clarity with the Gas Code.

The Northern Territory government is supportive of the development of the Beetaloo.

Your company is uniquely placed to contribute the NT's immediate gas needs and in the longer term, Australia's domestic requirements.

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,



Peter Cleary
Chairman
Empire Energy Group Limited



Alex Underwood
Managing Director
Empire Energy Group Limited

A. 2023 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 \$3.2 million (June 2022: \$6.3 million)
- Net production 3,329 Mcfe per day (June 2022: 4,472 Mcfe per day)
- Outstanding debt \$15.1 million (June 2022: \$8.1 million)
- Cash at bank \$19.6 million (June 2022: \$44.8 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 January 2023, Carpentaria-3H ("C-3H") was successfully stimulated, significantly below budget, delivering all 40 planned stages across 1,989 metres (6,526 feet) of horizontal well bore. Carpentaria-4V ("C-4V") was also successfully drilled to a depth of 2,000 metres (6,562 feet). C-4V encountered thick, gas charged Velkerri shales according to pre-drill prognosis. These shales are ~150 metres deeper than at the C-3H location, providing additional pressure support to drive enhanced gas flow rates in future development scenarios.
 - In March 2023, C-3H was flow tested for 27 days and then shut in for soaking (the practice of shutting in a well for a period following fracture stimulation to maximise long-term productivity). The gas production rate ranged between 2.3 million standard cubic feet per day ("mmcf / day") and 5.7 mmcf / day with an average of 2.6 mmcf / day. C-2H was brought also brought back online to test the benefit of soaking, with excellent results. C-2H achieved a new average flow rate over 30 days ("IP30") of 2.81 mmscf per day, equating to a normalized flow rate of over 3 mmscf per day per 1,000 metres of horizontal section. This represents an increase of approximately 17% over the initial IP30 rates announced in September 2022 despite partial reservoir depletion following the initial 51-day flow testing program.
 - In May 2023, C-2H flow testing was completed with continued strong gas production rates, producing a total of 323 Terajoules ("TJ") (281 mmscf) over 127 days. Gas composition remained consistent with high calorific value and extremely low CO₂. This equates to a normalized rate of 2.75 TJ (2.4 mmscf) per day per 1,000 metres for the entire test period. The post-soak 2023 IP30 was confirmed at 3.5 TJ (3.0 mmscf) per day per 1,000 metres following updated gas composition analysis. C-2H was shut-in for availability as a future gas producer
 - Also during May 2023, Empire announced a major EP187 Contingent Resources upgrade following its 2022 Beetaloo work program. Contingent Resources as independently assessed by Netherland, Sewell & Associates, Inc. ("NSAI") for Empire's wholly owned and operated EP187 evidence an LNG scale resource at EP187. Empire has now booked 2C Contingent Resources to 1,739 PJ for EP187 representing an average Estimated Ultimate Recovery ("EUR") per well of 7.9 PJ .
 - At the Annual General Meeting of the Company held 30 May 2023 Mr Paul Espie AO retired as Chairman and Non-Executive Director. Mr Peter Cleary now serves as Chairman of the Board.
 - During the half-year the Empire team continued to advance Front-End Engineering and Design and regulatory approvals for the proposed Carpentaria Pilot Project in EP187.

**Empire Energy Group Limited
Operations review
30 June 2023**



Susan McDonald, Shadow Minister for Resources and Northern Australia, Sonia Harvey, Empire, Jon Bennett, inGauge Energy, and Jacinta Nampijinpa Price, Senator for the Northern Territory at the Royal Darwin Show in July



Below: Eva Lawler, NT Treasurer and Minister for Infrastructure, Planning and Logistics, Sonia Harvey, Empire, Mark Monaghan MLA and Speaker of the House and David Slama, APPEA NT Director at the Tennant Creek Show held in July 2023

Above: Empire at the Katherine, NT show, held in July 2023



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Carpentaria -3H restart flare



Sonia Harvey, Empire, engaging with community at the Katherine, NT show held in July 2023



Members of Empire and inGauge Energy operations team at workshop held at the Empire office in August 2023

USA – APPALACHIA

- Empire's Appalachia operations reported reduced gas production for the half-year ended 30 June 2023 compared to the prior year. The decreased gas production reflects a gas pipeline owned by the local infrastructure utility, National Fuel Gas Company (NYSE: NFG) being offline. This gas pipeline provides key export infrastructure for Empire and being offline restricts the volume of gas Empire can move to market.
- The Henry Hub gas price has also moderated during 2023 reflecting a mild Northern Hemisphere winter leading to growing gas in shortage. Empire has elected to shut-in marginal wells which can be reopened when gas prices improve further reducing production. This allows Empire to preserve its gas reserves to maximise returns when prices are higher.
- Net gas production of 596,168 Mcf (June 2022: 811,907 Mcf).
- Net oil production of 1,058 Bbls (June 2022: 1,95 Bbls) reflects timing of oil sales.

B. CREDIT FACILITIES

The outstanding balance of the USA Macquarie Bank Limited Credit Facility as at 30 June 2023 was US\$5.0 million. Total repayments of US\$275,000 were made during the half- year.

The Company's Credit Facility with Macquarie Bank Limited has the following key terms:

Principal Amount	US\$7.5 million (availability and outstanding loan balance US\$5.0 million)
Term	5 years to 30 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

The Company established an additional credit facility with Macquarie Bank Limited during the 2022 financial year. The outstanding balance as at 30 June 2023 was \$7.5 million. Key terms of this credit facility are set out below:

Principal Amount	\$15 million comprising: <ul style="list-style-type: none"> • Facility A (Revolving Credit Facility, \$10 million) • Facility B (Performance Bond Facility, \$5 million)
Borrowers	Imperial Oil & Gas Pty Limited Imperial Oil & Gas A Pty Limited
Guarantor	Empire Energy Group Limited and Borrowers
Security	First ranking security over all present and after-acquired property of each Borrower First ranking security
Fees	Utilisation Fee: 1.5% of utilisation Commitment Fee: 40% of margin Margin: Facility A (5.5% p.a.), Facility B (10% p.a.)

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Interest Rate	Margin plus BBSW
Financial Covenants	Ratio of current assets to current liabilities of at least 1.00 to 1.00 Minimum cash balance in the Borrowers and Guarantor of at least \$5 million (or its equivalent in any other currency or currencies)
Repayment Date	31 December 2025
Repayment Arrangements	Facility A: on receipt of relevant R&D Tax Incentive payment Facility B: on release of environmental bonds after rehabilitation

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.

D. 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 – 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 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. The facilities mature in September 2024 and December 2025 and will need to be repaid or refinanced prior to maturity.

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, operational results 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.

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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 hydrocarbons. 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 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 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 operations e.g. through changing climate patterns such as wet seasons and increased frequency of large storms.

Empire Energy Group Limited and its controlled entities

Directors' report

30 June 2023

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group' or 'Empire Group') consisting of Empire Energy Group Limited (referred to hereafter as the 'Company' or 'Parent Entity' or 'Empire') and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Cleary	Non-Executive Director and Chairman (appointed Chairman on 30 May 2023)
Alexander Underwood	Managing Director
Paul Fudge	Non-Executive Director
Jacqui Clarke	Non-Executive Director – Alternate Director to Paul Fudge
Louis Rozman	Non-Executive Director
Prof John Warburton	Non-Executive Director
Paul Espie AO	Non-Executive Director and Chairman (retired on 30 May 2023)

Principal activities

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

- The progression of appraisal work programs in Empire's wholly owned and operated exploration tenements located in the highly prospective Northern Territory Beetaloo sub-basin. Key activities completed during the half-year include the flow testing of the Carpentaria-2H and Carpentaria-3H wells.
- 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.

Dividends

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

Business risks

Refer to the Operations review for details of the Group's business risks.

Review of operations

The loss for the Group after providing for income tax amounted to \$8,308,421 (30 June 2022: \$2,389,297).

For information on a review of the Empire Group's operations refer to the Operations review prior to the Directors' report.

Significant changes in the state of affairs

- (1) On 3 February 2023 Empire issued 613,830 Restricted Rights to its employees under the Company's Rights Plan.
- (2) On 3 February 2023 Empire issued 548,234 Performance Rights to its employees as part of their 2020 Long-Term Incentive compensation which have vested.
- (3) On 3 February 2023 Empire issued 1,297,209 Performance Rights to its employees for the 2022 financial year.
- (4) On 6 March 2023 Empire reported that Carpentaria-3H had been flow tested for 27 days. This gas production rate ranged between 2.6TJ/d and 6.6TJ/d.
- (5) On 29 March 2023 Empire announced that Carpentaria-2H had achieved an average flow rate of 3.2TJ/d. This represents an increase of ~17% over the initial IP30 rates announced in September 2022.
- (6) Following Empire's successful 2022 EP187 work programs, Empire announced an increase in its EP187 2C Contingent Resources to 1,739PJ, on LNG scale discovered resources.
- (7) On 30 May 2023, Peter Cleary was appointed Chairman following the retirement of Paul Espie AO.

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**Empire Energy Group Limited and its controlled entities
Directors' report
30 June 2023**

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

On 21 July 2023, Empire issued 604,141 Restricted Rights of which 423,764 Restricted Rights were issued to Mr Cleary for his Directors' fees in lieu of cash for the period Q3 2022 to Q2 2023.

On 21 July 2023, Empire issued 1,928,144 Performance Rights to its employees for the 2022 Financial Year. This included 1,878,144 Performance Rights issued to Mr Underwood as approved by shareholders at the AGM held 30 May 2023.

On 4 August 2023, Empire announced that Carpentaria-3H had been reopened on 3 August 2023 for extended production testing.

On 4 August 2023, Empire advised that 84,848,485 ordinary shares in the Company previously issued to Pangaea (NT) Pty Limited and EMG Northern Territory Holdings Pty Limited would be released from escrow on 13 August 2023.

On 8 August 2023, Empire announced it had executed an initial agreement with APA Group (ASX: APA) for the establishment of exclusive midstream gas infrastructure to support the development of its Beetaloo assets.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Alexander Underwood
Managing Director

13 September 2023
Sydney

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13 September 2023

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The Board of Directors
Empire Energy Group Limited
Level 5, 6-10 O'Connell 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 director for the review of the financial statements of Empire Energy Group Limited for the six-month period ended 30 June 2023, 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 Audit Pty Ltd



Joseph Santangelo
Director

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Empire Energy Group Limited and its controlled entities
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2023

	Note	Consolidated Half-year ended 30 June 2023 \$	Consolidated Half-year ended 30 June 2022 \$
Revenue	4	3,233,510	6,267,624
Cost of sales		<u>(3,007,145)</u>	<u>(2,704,788)</u>
Gross profit		226,365	3,562,836
Other income	5	198,691	53,355
Interest revenue calculated using the effective interest method		54,523	13,669
Expenses			
Exploration expenses		(2,612,201)	(659,483)
General and administration expenses	6	(3,772,838)	(3,818,337)
Depreciation, depletion and amortisation	6	(443,827)	(646,446)
Finance costs	6	<u>(1,829,529)</u>	<u>(776,544)</u>
Loss before income tax expense		(8,178,816)	(2,270,950)
Income tax expense		<u>(129,605)</u>	<u>(118,347)</u>
Loss after income tax expense for the half-year attributable to the owners of Empire Energy Group Limited		(8,308,421)	(2,389,297)
Other comprehensive (loss)/income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(4,532)</u>	<u>15,481</u>
Other comprehensive (loss)/income for the half-year, net of tax		<u>(4,532)</u>	<u>15,481</u>
Total comprehensive loss for the half-year attributable to the owners of Empire Energy Group Limited		<u>(8,312,953)</u>	<u>(2,373,816)</u>
		Cents	Cents
Basic earnings per share	7	(1.07)	(0.38)
Diluted earnings per share	7	(1.07)	(0.38)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Empire Energy Group Limited and its controlled entities
Consolidated statement of financial position
As at 30 June 2023

		Consolidated	
	Note	30 June 2023	31 December 2022
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		19,614,824	21,880,311
Trade and other receivables	8	1,320,618	6,055,432
Other assets	9	4,494,037	4,191,609
Inventories		74,372	66,361
Derivative financial instruments		53,761	96,410
Total current assets		<u>25,557,612</u>	<u>32,290,123</u>
Non-current assets			
Oil and gas properties		36,218,907	36,611,612
Property, plant and equipment	10	572,301	608,774
Exploration and evaluation assets	11	123,234,789	127,039,687
Right-of-use assets		1,035,901	999,606
Intangibles		102,891	100,689
Total non-current assets		<u>161,164,789</u>	<u>165,360,368</u>
Total assets		<u>186,722,401</u>	<u>197,650,491</u>
Liabilities			
Current liabilities			
Trade and other payables	12	7,824,512	18,469,820
Borrowings	13	15,079,216	7,822,908
Lease liabilities		538,036	399,195
Provisions		276,170	252,424
Total current liabilities		<u>23,717,934</u>	<u>26,944,347</u>
Non-current liabilities			
Lease liabilities		481,178	608,977
Provisions		37,038,529	36,489,377
Total non-current liabilities		<u>37,519,707</u>	<u>37,098,354</u>
Total liabilities		<u>61,237,641</u>	<u>64,042,701</u>
Net assets		<u>125,484,760</u>	<u>133,607,790</u>
Equity			
Contributed equity	14	255,945,973	255,945,973
Reserves	15	10,584,878	10,399,487
Accumulated losses		(141,046,091)	(132,737,670)
Total equity		<u>125,484,760</u>	<u>133,607,790</u>

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

Empire Energy Group Limited and its controlled entities
Consolidated statement of changes in equity
For the half-year ended 30 June 2023

Consolidated	Issued Capital \$	Unissued Shares \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2022	220,905,029	5,629,437	9,520,152	(126,734,464)	109,320,154
Loss after income tax expense for the half-year	-	-	-	(2,389,297)	(2,389,297)
Other comprehensive income for the half-year, net of tax	-	-	15,481	-	15,481
Total comprehensive (loss)/income for the half-year	-	-	15,481	(2,389,297)	(2,373,816)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs	32,165,949	(5,629,437)	-	-	26,536,512
Share-based payments	-	-	390,248	-	390,248
Balance at 30 June 2022	<u>253,070,978</u>	<u>-</u>	<u>9,925,881</u>	<u>(129,123,761)</u>	<u>133,873,098</u>

Consolidated	Issued Capital \$	Unissued Shares \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2023	255,945,973	-	10,399,487	(132,737,670)	133,607,790
Loss after income tax expense for the half-year	-	-	-	(8,308,421)	(8,308,421)
Other comprehensive loss for the half-year, net of tax	-	-	(4,532)	-	(4,532)
Total comprehensive loss for the half-year	-	-	(4,532)	(8,308,421)	(8,312,953)
<i>Transactions with owners in their capacity as owners:</i>					
Share-based payments	-	-	189,923	-	189,923
Balance at 30 June 2023	<u>255,945,973</u>	<u>-</u>	<u>10,584,878</u>	<u>(141,046,091)</u>	<u>125,484,760</u>

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

Empire Energy Group Limited and its controlled entities
Consolidated statement of cash flows
For the half-year ended 30 June 2023

	Consolidated	Consolidated
	Half-year ended 30 June 2023	Half-year ended 30 June 2022
Note	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	5,613,573	5,223,427
Payments to suppliers and employees (inclusive of GST)	(19,158,551)	(11,777,976)
Government grants (Beetaloo Cooperative Drilling Program)	7,697,880	5,401,171
Interest received	54,523	13,669
Interest and other finance costs paid	(998,843)	(301,671)
Income taxes paid	(129,605)	(118,347)
	<u>(6,921,023)</u>	<u>(1,559,727)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(2,315,251)	(21,257)
Payments for exploration and evaluation assets	(42,601)	(5,618,399)
	<u>(2,357,852)</u>	<u>(5,639,656)</u>
Cash flows from financing activities		
Net proceeds from issue of shares	14 -	26,536,512
Net proceeds from interest-bearing liabilities	7,085,219	399,187
Repayment of lease liabilities	(189,659)	(164,558)
	<u>6,895,560</u>	<u>26,771,141</u>
Net (decrease)/increase in cash and cash equivalents	(2,383,315)	19,571,758
Cash and cash equivalents at the beginning of the financial half-year	21,880,311	25,649,699
Effects of exchange rate changes on cash and cash equivalents	117,828	(441,089)
	<u>19,614,824</u>	<u>44,780,368</u>

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

Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 1. General information

The financial statements cover Empire Energy Group Limited as a Group consisting of Empire Energy Group Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Empire Energy Group Limited's functional and presentation currency.

Empire Energy Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5
6 - 10 O'Connell Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 13 September 2023.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 30 June 2023 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. 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 2022 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.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

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

Note 3. Operating segments

Identification of reportable operating segments

The Group is organised into three operating segments:

- (1) US 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;
- (2) Northern Territory - includes all exploration and drilling activity of the Group in the Northern Territory, conducted through Imperial Oil & Gas Pty Limited and Imperial Oil & Gas A Pty Limited; and
- (3) Corporate - includes all centralised administration costs, minor other income and investments/loans in Empire Group USA, Imperial Oil & Gas Pty Limited and Imperial Oil & Gas A Pty Limited (eliminated on consolidation).

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 3. Operating segments (continued)

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The revenue reported below represents revenue generated from external customers. Intersegment revenue relates to Corporate overhead charges only. Included in Other income above are gains disclosed separately of the face of the Statement of Profit and Loss and Other Comprehensive Income. Information reported to the CODM allows resources to be allocated and subsequent performance to be analysed. This is reviewed on a monthly basis.

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and share-based payments, finance income and finance expense, gains or losses on disposal of associates and discontinued operations. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Major customers

During the half-year ended 30 June 2023 approximately \$2,328,127 (30 June 2022: \$6,142,272) of the Group's external revenue was derived from sales to two (30 June 2022: two) major customers.

Operating segment information

	US Operations	Northern Territory	Corporate	Eliminations	Total
Consolidated - Half-year ended 30 June 2023	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	3,233,510	-	-	-	3,233,510
Intersegment sales	-	-	2,301,070	(2,301,070)	-
Total sales revenue	3,233,510	-	2,301,070	(2,301,070)	3,233,510
Other income	198,691	-	-	-	198,691
Interest income (external)	54,523	-	-	-	54,523
Intersegment interest income	-	-	4,838,123	(4,838,123)	-
Total revenue	3,486,724	-	7,139,193	(7,139,193)	3,486,724
Segment profit/(loss)	(114,884)	(5,552,888)	4,660,164	(4,707,929)	(5,715,537)
Share-based payments	-	-	(189,923)	-	(189,923)
Depreciation and amortisation	(301,843)	(10,065)	(131,919)	-	(443,827)
Finance costs (net)	(440,467)	(546,669)	(11,707)	-	(998,843)
Finance costs non-cash	(830,686)	-	-	-	(830,686)
Intersegment interest expense	(1,294,247)	(3,543,286)	-	4,837,533	-
Profit/(loss) before income tax expense	(2,982,127)	(9,652,908)	4,326,615	129,604	(8,178,816)
Income tax expense	-	-	-	-	(129,605)
Loss after income tax expense	-	-	-	-	(8,308,421)
Assets					
Segment assets	45,418,726	134,270,972	52,237,634	(45,204,931)	186,722,401
Total assets	-	-	-	-	186,722,401
Liabilities					
Segment liabilities	(75,359,004)	(183,510,600)	(2,802,712)	200,434,675	(61,237,641)
Total liabilities	-	-	-	-	(61,237,641)

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 3. Operating segments (continued)

	US Operations	Northern Territory	Corporate	Eliminations	Total
Consolidated - Half-year ended 30 June 2022	\$	\$	\$	\$	\$
Revenue					
Sales to external customers	6,267,624	-	-	-	6,267,624
Intersegment sales	-	-	1,951,319	(1,951,319)	-
Total sales revenue	6,267,624	-	1,951,319	(1,951,319)	6,267,624
Other income	53,355	-	-	-	53,355
Interest income (external)	13,669	-	-	-	13,669
Total revenue	6,334,648	-	1,951,319	(1,951,319)	6,334,648
Segment profit/(loss)					
Depreciation and amortisation	(523,342)	(2,955,307)	(113,039)	-	(646,446)
Share-based payments	-	-	(390,248)	-	(390,248)
Finance costs (net)	(280,769)	-	(8,554)	-	(289,323)
Finance costs - non-cash	(488,542)	-	-	-	(488,542)
Intersegment interest expense	(1,182,000)	(2,021,641)	3,203,641	-	-
Profit/(loss) before income tax expense	390,540	(4,987,013)	2,436,661	(111,138)	(2,270,950)
Income tax expense					(118,347)
Loss after income tax expense					(2,389,297)
Consolidated - 31 December 2022					
Assets					
Segment assets	47,261,555	134,551,461	245,562,697	(229,725,222)	197,650,491
Total assets					197,650,491
Liabilities					
Segment liabilities	(74,133,741)	(174,686,256)	(1,794,148)	186,571,444	(64,042,701)
Total liabilities					(64,042,701)

Geographical information

All revenue generated from the sale of oil and gas to external customers is derived from operations in the USA.

All of the Group's producing oil and gas assets are located in the USA.

The Group has exploration oil and gas tenements in the Northern Territory, Australia.

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
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Note 4. Revenue

	Consolidated	
	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	\$	\$
Revenue from oil sales	137,911	161,552
Revenue from gas sales	2,746,917	5,841,112
Revenue from well operations	271,657	264,960
Oil and gas price risk management income	<u>77,025</u>	<u>-</u>
	<u>3,233,510</u>	<u>6,267,624</u>

The Group's total revenue are all generated in the USA and recognised at a point in time.

Note 5. Other income

	Consolidated	
	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	\$	\$
US Government stimulus packages	<u>198,691</u>	<u>53,355</u>

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 6. Expenses

	Consolidated Half-year ended 30 June 2023 \$	Half-year ended 30 June 2022 \$
Loss before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Depreciation - oil and gas properties ()	199,549	354,543
Depreciation - property, plant and equipment (note 10)	79,873	142,967
Depreciation - right-of-use assets	164,405	148,936
Total depreciation	<u>443,827</u>	<u>646,446</u>
<i>General and Administration expenses</i>		
Salaries and wages - Australia	1,698,267	1,492,172
Other advisory fees	323,323	222,935
Other overhead	1,521,002	2,021,205
Insurance including NT work programs	230,246	82,025
	<u>3,772,838</u>	<u>3,818,337</u>
<i>Finance costs</i>		
Interest paid/payable on financial liabilities	450,768	288,002
Unwinding of the discount	-	37,371
Accretion of asset retirement obligation	830,686	451,171
Commitment fees (Facility - AU)	210,575	-
Establishment fees (Facility - AU)	337,500	-
Finance costs expensed	<u>1,829,529</u>	<u>776,544</u>
<i>Employee costs*</i>		
Defined contribution superannuation expense	99,328	82,818
Salaries and wages	2,827,994	855,284
Total employee costs	<u>2,927,322</u>	<u>938,102</u>

* 32 employees are based in the US and 8 employees are based in Australia. Employee costs for the US based employees are recognised in cost of sales and employee costs for Australia based employees are recognised in general and administration expense.

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 7. Earnings per share

	Consolidated	
	Half-year ended 30 June 2023	Half-year ended 30 June 2022
	\$	\$
Loss after income tax attributable to the owners of Empire Energy Group Limited	<u>(8,308,421)</u>	<u>(2,389,297)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>773,121,148</u>	<u>629,375,291</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>773,121,148</u>	<u>629,375,291</u>
	Cents	Cents
Basic earnings per share	(1.07)	(0.38)
Diluted earnings per share	(1.07)	(0.38)

78,924,528 options (30 June 2022: 14,196,970), 10,888,807 Performance Rights (30 June 2022: 7,624,768), 2,438,558 Service Rights (30 June 2022: 2,438,558) and 4,287,119 Restricted Rights (30 June 2022: 3,906,451) have been excluded from the above calculation as their inclusion would be anti-dilutive.

Note 8. Trade and other receivables

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Current assets</i>		
Trade receivables	701,029	2,970,945
Other receivables	619,589	659,448
GST receivable	-	2,425,039
	<u>1,320,618</u>	<u>6,055,432</u>

Note 9. Other assets

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Current assets</i>		
Prepayments	738,047	564,022
Security deposits	3,755,990	3,627,587
	<u>4,494,037</u>	<u>4,191,609</u>

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 10. Property, plant and equipment

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Non-current assets</i>		
Land - at cost	7,541	7,380
Buildings - at cost	322,195	333,039
Less: Accumulated depreciation	(111,440)	(121,373)
	<u>210,755</u>	<u>211,666</u>
Equipment - at cost	1,298,133	2,297,091
Less: Accumulated depreciation	(1,141,204)	(2,065,512)
	<u>156,929</u>	<u>231,579</u>
Motor vehicles - at cost	956,284	918,695
Less: Accumulated depreciation	(759,208)	(760,546)
	<u>197,076</u>	<u>158,149</u>
	<u><u>572,301</u></u>	<u><u>608,774</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Land \$	Buildings \$	Equipment \$	Motor vehicles \$	Total \$
Balance at 1 January 2023	7,380	211,666	231,579	158,149	608,774
Additions	-	-	18,801	23,800	42,601
Exchange differences	161	4,521	(48,837)	44,954	799
Depreciation expense	-	(5,432)	(44,614)	(29,827)	(79,873)
Balance at 30 June 2023	<u><u>7,541</u></u>	<u><u>210,755</u></u>	<u><u>156,929</u></u>	<u><u>197,076</u></u>	<u><u>572,301</u></u>

Note 11. Exploration and evaluation assets

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Non-current assets</i>		
Capitalised exploration and evaluation assets	<u><u>123,234,789</u></u>	<u><u>127,039,687</u></u>

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 11. Exploration and evaluation assets (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Capitalised exploration and evaluation assets \$
Balance at 1 January 2023	127,039,687
Additions	3,892,982
Government grants	<u>(7,697,880)</u>
Balance at 30 June 2023	<u><u>123,234,789</u></u>

Note 12. Trade and other payables

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Current liabilities</i>		
Trade payables	6,196,930	15,019,070
Accruals	1,063,217	1,801,855
GST payable	552,405	-
Other payables	<u>11,960</u>	<u>1,648,895</u>
	<u><u>7,824,512</u></u>	<u><u>18,469,820</u></u>

Note 13. Borrowings

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
<i>Current liabilities</i>		
Bank loans - secured	<u>15,079,216</u>	<u>7,822,908</u>

Classification of borrowings

These financial statements are presented on the basis that all borrowings have been classified as current liabilities. This treatment is as a result of a strict application of the relevant provisions of AASB 101 'Presentation of Financial Statements'. This accounting standard requires the Group to classify liabilities as current if the Group does not have an unconditional right to defer payment for at least 12 months after the reporting date. However, the expected repayment of the borrowings is not for complete repayment within the 12 month period.

The Group maintains a facility which matures in September 2024, with a bank that is a minority owner in the Group. Interest accrued on the outstanding borrowings at the 30-Day London Inter-Bank Offered Rate ('LIBOR') (5.18% at 30 June 2023) plus 6.5%. At 30 June 2023, the Group's rate option was the 30-day LIBOR.

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 13. Borrowings (continued)

Outstanding borrowings under the agreement are secured by the assets of the group. Under the terms of the facilities, the Group is required to maintain financial ratios customary for the oil and gas industry. The Group is required to repay the facilities monthly to the extent certain benchmarks of an applicable percentage of net operating cash flow and capital transactions are met and occur. Principal payments made during the financial half-year ended 30 June 2023 and 30 June 2022 were approximately US\$275,000 and US\$275,000, respectively. The Group was compliant with all financial covenants as of 30 June 2023.

Credit facility summary

Empire Energy USA, LLC maintains a long-term credit facility with Macquarie Bank Limited ('Macquarie'), which matures in September 2024.

The credit facility balance on 30 June 2023 was US\$5,025,020 (A\$7,579,216) (31 December 2022: US\$5,300,000 (A\$7,822,908)).

US Operations

The loan has been classified as a current liability as there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. The directors do not expect the loan to be repaid in full in the half-year.

The Group 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\$5.00 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 production shall be hedged for 3 years
Key covenants	Proved Developed Producing Reserves PV10 / Net Debt > 1.3x Current ratio > 1.0x Working capital > 0

Debt summary

	30 June 2023	31 December 2023
	\$	\$
Facility - AU	7,500,000	-
Facility - US*	7,579,216	7,822,908
	15,079,216	7,822,908

* US\$5,025,020 (31 December 2022: US\$5,300,020)

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 13. Borrowings (continued)

Australian Operations

The Group established an additional credit facility with Macquarie Bank Limited during the year. The outstanding balance as at 30 June 2023 was \$7,500,000. Key terms of this credit facility are set out below:

Principal amount	\$15 million comprising: - Facility A (Revolving Credit Facility, \$10 million) - Facility B (Performance Bond Facility, \$5 million)
Borrowers	Imperial Oil & Gas Pty Limited Imperial Oil & Gas A Pty Limited
Guarantor	Empire Energy Group Limited and Borrowers
Security	First ranking security over all present and after-acquired property of each Borrower First ranking security
Fees	Utilisation Fee: 1.5% of utilisation Commitment Fee: 40% of margin Margin: Facility A (5.5% p.a.), Facility B (10% p.a.)
Interest rate	Margin plus BBSW
Financial covenants	- Ratio of current assets to current liabilities of at least 1.00 to 1.00 - Minimum cash balance in the Borrowers and Guarantor of at least \$5 million (or its equivalent in any other currency or currencies) - There are no trade creditors or accruals for an Borrower aged over 90 days, other than any trade creditors or accruals where the amount is being disputed in good faith on reasonable grounds and appropriate is being taken
Repayment date	31 December 2025
Repayment arrangements	Facility A: on receipt of relevant annual R&D Tax Incentive payment Facility B: on release of environmental bonds after rehabilitation

Note 14. Contributed equity

	Consolidated			
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>773,121,148</u>	<u>773,121,148</u>	<u>255,945,973</u>	<u>255,945,973</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2023	773,121,148		255,945,973
Movements		-		-
Balance	30 June 2023	<u>773,121,148</u>		<u>255,945,973</u>

Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 14. Contributed equity (continued)

Movements in unissued ordinary share capital

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Note 15. Reserves

	Consolidated	
	30 June 2023	31 December 2022
	\$	\$
Foreign currency translation reserve	(639,809)	(635,277)
Options reserve	11,044,188	10,854,265
Fair value reserve	180,499	180,499
	<u>10,584,878</u>	<u>10,399,487</u>

Foreign currency translation reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Options reserve

The reserve is used to recognise the value of equity benefits provided to employees and Directors as part of their remuneration, and other parties as part of their compensation for services.

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of equity investments until the investment is derecognised.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Foreign currency translation \$	Options \$	Fair value \$	Total \$
Balance at 1 January 2023	(635,277)	10,854,265	180,499	10,399,487
Foreign currency translation	(4,532)	-	-	(4,532)
Share-based payments	-	189,923	-	189,923
Balance at 30 June 2023	<u>(639,809)</u>	<u>11,044,188</u>	<u>180,499</u>	<u>10,584,878</u>

Note 16. Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

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Empire Energy Group Limited and its controlled entities
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Note 17. Fair value measurement

Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Derivative financial instruments	-	53,761	-	53,761
Total assets	-	53,761	-	53,761
Consolidated - 31 December 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<i>Assets</i>				
Derivative financial instruments	-	96,410	-	96,410
Total assets	-	96,410	-	96,410

There were no transfers between levels during the financial half-year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Note 18. Contingent liabilities

Empire Energy 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 US 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.

Empire Energy Group Limited together with its subsidiaries Imperial Oil & Gas Pty Limited and Imperial Oil & Gas A Pty Limited have granted Macquarie Bank Limited security over their assets as guarantors of the Australian credit facility to Macquarie the lender.

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 2023, the Empire Group had \$4,397,865 (31 December 2022: \$4,397,865) environmental contingencies requiring specific disclosure.

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Empire Energy Group Limited and its controlled entities
Notes to the consolidated financial statements
30 June 2023

Note 18. Contingent liabilities (continued)

There have been no other changes in contingent liabilities since the last reporting period.

Note 19. Commitments

Exploration and petroleum tenement leases

In order to maintain current rights of tenure to exploration and mining tenements, the Company and the companies in the Group are required to outlay lease rentals and to meet the minimum expenditure requirements of the various Government Authorities. These obligations are subject to re-negotiation upon expiry of the relevant leases or when application for a mining licence is made. No expenditure commitment exists at 30 June 2023 (31 December 2022: nil).

Note 20. Events after the reporting period

On 21 July 2023, Empire issued 604,141 Restricted Rights of which 423,764 Restricted Rights were issued to Mr Cleary for his Directors' fees in lieu of cash for the period Q3 2022 to Q2 2023.

On 21 July 2023, Empire issued 1,928,144 Performance Rights to its employees for the 2022 Financial Year. This included 1,878,144 Performance Rights issued to Mr Underwood as approved by shareholders at the AGM held 30 May 2023.

On 4 August 2023, Empire announced that Carpentaria-3H had been reopened on 3 August 2023 for extended production testing.

On 4 August 2023, Empire advised that 84,848,485 ordinary shares in the Company previously issued to Pangaea (NT) Pty Limited and EMG Northern Territory Holdings Pty Limited would be released from escrow on 13 August 2023.

On 8 August 2023, Empire announced it had executed an initial agreement with APA Group (ASX: APA) for the establishment of exclusive midstream gas infrastructure to support the development of its Beetaloo assets.

No other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

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Empire Energy Group Limited and its controlled entities
Directors' declaration
30 June 2023

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Alexander Underwood
Managing Director

13 September 2023
Sydney

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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 2023, 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 2023 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 2023 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 Sydney Audit Pty Ltd



Joseph Santangelo

Director
13 September 2023
Sydney

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