EMPIRE Energy

2021 Annual Report

Empire Energy Group Limited

and its controlled entities

ABN 29 002 148 361

CONTENTS

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 Phillips
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, LLC 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 Investor 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: - 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 LETTER TO SHAREHOLDERS

Dear Shareholders,

We are pleased to present you Empire's 2021 Annual Report.

2021 Achievements and Outlook

2021 has been a momentous year for Empire.

Empire acquired Pangaea (NT) Pty Limited's and EMG Northern Territory Holdings Pty Limited's 100% interests in EP167, EP168, EP169, EP198 and EP305, increasing our Northern Territory Beetaloo Sub-basin and greater McArthur Basin acreage position to **28.9 million acres**. A globally significant resource and land position.

Empire successfully **drilled, cased and suspended Carpentaria-2H**, our first horizontal well located within 100% owned and operated EP187. Carpentaria-2H was **drilled on time and budget with the longest horizontal cased section of 1,345 metres in the Velkerri Formation to date**. This followed the fracture stimulation of the Carpentaria-1 vertical well which flowed at 0.364 mmscf / day over a 10 day testing period. Empire also acquired 164-line km of 2D infill seismic over EP187 which demonstrated a materially increased breadth and depth of Velkerri Shale resource within the tenement**.**

These operational and technical results drove a substantial increase to EP187 resources following completion of the successful 2021 work program. Netherland, Sewell & Associates, Inc ("NSAI") **independently assessed 2C Contingent Resources of 396 BCF**, an increase of 866%, and a 23% increase in **best estimate P(50) Prospective Resources to ~4.3 TCF**, respectively for EP187. Empire's total Beetaloo Sub-basin **2C Contingent Resources are now 554 BCF**.

Your Board and management look forward with you to recommencement of on-ground operations at Carpentaria-2H after the wet season. Long-lead items for Carpentaria-2H have been ordered and fracture stimulation design completed in readiness for the fracture stimulation and extended production testing of this horizontal well. Working with leading fracture stimulation technical experts in Australia and USA, Empire will test advanced fracture stimulation design techniques in order to optimise the completion of future development wells.

Empire is focused on becoming the first operator in the Beetaloo Sub-basin to enter into commercial production. Commensurate with this goal, during 2021 we **executed Memoranda of Understanding ("MOUs") with APA Group (ASX: APA)** to optimise development pathways for the development of Beetaloo Sub-basin mid-stream infrastructure and access to the existing Amadeus Gas Pipeline and with the Northern Territory's own **Power and Water Corporation** for gas sales and transportation arrangements utilising the McArthur River Gas Pipeline.

Other Beetaloo Sub-basin Activity

Activity by our Beetaloo Sub-basin neighbours increased during 2021. The Origin / Falcon JV announced impressive results from extended production testing and logging at the Amungee NW-1H horizontal appraisal well. Origin stated that the result suggests a normalised gas flow rate equivalent of between 5.2 and 5.8 mmscf / day per 1,000 metre lateral. Given future production wells may be ~3,000 metres long, this Velkerri result aligns with the production rates achieved in the premier US shale plays, despite being the very first horizontal well drilled in the basin.

The Origin / Falcon JV also drilled the Velkerri 76 vertical appraisal well on the eastern flank of the Beetaloo Sub-basin which confirmed the presence of middle Velkerri Shales likely within the wet gas maturity window as evidenced by mud gas data.

The Santos JV successfully drilled the Tanumbirini-2H and 3H wells in the adjoining EP161 to EP187, and reported significant gas shows across the relevant horizontal sections. Both wells have been fracture stimulated and are presently on 300 day extended production tests. Santos' partner, Tamboran Resources, reported average gas flow rates for Tanumbirini-2H and 3H of 2.0 mmscf / day (normalised at 3.0 mmscf / day over 1,000 metres) and 1.7 mmscf / day (normalised at 2.9 mmscf / day over 1,000 metres), respectively.

Global Gas Market Dynamics

The strategic importance of gas has been reinforced by current events in Eastern Europe and the resulting supply shortages and increases to oil & gas prices. The importance of the Beetaloo Sub-basin and Empire's Northern Territory assets to Australia was demonstrated via the Australian Government's decision to award grant funding of up to $19.4 million to Empire under the *Beetaloo Cooperative Drilling Program*.

Notwithstanding minority group activities around fossil fuels (including gas), the economies of Australia and developing nations cannot function without reliable gas supply. The low CO2 gas composition places the Beetaloo Sub-basin optimally to meet both energy supply demand and carbon intensity reductions. Gas is an essential raw material feedstock for many everyday products upon which we rely including global food production and medicine.

The outlook for both domestic and international gas demand is strong. On 16 February 2022, the Australian Competition and Consumer Commission ("ACCC") noted that new gas supply is needed to address forecast gas shortage for Australia's southern states. The ACCC recommends governments implement a range of reforms to encourage greater diversity of supplies and reduce the barriers faced by producers. ACCC Chairman, Rod Sims, said "There is a gas shortage forecast for Australia's southern states from as soon as this year, which is likely to continue next year and beyond. Southern states will be reliant on gas from Queensland until additional supply from new sources comes on."[1]

Royal Dutch Shell analysis showed that global LNG demand rose 6% to 380 million tonnes in 2021 and forecast global demand of 700 million tonnes by 2040, demonstrating the reliance in the world on gas and LNG. The Director of Integrated Gas, Renewables and Energy Solutions at Shell said "As countries develop lower-carbon energy systems and pursue net-zero emissions goals, focusing on cleaner forms of gas and decarbonisation measures will help LNG to remain a reliable and flexible energy source for decades to come."[2]

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[1] https://www.accc.gov.au/media-release/gas-prices-increase-as-supply-shortfall-emerges-for-southern-states
[2] https://www.shell.com/promos/energy-and-innovation/v1/lng-outlook-2022-media-release/_jcr_content.stream/1645193450373/184c9dd6d1f5348175c22ad38117dbcc95937f9a/shell-lng-outlook-2022-media-release.pdf

Corporate Governance

Empire remains committed to high standards of environmental, social and governance. Today we released our ESG Policy which cements our commitment to ESG including how we sustainably interact with Traditional Owners, the environment, Government, and the communities in which we operate.

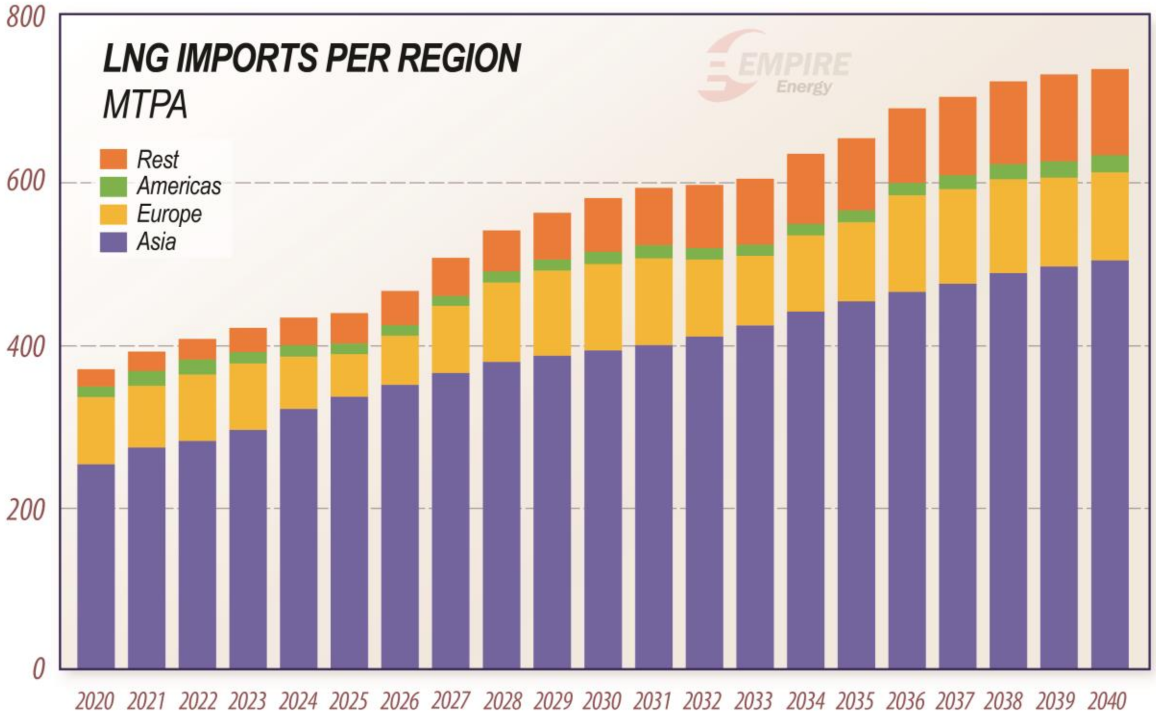
In 2021, the Empire Board was reinforced by the appointments of Mr Louis Rozman, Mr Paul Fudge and Ms Jacqui Clarke to the Board. The skills of our new Non-Executive Directors strengthen our organisation's strategic, commercial, and operational decision-making capability. The Empire management team has also been reinforced by the appointment of Ms Sonia Harvey, Vice President based in Darwin. We appreciate the efforts and performance of our consultants, particularly our operational team at InGauge Energy.

We are grateful to our people in Australia and the United States for their hard work and dedication over the last 12 months and to all shareholders for your support.

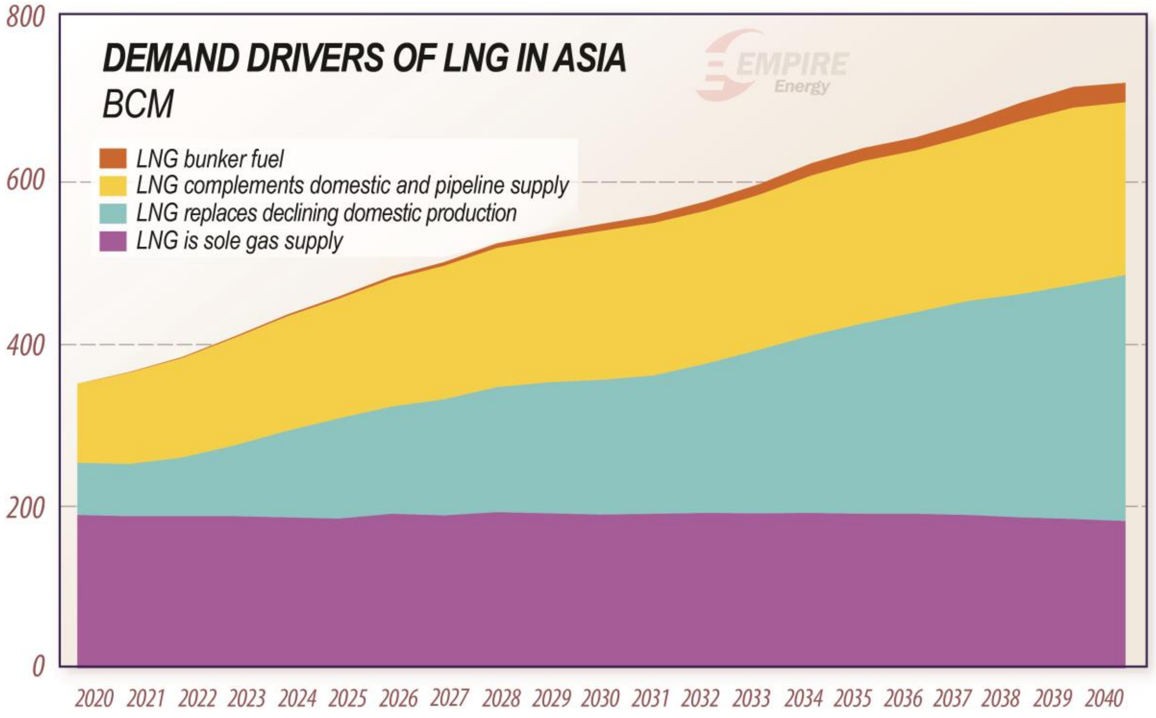
Yours sincerely,

Paul Espie AO	Alex Underwood
Chairman	Managing Director
Empire Energy Group Limited	Empire Energy Group Limited

Royal Dutch Shell, Shell LNG Outlook 2022



Source: 'Shell LNG Outlook 2022', February 2022



Source: 'Shell LNG Outlook 2022', February 2022

OPERATIONS REVIEW

A. 2021 OVERVIEW & HIGHLIGHTS

All references to dollars are Australian Dollars unless otherwise stated.

GROUP FINANCIAL HIGHLIGHTS

- Sales revenue $8.5 million (2020: $6.5 million)
- Net production 4,633 Mcfe per day (2020: 4,697 Mcfe per day)
- Outstanding debt US$5.85 million (2020: US$6.5 million)
- Cash at bank $25.6 million (2020: $14.1 million)

AUSTRALIA – NORTHERN TERRITORY

- Empire holds a 100% working interest in over 28 million acres (113,000 square kilometres) of tenements across the McArthur Basin and Beetaloo Sub-basin, Northern Territory, Australia.
- In February 2021, Empire announced that Netherland, Sewell & Associates, Inc (“NSAI”), had prepared an updated resource report for Empire’s 100% owned and operated EP187 tenement located in the Beetaloo Sub-basin, Northern Territory, utilising the technical results of the Carpentaria-1 drilling program. Empire’s best estimate prospective gas resource for EP187 increased by 47% to 3.5 TCF and Empire booked a maiden best estimate contingent gas resource of 41 BCF in the immediate vicinity of the Carpentaria-1 well location.
- In March 2021, Empire announced that Mr Louis Rozman had joined the Board of Directors. Mr Rozman has had a distinguished career in the natural resources sector across operations, development, and project financing.
- In April 2021, Empire announced it had signed a binding Sale and Purchase Agreement with Pangaea (NT) Pty Ltd (“Pangaea”) as trustee of the Pangaea (NT) Unit Trust to acquire Pangaea’s Beetaloo Sub-basin portfolio for $5 million in cash, 140 million Empire shares and 8 million unlisted options with an exercise price of $0.70 per share.
- Also in April 2021, EMG Northern Territory Holdings Pty Limited (“EMG NT”), a member of The Energy & Minerals Group (“EMG”), delivered a Notice of Exercise of Tag Along Right (“the Tag Along”) to Pangaea pursuant to which it had exercised its right to sell its 17.5% interest in EP167, EP168, EP169, EP198 and EP305 to Empire on the same pro-rata terms as the Pangaea transaction.
- In June 2021, Empire announced that the Carpentaria-1 vertical well had flowed gas to surface at rates that exceeded expectations, including an initial peak rate of >0.5 mmscf / day, 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 period 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 Australian 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 tenement, and additional seismic acquisition and other associated costs.

- On 28 July 2021, an activist organisation, Environment Centre NT Inc ("ENT"), commenced proceedings in the Federal Court against the Minister and Commonwealth seeking judicial review of various government decisions relating to the *Beetaloo Cooperative Drilling Program*. On 23 September 2021, the Federal Court granted leave to ENT to join to the proceedings Empire's subsidiary Imperial Oil & Gas Pty Limited ("Imperial").

- In August 2021, Empire announced it had completed the acquisition of Pangaea and EMG's 100% interests in EP187, EP168, EP169, EP198 and EP305. Mr Paul Fudge, the sole shareholder of Pangaea, joined the Board of Empire as a Non-Executive Director and Ms Jacqui Clarke as his alternate.

- In August 2021, Empire announced that the vertical hydraulic fracture stimulation and production test of the Carpentaria-1 well confirmed the flow of liquids-rich gas to surface and its composition, with contributions from all four stimulated zones of the middle Velkerri shales, with strong contributions from the B shale and C shale.

- In September 2021, Empire's subsidiary, Imperial, 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.

- In October 2021, Empire announced a 45% increase in Carpentaria-1 vertical well average flow rate to 0.364 mmscf / day over the first 10 days following recommencement of extended production testing. Northern Territory Government approvals were received for the drilling and hydraulic fracture stimulation of up to seven horizontal wells in EP187 and 2D seismic acquisition.

- In October 2021, APA Group (ASX: APA) and Empire executed a Memorandum of Understanding ("MOU") to explore opportunities for the development of Beetaloo Sub-basin mid-stream infrastructure, including gas and liquids gathering, processing and pipelines. Empire and APA will promote a 'common user' model for development of Beetaloo Sub-basin infrastructure to drive economic outcomes.

- In November 2021, Power and Water Corporation ("PWC") and Empire executed a MOU to facilitate negotiations for potential gas sales and transportation arrangements. PWC is a Northern Territory Government owned corporation and is the Northern Territory's largest provider of gas, electricity networks, water, and sewerage services. It is the owner and operator of the McArthur River Pipeline which crosses EP187.

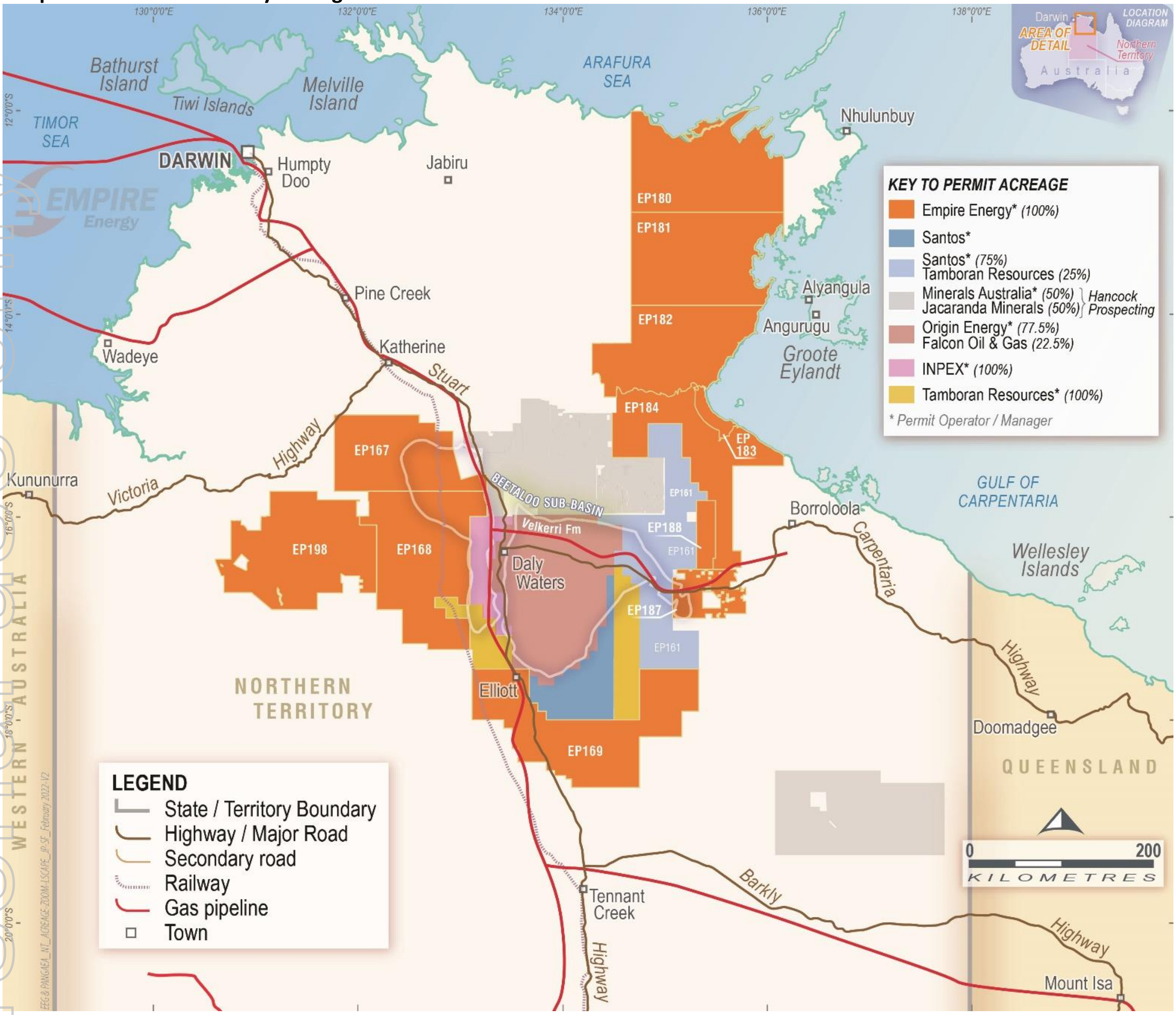
- In November 2021, Empire acquired a seven-line 2D acquisition survey totalling ~162 kilometres (Charlotte 2D Seismic Survey) which infilled and extended the coverage of the EP187 seismic survey acquired in 2019.

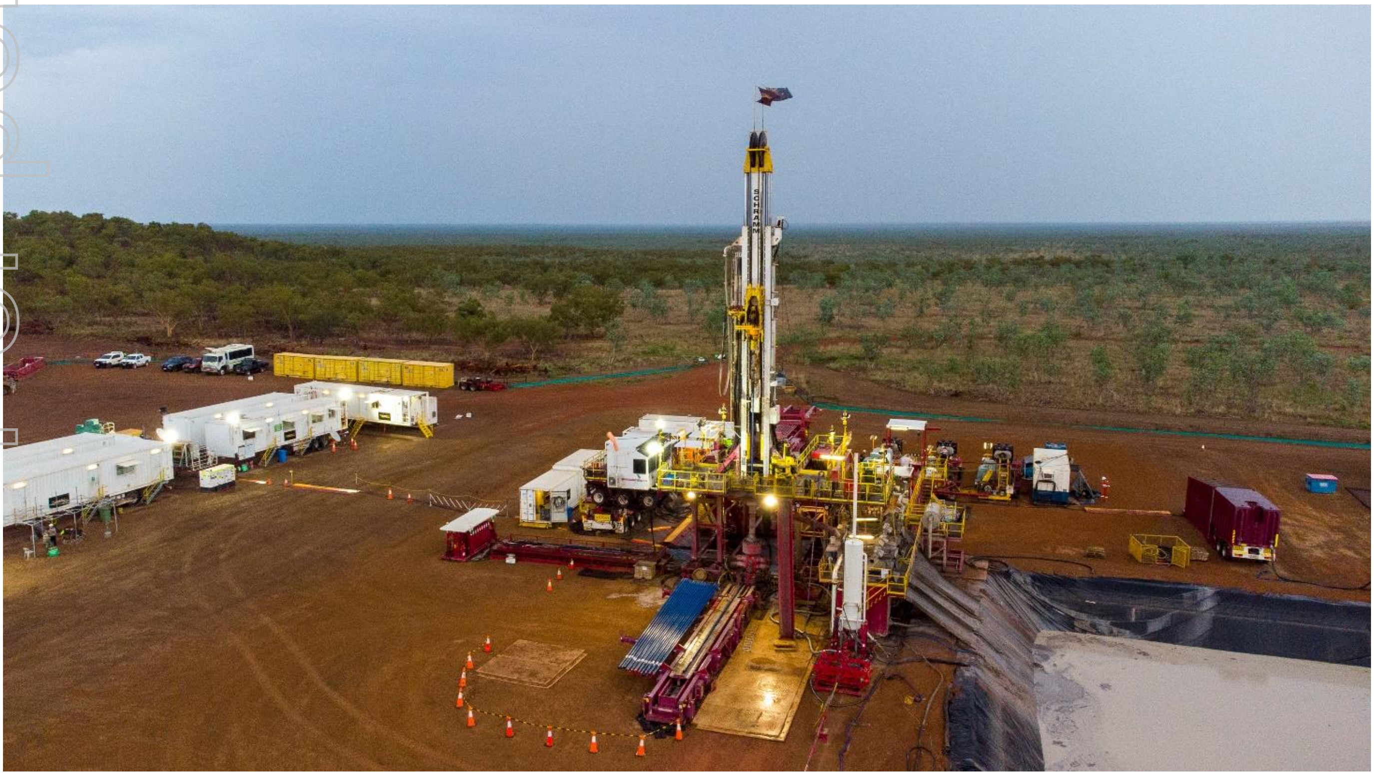
- In November 2021, Empire commenced drilling Carpentaria-2H, the first horizontal appraisal well targeting the Velkerri Formation in its 100% owned and operated EP187. Carpentaria-2H is located 11 kilometres north of Carpentaria-1 and on the same 2D seismic line.

- In December 2021, Empire announced it had successfully drilled, cased, and suspended Carpentaria-2H. Carpentaria-2H was drilled to a total measured depth of 3,150 metres, with the horizontal section length being 1,345 metres and wholly placed within the Velkerri B shale target window.

- In December 2021, the Federal Court rejected ENT's legal challenge to the Commonwealth Government's Beetaloo Sub-basin exploration grants program but ruled initial contracts invalid for procedural reasons. Subsequent to the balance date, three replacement grant agreements were executed by which funding of $19.4 million will be provided by the Australian Government.

Empire's Northern Territory Acreage Position





Carpentaria-2H site

USA – APPALACHIA

- Empire's Appalachia (New York and Pennsylvania) operations had a strong operational performance throughout 2021. The US operations are benefiting from higher gas prices which has allowed Empire to return approximately 180 wells to production over 2021 which were previously shut-in.

- The US operations continued operating during the COVID-19 outbreaks as an essential service business given gas produced by Empire's operations is used for electricity generation and heating.

- Empire commenced its renewable energy leasing initiative during 2021 which has resulted in total cash payments received of US$110,000 during 2021. Empire continues to progress further renewable energy leasing transactions. These transactions facilitate increased penetration of renewable energy into the New York State electricity grid.

- Gross natural gas production for 2021 was 2.08 Bcf (Net 1.68 Bcf) (2020: Gross 2.11 Bcf).

- Empire was granted a second tranche forgivable loan under the US Paycheck Protection Program ("PPP") which formed part of the *US Coronavirus Aid, Relief and Economic Security Act* (the "CARES Act") of US$343,602. The PPP was legislated by the US Federal Government to incentivise small and medium sized business to keep employees during the COVID-19 pandemic. Throughout the year Empire applied these funds to eligible expenses including payroll, interest, rent and utilities and as such the US$343,602 loan and outstanding interest were forgiven in full.

B. RESERVES

US RESERVES UPDATE

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

Reserves at November 30, 2021 – USA (NYMEX Strip Nov 30, 2021 including hedges)

Reserves - As of Nov 30, 2021	Oil (Mbbls)	Gas (MMcf)	MBoe	Capex $M	PV0 $M	PV10 $M
Reserves (Reserves)						
Proved Developed Producing	46	28,032	28,308	-	$27,809	$15,867
Proved Developed Non-producing	-	155	155	$54	$(155)	$(63)
Proved Behind Pipe	-	-	-	-	-	-
Shut-in	-	-	-	-	-	-
Proved Undeveloped	-	-	-	-	-	-
Total 1P	**46**	**28,187**	**28,463**	**$54**	**$27,654**	**$15,804**
Probable	-	10,177	10,177	$7,809	$23,176	$4,304
Total 2P	**46**	**38,364**	**38,640**	**$7,863**	**$50,830**	**$20,108**
Possible	158	3,916	4,864	$5,102	$14,234	$3,542
Total 3P	**204**	**42,280**	**43,504**	**$12,965**	**$65,064**	**$23,650**

USA Reserves by: Graves & Co Consulting

Notes to Reserves

- The quantities presented are estimated reserves and resources of oil and natural gas that geologic and engineering data demonstrate are "In-Place" and can be recovered from known reservoirs.
- Oil prices are based on NYMEX West Texas Intermediate (WTI).
- Gas prices are based on NYMEX Henry Hub (HH).
- Prices were adjusted for any pricing differential from field prices due to adjustments for location, quality, and gravity, against the NYMEX price. This pricing differential was held constant to the economic limit of the properties.
- All costs are held constant throughout the lives of the properties.
- The deterministic method was used to calculate 1P, 2P and 3P reserves.
- The reference point used for measuring and assessing the estimated petroleum reserves is the wellhead.
- "PV0" Net revenue is calculated net of royalties, production taxes, lease operating expenses and capital expenditures but before Federal Income Taxes.
- "PV10" is defined as the discounted Net Revenues of the Company's reserves using a 10% discount factor.
- "1P Reserves" or "Proved Reserves" are defined as Reserves which have a 90% probability that the actual quantities recovered will equal or exceed the estimate.
- "Probable Reserves" are defined as Reserves that should have at least a 50% probability that the actual quantities recovered will equal or exceed the estimate.
- "Possible Reserves" are defined as Reserves that should have at least a 10% probability that the actual quantities recovered will equal or exceed the estimate.
- "Bbl" is defined as a barrel of oil.
- "Boe" is defined as a barrel of oil equivalent, using the ratio of 6 Mcf of Natural Gas to 1 Bbl of Crude Oil. This is based on energy conversion and does not reflect the current economic difference between the value of 1 Mcf of Natural Gas and 1 Bbl of Crude Oil.
- "M" is defined as a thousand.
- "MMBoe" is defined as a million barrels of oil equivalent.
- "Mcf" is defined as a thousand cubic feet of gas.
- All volumes presented are net volumes and have had subtracted associated royalty burdens.
- Reserve estimates have been prepared by the following independent reserve engineers:
  - New York & Pennsylvania (Appalachia) – Graves & Co Consulting.
- The following NYMEX prices, at November 30, 2021, were used to calculate reserves and cash flow:

Year	US$/Bbl	US$/Mcf
2022	64.31	4.12
2023	60.74	3.55
2024	58.59	3.23
2025	57.42	3.13
2026	56.72	3.06
2027	56.19	3.11
2028	56.00	3.21
2029	55.91	3.26

NORTHERN TERRITORY RESOURCE UPDATE

Empire, through its 100% owned subsidiaries Imperial Oil & Gas Pty Ltd ("Imperial") and Imperial Oil & Gas A Pty Limited ("Imperial A"), holds a 100% interest in 28.9 million acres of highly prospective exploration permits in the McArthur Basin and Beetaloo Sub-basins, Northern Territory. Work undertaken by the Company since 2010 demonstrates that the Eastern depositional Trough of the McArthur Basin, of which the Company holds around 80%, has enormous conventional and unconventional hydrocarbon potential. The Beetaloo Sub-basin, in which Empire holds a substantial position, has world-class hydrocarbon volumes in place and a ramp up in industry activity to appraise substantial discoveries already made by major Australian oil and gas operators is ongoing.

Empire announced the transformational acquisition of Pangaea (NT) Pty Ltd on 14 August 2021, further cementing Empire's position as a leading onshore Northern Territory oil and gas explorer and developer focused on the Beetaloo Sub-basin.

After year-end 2021, Netherland, Sewell and Associates, Inc. ("NSAI"), updated its independent resource assessment for Empire's EP187 which incorporated the technical results from the Carpentaria-2H ("C-2H") well which was drilled in Q4 2021, the Carpentaria-1 ("C-1") vertical fracture stimulation and flow test, which was carried out in Q2 2021, and the Charlotte 2D Seismic Survey which was acquired in Q4 2021. Following completion of the updated NSAI independent resource assessment, Empire's total Northern Territory Contingent and Prospective Resources are as follows:

Zone	Unrisked Net Contingent Resources Liquids (MMBBL) Estimate			Unrisked Net Contingent Resources Sales Gas (BCF) Estimate			Unrisked Net Prospective Resources Liquids (MMBBL) Estimate			Unrisked Net Prospective Resources Gas (BCF) 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	138	549	1,680	82	419	2,062	10,744	31,018	89,217
Barney Creek*	-	-	-	-	-	-	-	-	-	1,633	11,053	45,380
Total*	**0.9**	**3.5**	**14.1**	**138.8**	**553.5**	**1,707.7**	**170**	**797**	**3,633**	**12,561**	**42,928**	**139,488**

**Empire derived arithmetic summation of previous and current NSAI probabilistic resources estimations*

C. CREDIT FACILITY

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

Principal Amount Availability/Drawings	US$7.50 million US$5.85 million
Maturity Date	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 production shall be hedged for 3 years
Key Covenants	Proved Developed Producing (PDP) Reserves PV(10) / Net Debt > 1.3x Current Ratio >= 1.0x Working Capital > 0

The current drawings on the Macquarie Bank Limited Credit Facility at 31 December 2021 were US$5.85 million.

D. 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 at 31 December 2021 was $0.35 million. Oil and gas hedge contracts were valued based on NYMEX Henry Hub forward curves at market close on 31 December 2021.

E. BUSINESS RISK

COVID-19 – During the year the Northern Territory Government closed its internal borders in response to the virus to mitigate the risk of transmission. Future COVID-19 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, development, and production. 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 a preferred 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 a debt facility in place with Macquarie Bank Limited. Whilst Empire has financial flexibility and expects to generate sufficient cash flow to repay the outstanding debt in full, there is a risk in the future that financial and other covenants under the facility, could be breached, which could result in Macquarie exercising its security rights under the facility agreement. The facility matures in September 2024 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 may be 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's and its subsidiaries' ability to carry out their 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, their rights to carry on their 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 and Territory legislation and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, Empire's subsidiaries' could lose title to their interests 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 – Empire's exploration permits extend over areas in which legitimate common law native title rights of indigenous Australians exist. The ability of the Empire's subsidiaries' to gain access to their 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 may 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 oil and gas 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 capital, debt, or equity, will be available or available on suitable terms. This 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 natural gas has a crucial role to play. Climate change and management of future greenhouse gas 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.

F. COMPETENT PERSONS STATEMENT

The information in this report which relates to the Company's reserves is based on, and fairly represents, information and supporting documentation prepared by or under the supervision of the following qualified petroleum reserves and resources evaluators, all of whom are licensed professional petroleum engineers, geologists, or other geoscientists with over five years' experience and are qualified in accordance with the requirements of Listing Rule 5.42:

Name	*Organisation*	*Qualifications*	*Professional Organisation*
Mr William Vail Jr	*Graves & Co. Consulting LLC*	*BSc in Petroleum Engineering, MBA*	*Society of Petroleum Engineers*
Mr John G. Hattner	*Netherland Sewell & Associates Inc*	*MBA, Master of Science in Geological Oceanography, BSc*	*Licenced Professional Geophysicist in the State of Texas, USA*
Mr Joseph M. Wolfe	*Netherland Sewell & Associates Inc*	*Master of Petroleum Engineering, BSc Mathematics*	*Licenced Professional Engineer in the State of Texas, USA*

None of the above evaluators or their employers have any interest in Empire Energy E&P, LLC or the properties reported herein. The evaluators mentioned above consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Note Regarding Forward-Looking Statements

Certain statements made and information contained in this report are forward-looking statements and forward-looking information (collectively referred to as "forward-looking statements" within the meaning of Australian securities laws. All statements other than statements of historical fact are forward-looking statements.

Above: Silver City Drilling worker and Empire's VP Community and Government Relations inspecting the Silver City Drilling Rig 40 on the Carpentaria 2H site

Above: Control room inside the Silver City Drilling Rig 40 at the Carpentaria-2H site

Directors' Report
for the year ended 31 December 2021

In respect of the financial year ended 31 December 2021, the Directors of Empire Energy Group Limited ("Empire" or "the 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 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 year:

Mr Paul Espie AO	Non-Executive Chairman
Mr Alexander Underwood	Managing Director
Mr John Gerahty	Non-Executive Director (retired 11 March 2021)
Prof John Warburton	Non-Executive Director
Mr Peter Cleary	Non-Executive Director
Mr Louis Rozman	Non-Executive Director (appointed 11 March 2021)
Mr Paul Fudge	Non-Executive Director (appointed 16 August 2021)
Ms Jacqui Clarke	Non- Executive Director – Alternate (appointed 16 August 2021)

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

PRINCIPAL ACTIVITIES

During the financial 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 year included the acquisition of Pangaea and EMG's Northern Territory asset portfolio, hydraulic fracture stimulation of the vertical Carpentaria-1 well and gas flow to surface, drilling of Empire's first horizontal well Carpentaria-2H in EP187 and acquisition of 2D seismic.

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 of the Empire Group for the financial year ended 31 December 2021 after providing for income tax was $11,047,609 compared to a consolidated net loss for the previous corresponding reporting period of $7,684,455.

Directors' Report
for the year ended 31 December 2021

REVIEW OF OPERATIONS

For information on a review of the Empire Group's operations refer to the Operations Review contained on pages 8 to 17 of this report.

DIVIDENDS

The Directors have not recommended the payment of a final dividend.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the financial year, Empire acquired the Northern Territory exploration permits held by Pangaea (NT) Pty Ltd and EMG Northern Territory Holdings Pty Ltd for a combination of cash, scrip and unlisted options.

LIKELY DEVELOPMENTS

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

MATTERS SUBSEQUENT TO BALANCE DATE

1) On 16 February 2022, Empire announced the successful 2021 Beetaloo work program had resulted in a substantial increase in Contingent and Prospective resources independently assessed by Netherland, Sewell & Associates Inc for EP187.

2) On 23 February 2022, Empire provided an update regarding grants awarded under the Australian Government's *Beetaloo Cooperative Drilling Program*. Empire's wholly owned subsidiary, Imperial Oil & Gas Pty Limited, had executed replacement grant agreements with the Australian Government totalling up to $19.4 million which will offset 25% of the cost of seismic acquisition and the drilling, fracture stimulation and flow testing of three horizontal appraisal wells in its 100% owned EP187 tenement, located in the Beetaloo Sub-basin, Northern Territory.

3) After year-end Empire executed two fixed price swaps with EnergyMark LLC its largest gas customer in the USA. The terms of the swaps are: 1 April 2022 to 30 September 2022 (50,000 mmbtu per month at $4.21) and 1 October 2022 to 31 March 2023 (50,000 mmbtu per month at $5.35) referenced against NYMEX Henry Hub.

4) On 18 February 2022, Empire issued 993,774 Performance Rights and 568,778 Restricted Rights to its employees for the 2021 Financial year.

5) On 23 February 2022, Empire issued 1,200,000 ordinary shares following the exercise of 1,200,000 unlisted options at $0.30 per share. The proceeds of the conversion of the options to shares was $360,000.

Directors' Report
for the year ended 31 December 2021

INFORMATION ON DIRECTORS

Paul Espie AO, BSc, MBA Age 77
Non-Executive Chairman (Independent)

Mr Paul Espie AO was the founding principal of Pacific Road Capital, a private equity fund investing in the resources sector internationally, in 2006. He was Chairman of Oxiana Limited during the development of the Sepon copper/gold project in Laos (2000 to 2003) and prior to that Chairman of Cobar Mines Pty Ltd after a management buy-out in 1993. Mr Espie was previously responsible for Bank of America's operations in Australia, New Zealand and Papua New Guinea and Chairman of the Australian Infrastructure Fund. He is a Fellow of the Australian Institute of Company Directors, Trustee of the Australian Institute of Mining & Metallurgy, Educational Endowment Fund. He is also Chairman of the Menzies Research Centre.

Special Responsibilities:
Chairman of Empire Energy Group Limited

Other Current Listed Public Company Directorships:
NIl

Former Listed Public Company Directorships in Last 3 Years:
Aurelia Metals Limited

Alexander Underwood, LLB, BCom (Hons) Age 39
Managing Director

Mr Underwood has nearly 20 years of specialist upstream oil and gas investing, financing and management experience. Previously he spent two years with the Commonwealth Bank of Australia, Singapore as Director of Natural Resources and nine years with Macquarie Bank in Sydney and Singapore as Associated Director of Energy Markets Division. He commenced his career at BHP Billiton Petroleum.

Special Responsibilities:
Chief Executive Officer of Imperial Oil & Gas Pty Limited
Executive Director of Imperial Oil & Gas Pty Limited
Executive Director of Imperial Oil & Gas A Pty Limited
President and Managing Member of the Company's 100% wholly owned US subsidiaries

Other Current Listed Public Company Directorships:
Nil

Former Listed Public Company Directorships in Last 3 Years:
Nil

Directors' Report
for the year ended 31 December 2021

Professor John Warburton, PhD, FGS, FPESA, MAICD Age 64
Non-Executive Director (Independent)

John Warburton has 39 years of professional oil and gas experience in operated and non-operated conventional and unconventional petroleum discovery, development and in new business delivery. John has worked in Western Europe, West Africa, Central Asia, Middle East, Pakistan, Papua New Guinea and throughout the Asia Pacific Region including Australia and New Zealand. He has resided as an expatriate in a number of these regions and has a keen focus on people, safety, cultural heritage and environment.

Prof Warburton's career includes 14 years of senior technical and leadership roles at BP. He was Executive General Manager for Exploration & New Business at Eni in Pakistan, and until March 2018 John was Chief of Geoscience & Exploration Excellence at Oil Search Ltd.

Prof Warburton has been a Director of Empire's wholly owned Northern Territory subsidiary, Imperial Oil & Gas Pty Limited ("Imperial"), since 2011 and was its Chief Executive Officer from 2011 to 2014. He continues to serve as a Non-Executive Director of Imperial. In addition, John is Visiting Professor in the School of Earth & Environment at Leeds University UK where he has served twelve years on the External Advisory Board of Geosolutions, Leeds (formerly Petroleum Leeds) which is the focus for integrated Petroleum Engineering, Geoscience and Climate Research.

Special Responsibilities
Non-Executive Director of Imperial Oil & Gas Pty Limited
Chairman of the Audit and Risk Committee
Member of the Technical Committee

Other Current Listed Public Company Directorships:
Senex Energy Limited

Former Listed Public Company Directorships in Last 3 Years:
Nil

Peter Cleary, BCom. & LLB Age 64
Non-Executive Director (Independent)

Mr Cleary is a leader in the oil and gas sector. He holds relationships with commercial and government entities gained over a distinguished 29-year career representing Santos, the North West Shelf Venturers and BP in Asia. His executive career was in LNG, pipeline gas and chemicals operations.

Mr Cleary is currently a member of the Executive Committee of the Australia Japan Business Co-operation Committee and the Australia Korea Business Council. He is Fellow of the Australian Institute of Energy – SA Branch.

He previously held positions as a Board member of the Australian Petroleum Production & Exploration Association (APPEA), the Australia China Council and the Australia Japan Foundation. He is a Graduate of the Australian Institute of Company Directors.

Special Responsibilities:
Chairman of Remuneration Committee
Member of the Audit & Risk Committee

Other Current Listed Public Company Directorships:
Nil

Former Listed Public Company Directorships in Last 3 Years:
Nil

Louis Rozman, BEng, MGeoSc Age 64

Non-Executive Director (Independent)

Mr Rozman is a mining engineer and executive with 40 years' experience in operating and constructing projects internationally. He has held numerous senior executive positions in the mining and energy industries and has been a non-executive director of several ASX and TSX listed companies.

Mr. Rozman's experience as Chief Executive Officer of CH4 Gas Limited ("CH4") a successful and pioneering Queensland coal seam gas developer and producer, is of direct relevance to Empire's growth plans. CH4 was one of the first companies to commercialise a Queensland coal seam methane project. CH4 merged with Arrow Energy in 2006, and the enlarged business was later acquired by Royal Dutch Shell and PetroChina for >A$3 billion.

Mr Rozman is a Fellow of the Australian Institute of Company Directors, the Australasian Institute of Mining and Metallurgy ("AusIMM") and a Chartered Professional (Management). He has a Bachelor of Engineering (Mining) degree from the University of Sydney and a Masters in Geoscience (Mineral Economics) from Macquarie University.

Special Responsibilities:
Member of the Remuneration Committee
Member of the Technical Committee

Other Current Listed Public Company Directorships:
Nil

Former Listed Public Company Directorships in Last 3 Years:
Nil

Paul Fudge Age 73

Non-Executive Director

Mr Fudge was appointed to the board of Empire in August 2021. Mr Fudge brings significant business and investment experience to Empire, having acquired vast investment experience in onshore Australian oil and gas, including being an early mover in the Queensland Coal Seam Gas industry and in the Beetaloo Sub-Basin.

He is the controlling shareholder of Pangaea (NT) Pty Limited, Empire's largest shareholder.

Special Responsibilities:
Nil

Other Current Listed Public Company Directorships:
Nil

Former Listed Public Company Directorships in Last 3 Years:
Nil

Directors' Report
for the year ended 31 December 2021

Jacqui Clarke Age 50

Non-Executive Director (Alternate)

Ms Clarke was appointed to the board of Empire in August 2021.

With over 30 years in professional practice with the Big 4, including more than 16 years as a Partner of Deloitte, Ms Clarke is an experienced professional with extensive executive track record for building a performance culture, driving profitable growth, developing and executing on strategy and delivering results. Ms Clarke advises a broad range of groups, including private family groups, entrepreneurial growth companies and not-for-profit organisations.

Her experience extends across Australia, NZ, China and Singapore and covers many industries and sectors including property, professional services, technology, agriculture and oil and gas.

Presently, Ms Clarke sits on the Fudge Group Advisory Board, acts as Treasurer and Non-Executive Director of the Humpty Dumpty Foundation and is also a Founder of Maxima Private.

Ms Clarke is a Chartered Accountant and Fellow of the Institute of Chartered Accountants, Graduate of AICD (Australian Institute of Company Directors), Chartered Tax Advisor and Justice of the Peace.

Special Responsibilities:
Member of the Audit & Risk Committee

Other Current Listed Public Company Directorships:
BKI Investments Limited

Former Listed Public Company Directorships in Last 3 Years:
Nil

COMPANY SECRETARY

Andrew Phillips
Mr Phillips was appointed Company Secretary in November 2020. Mr Phillips has over 25 years' experience working in senior financial and commercial management positions with public and multinational companies based in Australia and New Zealand and has served as Company Secretary for a number of ASX listed companies.

He is currently Executive Director, CFO and Company Secretary of Lithium Power International Limited and holds independent directorships for ASX listed companies, Southern Cross Exploration NL and Donaco International Limited.

Directors' Report
for the year ended 31 December 2021

MEETINGS OF DIRECTORS

The number of Directors' meetings and committee meetings held and the attendance by each of the Directors of the Company at those meetings during the financial year were:

	Directors' Meetings		Remuneration Committee Meetings		Audit Committee Meetings		Technical Committee Meetings	
Director	**Attended**	**Held Whilst in Office**	**Attended**	**Held Whilst in Office**	**Attended**	**Held Whilst in Office**	**Attended**	**Held Whilst in Office**
Mr A Underwood	9	9	-	-	-	-	-	
Mr P Espie	9	9	-	-	-	-	-	
Mr J Gerahty	1	1	-	-	-	-	-	
Prof J Warburton	9	9	1	1	1	1	3	3
Mr P Cleary	9	9	3	3	1	1	-	-
Mr L Rozman	8	8	2	2	-	-	3	3
Mr P Fudge	2	4	-	-	-	-	-	-
Ms J Clarke	4	4	-	-	-	-	-	-

During the financial year, the Audit and Risk Committee comprised of Mr Cleary and Mr Warburton, with Ms Clarke being appointed on 20 October 2021. The Remuneration Committee comprised of Mr Cleary, Mr. Louis Rozman and Prof Warburton (who resigned from the Remuneration Committee to become Chair of the Audit and Risk Committee on 11 March 2021). A Technical Committee was established on 19 August 2021.

Retirement, Election and Continuation in Office of Directors

- Mr John Gerahty retired as Non-Executive Director on 11 March 2021
- Mr Louis Rozman was appointed Non-Executive Director on 11 March 2021
- Mr Paul Fudge was appointed Non-Executive Director on 16 August 2021
- Ms Jacqui Clarke was appointed Alternate Non-Executive Director on 16 August 2021

Directors' Report
for the year ended 31 December 2021

Remuneration Report – Audited

The Remuneration Report for the year ended 31 December 2021 (2021 Financial Year or FY21) forms part of the Directors' Report. It has been prepared in accordance with the Corporations Act 2001 (Cth) (the Act), Corporations Regulation 2M.3.03, in compliance with AASB124 Related Party Disclosures, and audited as required by section 208(3C) of the Act. It also includes additional information and disclosures that are intended to support a deeper understanding of remuneration governance and practices, for shareholders, where statutory requirements are not sufficient.

Letter from the Chair of the Remuneration Committee

Dear Shareholders,

As the Chair of the Remuneration Committee and on behalf of the Board, I am pleased to present Empire Energy's (EEG) Remuneration Report for the year ended 31 December 2021 (FY21).

FY21 has seen significant progress in the Beetaloo Sub-basin operations with the:

1. Completion of the production testing of the Carpentaria-1 (C-1) vertical well
2. Approval of Environment Management Plans for future activity
3. Successful Charlotte 2D Seismic program in November
4. Drilling of the Carpentaria-2H (C-2H well) in December
5. Ongoing positive engagement through on-country meetings with Traditional Owners and pastoral stakeholders

Items 1-4 were completed on time and within budget, demonstrating EEG's cost and operational efficiencies within the basin. EEG is also pleased to report the substantial increase in the revised estimate of Contingent and Prospective Resources resulting from the progress of C-1 and C-2H. The Board is confident that we will continue to observe further progress and cost reductions during FY22 and beyond.

During FY21, EEG's current remuneration framework remained consistent with prior years. The Committee recognises the importance of strong governance and linkages between company performance and remuneration to increase alignment with shareholders. As EEG's Beetaloo Sub-basin asset is still in the exploration phase, the company is not currently revenue generating from its most material asset. As such, to preserve cash reserves, the Managing Director has elected to take his Short-Term Variable Remuneration (STVR) award in the form of Restricted Rights. Some Non-executive Directors have also elected to receive Restricted Rights in lieu of cash payment.

In March 2021 the Committee engaged Godfrey Remuneration Group to review the structure and total remuneration of the Managing Director and other executives to ensure that we remained compliant and benchmarked appropriately with like organisations. Looking to 2022 and beyond, the review recommended continuing with the current structure for Fixed Pay, STVR and LTVR however with a rebalancing between these items as well as more focused Key Performance Indicators ("KPI") to better align with market practices.

Peter Cleary
Chair, Remuneration Committee

Directors' Report
for the year ended 31 December 2021

1. People covered by this report

This report covers Key Management Personnel (KMP) which are defined as those who have the authority and responsibility for planning, directing and controlling the activities of Empire Energy.

Table 1

			Committee Membership		
Name	Role	Appointed	Audit & Risk	Remuneration	Technical
Non-Executive KMP					
Mr Paul Espie AO	Non-Executive Chairman	5/02/2019			
	Non-Executive Director	8/11/2018			
Prof John Warburton	Non-Executive Director	6/02/2019	C		✓
Mr Peter Cleary	Non-Executive Director	25/5/2020	✓	C	
Mr Louis Rozman	Non-Executive Director	11/03/2021		✓	✓
Mr Paul Fudge	Non-Executive Director	16/08/2021			
Ms Jacqui Clarke	Alternate Director	16/08/2021	✓		
Executive KMP					
Mr Alex Underwood	Managing Director	30/08/2018			
Mr David Evans	Chief Operating Officer	21/10/2019			

✓ = Member, **C** = Chair

The following changes to KMP occurred during FY21 or between the end of FY21 and the date of publication of this report:

- Mr David Evans ceased to be employed by the Company on 28 January 2021.
- Mr John Gerahty retired as Non-Executive Director on 11 March 2021, which was disclosed in the 2020 Remuneration Report.
- Mr Louis Rozman was appointed to the Board on 11 March 2021. He also replaced Prof John Warburton as a member of the Remuneration Committee on 15 March 2021.
- Prof John Warburton was appointed as Chair of the Audit and Risk Committee on 15 March 2021.
- Prof John Warburton and Mr Louis Rozman were appointed as Members of the Technical Committee on 19 August 2021.
- Ms Jacqui Clarke was appointed as a Member of the Audit and Risk Committee on 20 October 2021.

2. Remuneration Overview

2.1 Remuneration Policy

EEG's Remuneration Policy (the Policy) was last updated in March 2021 under the Remuneration Committee Charter. The Remuneration Committee retains overall responsibility for the review and recommendations in relation to the remuneration of Executive Directors (including the Managing Director) and executives reporting to the Managing Director as well as Non-executive Director Board Fees. In discharging these responsibilities, the Committee adheres to the following:

- to ensure the Company's remuneration structures are equitable and aligned with the long-term interests of the Company and its shareholders; having regard to relevant Company policies without rewarding conduct that is contrary to the Company's values or risk appetite,
- to attract and retain skilled executives,
- to structure short and long term incentives that are challenging and linked to the creation of sustainable shareholder returns, and
- to ensure any termination benefits are justified and appropriate.

Directors' Report
for the year ended 31 December 2021

The primary objective of the Policy is to ensure that the quantum and elements of remuneration attract and retain key talent and are aligned with the company's current strategy and business objectives. Executive KMP remuneration is currently made up of Fixed Pay and Variable Remuneration (split into short and long term components).

Fixed Pay is made up of base salary and any other fixed elements such as superannuation, and other benefits where applicable. Fixed Pay is intended to be positioned against the median of market benchmarks from a group of comparable resources and energy companies of similar size to ensure remuneration is competitive and fair, subject to a ±20% pay range to account for individual factors such as experience, qualifications, and performance.

Total Remuneration Package (TRP) is intended to be composed of an appropriate mix of remuneration elements including Fixed Pay, short term variable remuneration (STVR) and long-term variable remuneration (LTVR). The Target TRP (TRP for expected performance) is generally intended to fall between the median and upper quartile of market benchmarks. This is because market data often shows nil or negative variable remuneration values, despite an incumbent having a real variable remuneration opportunity, when benchmarks are based on statutory disclosure by other companies. As a result, total package market data median benchmark values are lower than actual median opportunities offered to incumbents in the market. This has been established by research conducted by the Board's appointed independent External Remuneration Consultant (ERC). The Board has selected a competitive TTRP market position between median and upper quartile benchmarks to adjust for the impact of nil and negative reported variable remuneration.

Variable Remuneration fills the gap between Fixed Pay and Total Remuneration Package and is intended to be a mix of "at-risk" and "incentive" remuneration. The "at-risk" component of variable remuneration that is below "Target policy" is designed to be what an executive would stand to lose for not meeting expectations. The "incentive" component is the upside for performing above expectations and represent the true "bonus". Metrics selected are intended to be linked to the primary drivers of value creation for stakeholders, and successful implementation of the long-term strategy over both the short and long term.

The Committee also regularly engages with External Remuneration Consultants (ERCs) to ensure the current policy and frameworks are aligned with current market practices and remain competitive and fair (refer to section 5.5.1 for ERCs engaged during FY21).

During FY21, external benchmarking was undertaken as a result of which the Managing Director's Fixed Pay was increased by 10% to $430,000 (including superannuation), commencing on 1st January 2022, to align Fixed Pay with the median of market benchmarks in accordance with the Remuneration Policy set out above. This was the first time the Managing Director's fixed pay was adjusted since his appointment to the role in 2018.

Directors' Report
for the year ended 31 December 2021

2.2 Executive Remuneration – Executive Framework Overview

The following table outlines Empire Energy's approach to executive remuneration:

	Fixed Pay	Short Term Variable Remuneration for FY21	Long Term Variable Remuneration
Purpose	Fixed Pay (FP) is set with reference to the median of benchmarks and aimed at paying fairly for meeting the requirements of a role.	To link achievement of EEG's short-term performance objectives with the remuneration received by the executive.	To link achievement of EEG's shareholder wealth creation with the remuneration received by the executive.
Delivery	Base Salary, superannuation and other benefits.	The Board has discretion to settle STVR awards in the form of cash or Restricted Rights. The Board's current intention is to award STVR outcomes in the form of Restricted Rights as means of cash preservation.	Performance Rights to receive EEG shares, subject to LTVR performance over a 3-year Measurement Period.
FY21 Approach	Fixed Pay is set with reference to the median of tailored benchmarks designed around companies of comparator market capitalisation and market sector.	Opportunity as % of FP: | | Target | Stretch | | MD | 40%* | 60%* | STVR KPIs: - Health & Safety - Social & Environmental - NT Work Program - Cost management and financial coverage for activities - Total Assets Under Management - Individual A 'Gate' of zero fatalities applies. *Reduced for FY2022 as part of a realignment of Managing Directors Total Remuneration Package.	Intended opportunity as % of FP: | | Target | Stretch | | MD | 40%** | 80%** | LTVR Performance Measures: - 75% Absolute TSR - 25% Milestones A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies. ** The independent valuation of Performance Rights awarded to the Managing Director during FY2021 demonstrated that the actual opportunity as a % of FP was a Target to Stretch range of 12% - 24% respectively.

Directors' Report
for the year ended 31 December 2021

The following diagram outlines the executive KMP remuneration structure and timing under the remuneration framework as applicable to FY21 where STVR is Short Term Variable Remuneration, and LTVR is Long Term Variable Remuneration.

Chart A

FY21	FY22	FY23	FY24
Fixed Pay			
STVR Performance Period	**Audit & STVR Assessment**		
	Award Paid**		
LTVR Performance Period (75%) - Performance Rights with an Absolute TSR Vesting Condition			**Vesting Assessments and Vesting**
LTVR Performance Period (25%) - Performance Rights with a Milestone Vesting Condition			

**STVR awards are generally awarded soon after the release of the audited Annual Report*
***STVR awards can be paid in either cash or equity (Restricted Rights).*

2.3 FY21 Company Performance At-A-Glance

The following outlines the Company's performance in FY21, which is intended to assist in demonstrating the link between performance, value creation for shareholders, and executive reward:

Table 1 – Statutory Performance Disclosure

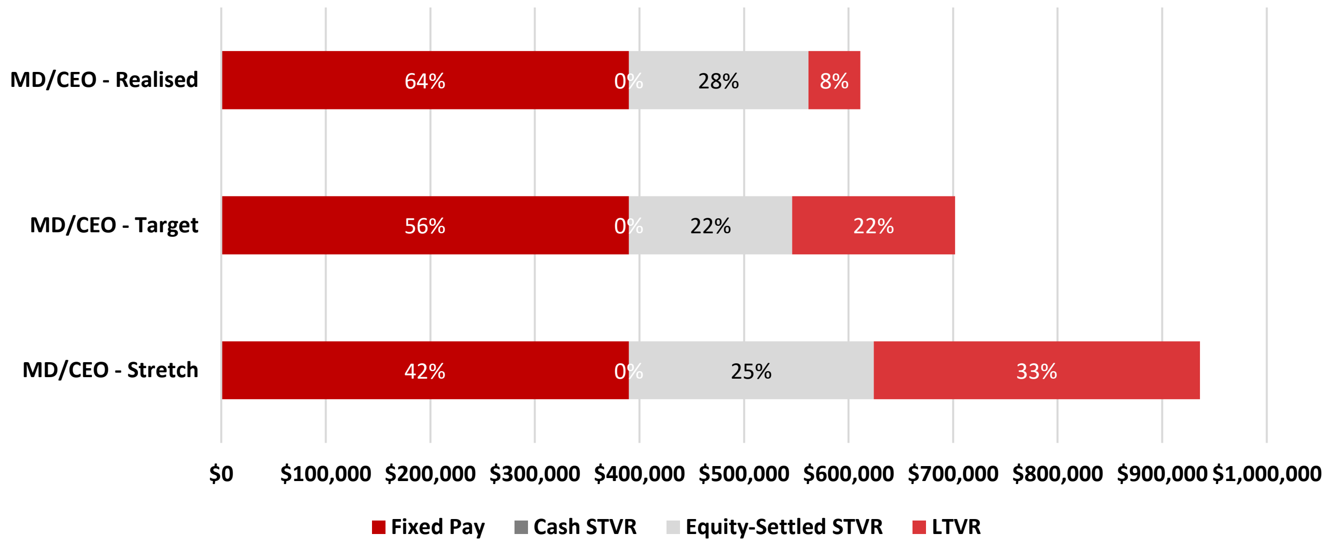
FY End Date	Share Price (beginning of period)	Share Price (end of period)	Change in Share Price $	Dividends (paid during period)	Change in Shareholder Wealth (SP Change + Dividends)		NT P(50) Prospective Resource (TCFe)	NT 2C Contingent Resource (BCFe)	Total Company 2P Reserves (MBOE)
					Total Value	%			
31/12/2021	$0.36	$0.34	-$0.02	$0.00	-$0.02	-4%	47.7	575	6,440
31/12/2020	$0.45	$0.36	-$0.09	$0.00	-$0.09	-20%	14.7	41	6,000
31/12/2019	$0.14	$0.45	$0.31	$0.00	$0.31	218%	12.4	-	6,075
31/12/2018	$0.12	$0.14	$0.02	$0.00	$0.02	17%	12.4	-	11,634
31/12/2017	$0.08	$0.12	$0.04	$0.00	$0.04	50%	12.4	-	15,012

Directors' Report
for the year ended 31 December 2021

2.4 FY21 Executive Remuneration Opportunities and Outcomes At-A-Glance

The following charts outline the remuneration opportunities under executive remuneration structures, with the outcomes dependent on performance over FY21 for STVR and LTVR, and the "Realised" remuneration payable in respect of the completed FY21 year and performance delivered:

Chart B



Note:

- *"Achieved" refers to Fixed Pay received during FY21 and Cash STVR awarded in respect of FY21 performance and LTVR that vested during FY21.*
- *The Realised STVR outcome was above Target but below Stretch in absolute terms, however a proportion of TRP appears above Stretch due to Realised LTVR being significantly below Target.*

2.5 Key KMP Remuneration Governance Considerations and Changes

The following summarises the key remuneration governance matters that were the focus of considerations in FY21, and those that are expected to be addressed in FY22, including planned changes:

a) Developing remuneration governance structures, frameworks, and policies suitable to an ASX listed status. (Completed 2021)
b) Benchmarking executive and director remuneration against ASX listed market data to inform quantum and mix decisions intended to meet strategy and market positioning requirements. (Completed 2021)
c) Development of KMP equity structures for both executives and Non-executive Directors that are sensitive to the governance requirements applicable to each group. (2022)
d) Benchmarking and review of non-Executive remuneration (2022)

3. The Empire Energy Strategy, Policy and Framework

3.1 FY21 Short Term Variable Remuneration (STVR) Plan

A description of the STVR plan is set out below:

Purpose	To provide at-risk remuneration and incentives that rewards executives for performance against annual safety, operational and financial performance objectives set by the Board at the beginning of the financial year. The objectives selected are linked to the Company's long-term strategy which is designed to provide sustainable value creation for shareholders.
Measurement Period	The Financial Year of the Company (1 January – 31 December)
Opportunity	Opportunity as % of Fixed Pay Target / Stretch Managing Director: 40% / 60%
Outcome Metrics and Weightings	For FY21, the following metrics and weightings – at Target - applied: • Health & Safety – 5% • Social & Environmental – 15% • NT Work Program – 40% • Cost management and funding coverage for activities – 20% • Total Assets Under Management – 10% • Individual – 10% These metrics were selected because they were viewed by the Board as being the key drivers of value creation for FY21.
Gate	Zero fatalities
Award & Settlement	Awards will be calculated following the auditing of accounts. STVR awards may be paid as cash or equity. The Board's current position is to pay STVR awards in the form of Restricted Rights to preserve cash reserves. There is currently no STVR deferral mechanism. Restricted Rights are granted for nil consideration under the EEGLRP, and vest immediately upon grant. Restricted Rights are subject to a 90 day exercise restriction and can exercised anytime following vesting and before the end of the Term (15 years).
Disposal Restrictions	Shares acquired on exercise of vested Restricted Rights ("Restricted Shares") will be subject to disposal restrictions until all of the following cease to restrict disposals: • the Company's share trading policy, • the Corporations Act insider trading provisions, and • temporary Specified Disposal Restriction of one (1) year from their date of issue.

Board Discretion	The Board has discretion to vary awards upwards or downwards, including to nil, in the circumstance that the award would otherwise be likely to be viewed as inappropriate given the circumstances that prevailed over the Measurement Period (such as in the case of harm to the Company's stakeholders for which participants are accountable).

3.2 FY22 Short Term Variable Remuneration (STVR) Plan

EEG intends to apply the following KPIs and weightings - at Target -in relation to FY22 to provide a sharper focus on operational expectations:

- NT Work Program – 50%
- Cost management and funding coverage for activities – 30%
- Management of US Assets – 10%
- Individual Effectiveness – 10%

3.3 FY21 Long Term Variable Remuneration (LTVR) Plan

A description of the LTVR plan, which is operated under the EEGLRP, is set out below:

Purpose	The purpose of LTVR is to create a strong link between performance and reward for senior executives over the long term and to align the interests of participants with those of stakeholders through share ownership and performance testing.
Measurement Period	1 January 2021 to 31 December 2023 (3 years)
Grant Calculation	The number of Rights in a Tranche of LTVR to be granted are calculated via the application of the following formula: **Target LTVR $ x Tranche Weight at Target ÷ Right Value ÷ % Vesting at Target** where Right Value is the 2020 VWAP of $0.336
Opportunity & Grant Value	Opportunity as % of Fixed Pay: Managing Director – Target 40%, Stretch 80% Based on the Right Value of $0.336, the maximum/stretch level of grants made to KMP disclosed in this report in respect of FY21 LTVR for the Managing Director, Alex Underwood was 1,015,625 Performance Rights.
Instrument	The LTVR is in the form of Performance Rights with a nil Exercise Price, which are subject to performance and service vesting conditions.

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Performance Metrics and Weightings	The Board has discretion to set Vesting Conditions for each tranche of each Invitation. For FY21 LTVR grants, the following Vesting Conditions are anticipated to apply:

Tranche 1 (75% weight at Target) is to be subject to an Absolute Total Shareholder Return (ATSR) vesting condition. The vesting of such Performance Rights will be determined by comparing the Company's TSR over FY21 to FY23 according to the following vesting scale:

Table 2

Performance Level	Empire Energy's Absolute TSR (per annum)	% of Tranche Vesting
Stretch	≥ 40%	100%
Between Target and Stretch	> 25% & < 40%	Pro-rata
Target	**= 25%**	**50%**
Between Threshold and Target	> 10% & < 25%	Pro-rata
Threshold	= 10%	25%
Below Threshold	< 10%	0%

TSR is the sum of Share Price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period. It is annualised for the purpose of the above vesting scale. The TSR of the Company over the Measurement Period will be calculated and converted to a compound annual growth rate (CAGR) value for the purpose of assessment against this scale. During periods of nil dividends being declared, TSR is equal to the change in Share Price.

The Board is aware that some investors prefer relative TSR over absolute TSR due to the potential of impact of broad market windfall gains and losses. The Board has set the TSR objectives sufficiently high such that vesting would not be expected to occur in relation to broad market movements alone.

This metric was selected in this year and past years because the Board views that this is the best measure of long-term value creation for shareholders at this stage of Empire's strategy.

Tranche 2 (25% weight at Target) is to be subject to the Board's determination of whether material value has been added to the Company's assets through delivering on the Company's strategy, including but not limited to exploration results, increasing reserves, operating cash flow and production rates.

This metric was selected in this and past years because the Board views that this is the best measure of long-term value creation for shareholders at this stage of EEG's strategy particularly when the company held significant producing assets in the USA as well as exploration opportunities in Australia.

The Board intends to review the metrics to better align with the market and to reflect that the Company is primarily in the exploration and resource build phase.

Gates	A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies. A Gate is a performance hurdle which must be satisfied before any Performance Rights can vest.

Directors' Report
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Settlement	The Rights are "Indeterminate Rights" which may be settled in the form of a Company Share, or cash equivalent, upon valid exercise.
Term and Lapse	The Term of the Performance Rights are 15 years from the Grant Date. If not exercised within the term, the Performance Rights will lapse.
Service condition & Cessation of Employment	Under the Rules, in addition to the performance conditions, continued service during the Measurement Period is a requirement for all Rights to become eligible to vest. On termination, a portion of Performance Rights granted in the financial year in which the termination occurs will be forfeited. The proportion that will be forfeited will be equal to the remainder of the financial year following the termination as a proportion of the full financial year. This provision recognises that grants of Performance Rights are part of the remuneration for the year of grant and that if part of the year is not served then some of the Performance Rights will not have been earned.
Measurement Period Modifier	The EEGLRP Rules allow for the Measurement Period to be extended by 12 months, if an executive is still employed, and nil vesting occurred at the first test. The start of the Measurement Period would not be affected by this, and modification of the Measurement Period can only apply to vesting scales that are expressed on an annualised basis, which ensures the adjustment does not make vesting easier (i.e. will not apply to milestone conditions, only TSR). The Measurement Period would be extended from three years to four years. The purpose of this feature is to address short term anomalies that arise at the relevant calculation points, and to motivate management to strive for improvement if the LTI fails to vest at the end of the Measurement Period.
Cessation of Employment	Unvested Performance Rights held at the date of termination and granted in the financial year of the termination will be forfeited in the proportion that the remainder of the financial year following the termination bears to the full financial year, unless otherwise determined by the Board. All other unvested Performance Rights will be retained for possible vesting based on performance during the Measurement Period, to be assessed following the completion of the Measurement Period. If at the time of vesting subsequent to termination of employment the share price is lower than at the date of cessation of employment the value of the Rights will be paid in cash only, not Shares, unless otherwise determined by the Board.
Corporation Actions	**Change of Control** In the event of a Change of Control: • Unvested Performance Rights granted in the financial year of the Change of Control will lapse in proportion that the remainder of the financial year bears to the full financial year, • For all remaining unvested Performance Rights, the number of Performance Rights to vest will be determined by the number of unvested Performance Rights multiplied by the change in share price at the commencement of the Measurement Period and the share price at Change of Control. **Major Return of Capital to Shareholders** In the event of a major return of capital to shareholders, the Board has discretion to determine how unvested Performance Rights will be dealt with.
Board Discretion	The Board retains discretion to increase or decrease, including to nil, the vesting percentage in relation to each Tranche of Performance Rights if it forms the view that it is appropriate to do so given the circumstances that prevailed during the Measurement Period.

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3.4 FY21 Non-Executive Director (NED) Remuneration

3.4.1 Fee Policy

The following outlines the principles that EEG applies to governing NED remuneration:

Fee Policy

Remuneration of Non-executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time. Non-executive Directors can participate in the Share Rights Plan.

The Board undertakes an annual review of its performance and the performance of the Board Committees against performance goals set. Details of the nature and amount of each element of the remuneration of each Director and each specified executive of the Empire Group receiving the highest remuneration are set out in the following tables.

The following table outlines the current Fee Policy:

Role/Function	Main Board	Audit Committee	Remuneration Committee
Chair	$75,000	n/a	n/a
Member	$50,000	n/a	n/a

Fees are exclusive of superannuation.

Note: Non-executive Directors are also reimbursed for reasonable out-of-pocket expenses that are directly related to EEG's business. Equity grants, if any, are deducted from the foregoing fees.

Aggregate Board Fees

The total amount of fees paid to Non-executive Directors in the year ended 31 December 2021 is within the aggregate fee limit of $400,000 which was last approved by shareholders on 30 May 2019. Grants of equity approved by shareholders are excluded from counting towards the aggregate Board Fees, in accordance with the ASX Listing Rules.

Directors' Report
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3.4.2 FY21 NED Equity Grants

A description of the terms Non-executive Director (NED) equity grants for FY21 is described below:

Purpose	The purpose of NED equity grants in FY21 is to allow Non-executive Directors to exchange cash Board Fees for grants of equity in respect of FY21 remuneration.
Opportunity	NEDs may elect to receive up to 100% of their Board Fees excluding superannuation in lieu of cash payment.
Instrument	The FY21 NED Equity Plan grant is to be in the form of Restricted Rights.
Price and Exercise Price	The Price is nil, because it forms part of the remuneration of the participant, however grants are generally based on an agreement to forego cash Board Fees. The Exercise Price is nil.
Allocation method	The Rights are valued using the following method: Right Value = Share Price – (Dividends expected to be lost before first exercise date) The Number of Rights to be granted = Sacrificed$ ÷ Right Value Share Price = 3-month Volume Weighted Average Price during each quarter
Vesting Conditions, Exercise Restrictions	In order to ensure NED independence is not compromised, and to recognise that the instruments are an alternative to cash remuneration, the Rights are not subject to any vesting conditions. Rights may not be exercised within 90 days of the Grant Date.
Disposal Restriction	The Director Fee Restricted Rights may not be disposed of at any time, but can be exercised following vesting, up to the end of their Term. Shares acquired on exercise of vested Director Fee Restricted Rights ("Restricted Shares") will be subject to disposal restrictions until all of the following cease to restrict disposals: a) the Company's share trading policy, b) the Corporations Act insider trading provisions, and c) Specified Disposal Restriction of one (1) year from their date of issue.
Term and Lapse	Director Fee Restricted Rights will have a term of 15 years and if not exercised within the term the Rights will lapse. On exercise, each Director Fee Restricted Right will convert into one ordinary share.
Fraud, Gross Misconduct etc.	In the event that the Board forms the opinion that a Director has committed an act of fraud, defalcation or gross misconduct in relation to the Company, the Director will forfeit all unvested Director Fee Restricted Rights.

Directors' Report
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4. The Link Between Performance and Reward in FY21

4.1 FY21 STVR Outcomes

The STVR plan is designed to reward executives for the achievement against annual performance objectives set by the Board at the beginning of the performance period. The payment of an STVR is dependent on the delivery of performance against a range of outcome metrics. The performance metrics and outcomes of assessment against those metrics are summarised below:

Table 3

FY21 Business/Group Performance Scorecard Outcomes

Metric/Measure		Weighting	Outcome (% of Target)	Weighted Outcome (% of Target)
Health and Safety	Met all health and safety targets whilst undergoing the Carpentaria-1 fracture stimulation, drilling of Carpentaria-2H and EP187 seismic program.	5%	100%	5%
Social & Environment	Zero Reportable environmental incidents that had a detrimental environmental impact.	15%	100%	15%
NT Work Program	Completed the Carpentaria-1 fracture stimulation on time. Also conducted the 165km seismic program and obtained an Environment Management Plan that allows EEG to drill multiple wells from multiple pads. Drilling and successful casing of Carpentaria-2H achieved.	40%	110%	50%
Cost management & Funding coverage	Drilling, fracture stimulation and seismic programs completed within budget. Funds coverage over forecast activity met Board expectations	20%	100%	20%
Total Assets Under Management	Completed Pangaea merger	10%	100%	10%
Individual Performance	Continues to achieve high standards with respect to workplace culture and stakeholder engagement	10%	100%	10%
	Total	**100%**		**110%**

*Stretch partially achieved on NT work program by drilling Carpentaria-2H the longest horizontal well drilled in the Beetaloo on time and under budget.

Overall STVR outcomes for FY21 are determined through the Board's assessment of the Business and Individual Outcomes, as outlined below:

Table 4

Executive KMP	Opportunity as % of Fixed Pay		STVR Outcome as % of Target	Total STVR Awarded ($)	Cash ($)	Restricted Rights ($)	% Maximum STVR	
	Maximum STVR	Target STVR					Awarded %	Forfeited %
Mr Alex Underwood	60%	40%	110%	$171,600	$0	$171,600	73%	27%

4.2 Recent LTVR Outcomes

The LTVR that vested to executives in respect of the completed FY21 reporting period was granted in FY19, and may be summarised as follows (noting that the FY19 LTVR grant was issued under the same terms and conditions as the FY21 LTVR plan outlined in section 3.3):

Instrument

Performance Rights under the EEGLRP.

Measurement Period

CEO: 1 September 2018 – 31 August 2021 (3-year Measurement Period)*
COO: 1 January 2019 – 31 December 2021 (3-year Measurement Period)

*It should be noted that the Measurement Period was out of cycle with the EEG's financial year because of the timing of shareholder approval for the grant of Performance Rights to the Managing Director in that year.

Performance Metrics and Weightings

Tranche 1 (75% weight at Target) is to be subject to an Absolute Total Shareholder Return (ATSR) vesting condition. The vesting of such Performance Rights will be determined by comparing the Company's TSR over the Measurement Period according to the following vesting scale:

Table 2

Performance Level	Empire Energy's Absolute TSR (per annum)	% of Tranche Vesting
Stretch	≥ 40%	100%
Between Target and Stretch	> 25% & < 40%	Pro-rata
Target	**= 25%**	**50%**
Between Threshold and Target	> 10% & < 25%	Pro-rata
Threshold	= 10%	25%
Below Threshold	< 10%	0%

TSR is the sum of Share Price appreciation and dividends (assumed to be reinvested in Shares) during the Measurement Period. It is annualised for the purpose of the above vesting scale. The TSR of the Company over the Measurement Period will be calculated and converted to a compound annual growth rate (CAGR) value for the purpose of assessment against this scale. During periods of nil dividends being declared, TSR is equal to the change in Share Price.

	The Board is aware that some investors prefer relative TSR over absolute TSR due to the potential of impact of broad market windfall gains and losses. The Board has set the TSR objectives sufficiently high such that vesting would not be expected to occur in relation to broad market movements alone. Tranche 2 (25% weight at Target) is to be subject to the Board's determination of whether material value has been added to the Company's assets through delivering on the Company's strategy, including exploration results, increasing reserves, operating cash flow and production rates.
Gate	A 'Gate' of no major health, safety or environmental incidents occurring during the measurement period applies. A Gate is a performance hurdle that must be satisfied before any Performance Rights can vest.
Performance Outcome and Vesting Determination	The Board has assessed that the performance vesting conditions have been met, and as a result, 41% vesting applies in respect of the completed FY21 reporting period for the CEO that held unvested Performance Rights at the Vesting Date.
Board Discretions Applied	The Board did not apply any discretionary adjustments to the performance assessment or vesting.
Settlement	Rights are not exercised automatically upon vesting. The Rights are "Indeterminate Rights" which may be settled in the form of a share, or cash equivalent, upon valid exercise.

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Table 5

Role	Tranche	Weighting	No. Eligible To Vest In Reporting Period for FY21 performance	Target Performance	Actual Outcome	% of Tranche Vested	Number Vested	Grant Date Valuation	$ Value of LTVR that Vested (as per Grant Date Valuation)	Realisable Value (Number x Vesting Date SP net of Exercise Price)
Managing Director	Absolute TSR	75%	2,700,000	25% TSR p.a.	19.3% TSR p.a.	44%	1,188,000	14-Jun-19	$21,384	$332,640
	Milestones	25%	450,000	Board Discretion	Board Discretion	25%	112,500	14-Jun-19	$10,125	$31,500
Chief Operating Officer	Absolute TSR	75%	298,379	25% TSR p.a.	37.8% TSR p.a.	93%	276,275	30-Dec-19	$36,629	$93,934
	Milestones	25%	63,938	Board Discretion	N/A	0%	0	31-Dec-19	$0	$0
			3,512,317				**1,576,775**		**$68,138**	**$458,074**

Achieved Total Remuneration Package for FY21

The following outlines "Achieved" (what became payable, awarded or vested in respect of FY21 performance completed) total remuneration, including the portions of maximum variable remuneration that were awarded or vested, and portions that were forfeited or lapsed as the result of performance assessments that were completed as at the completion of

FY21: *Table 6*

Name	Role(s)	Year	Fixed Package (incl Super)	Total STVR Awarded Following Completion of the Financial Year (cash)*	Total STVR Awarded Following Completion of the Financial Year (equity-settled)	Value of LTVR that Vested Following Completion of the Measurement Period**	Total Remuneration Package (TRP	Gains/Losses on Vested LTVR from Change in Value During Vesting Period***
Mr Alex Underwood	Managing Director	2021	$390,000	$0	$171,600	$31,509	$593,109	$332,631
	Managing Director	2020	$390,000	$110,000	$110,000	$0	$610,000	N/A

** This is the value of the total STVR/bonus award calculated following the end of the Financial Year. The STVR will be paid in the form of Restricted Rights, subject to Shareholder Approval.*

*** This is the grant value of the LTVR/Equity that vested in respect of the FY21 performance i.e. the number that vested multiplied by the Black-Scholes value at grant.*

**** This is the difference between the Black-Scholes value at grant, and the realisable value based on the market value of a share at the time of vesting, for the LTVR that vested immediately following the end of the reporting period.*

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4.3 Use of Board Discretion

During the financial year and to the date of this report, the Board did not exercise any discretions available to it to modify STVR or LTVR outcomes, vesting or awards.

5 Statutory Tables and Supporting Disclosures

5.1 Executive KMP Statutory Remuneration for FY21

The following table outlines the statutory remuneration of executive KMP:

Table 7

			Fixed Pay				Variable Remuneration						
Name	**Roles**	**Year**	**Salary**	**Super**	**Other Benefits*****	**Total Fixed Pay**	**Cash STVR***	**Equity-Settled STVR***	**LTVR****	**Total Remuneration Package (TRP)**	**Variable Remuneration as % TRP**	**Termination Benefits**	**Change in Accrued Leave**
Current Executive KMP													
Mr Alex Underwood	Managing Director	2021	$369,469	$23,684	$24,577	$417,730	$110,000	$112,946	$49,766	$690,442	39%	$0	$26,947
	Managing Director	2020	$369,469	$23,684	$35,195	$428,348	$0	$232,500	$60,465	$721,313	41%	$0	$13,756
Former Executive KMP													
Mr David Evans	Chief Operating Officer	2021	$28,000	$7,577	$20,386	$55,963	$64,000	$0	$0	$119,963	53%	$84,000	($20,386)
	Chief Operating Officer	2020	$320,000	$21,004	$0	$341,004	$64,000	$0	$46,081	$451,085	24%	$0	$19,877

**Note that the STVR/bonus value reported in this table is the bonus that was paid during the reporting period, being the award earned during the previous period. Variable remuneration outcomes for the reporting period are outlined elsewhere in this report.*

****Note that the LTVR/Equity value reported in this table is the amortised accounting charge of all grants that have not lapsed or vested as at the start of the reporting period. Where a market based measure of performance is used such as TSR or share price, no adjustments can be made to reflect actual LTVR vesting.*

******Other benefits for Alex Underwood include items such as FBT and depreciation associated with motor vehicle running costs. $1500 per month is deducted from Alex Underwood's remuneration pre-tax to cover motor vehicle running costs including car parking, fuel, interest etc.*

**** Other benefits for David Evans include payout of annual leave.*

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5.2 Non-executive Director (NED) KMP Statutory Remuneration for FY21

The following table outlines the statutory and audited remuneration of NEDs ($, except where otherwise indicated):

Table 8

Name	Role(s)	Year	Board Fees	Committee Fees	Superannuation	Other Benefits	Equity Grant *	Termination Benefits	Total
Mr Paul Espie AO (a)	Non-Executive Chairman	2021	-	-	-	-	$74,236	-	$74,236
	Non-Executive Chairman	2020	-	-	-	-	$83,623	-	$83,623
Prof John Warburton (b)	Non-Executive Director	2021	$50,000	-	$4,875	-	$207,000	-	$261,875
	Non-Executive Director	2020	$50,000	-	$3,359	-	$186,000	-	$239,359
Mr Peter Cleary (c)	Non-Executive Director	2021	-	-	-	-	$56,391	-	$56,391
	Non-Executive Director	2020	-	-	-	-	$31,850	-	$31,850
Mr Louis Rozman	Non-Executive Director	2021	$40,205	-	$4,084	-	-	-	$44,289
	Non-Executive Director	2020	-	-	-	-	-	-	-
Mr Paul Fudge	Non-Executive Director	2021	$19,178	-	$1,912	-	-	-	$21,090
	Non-Executive Director	2020	-	-	-	-	-	-	-
Ms Jacqui Clarke	Alternate Director	2021	$19,178	-	$1,912	-	-	-	$21,090
	Non-Executive Director	2020	-	-	-	-	-	-	-
Mr John Gerahty (d)	Non-Executive Director	2021	$9,589	-	$911	-	-	-	$10,500
	Non-Executive Director	2020	$50,000	-	$3,558	-	-	-	$53,558

* Share based payments reflect a proportion of the independently valued cost of options granted under the Employee Share Option Plan ("ESOP"). The cost shown is a non-cash cost and includes, on a pro-rata basis, the independently valued cost of options issued using the Black Scholes methodology.

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(a) Paul Espie has elected to take his Director Fees in Restricted Rights in lieu of a cash payment. The $74,236 was approved at the 2021 AGM and relates to director fees from September 2020 to June 2021. The $83,623 was approved by the 2020 AGM and relates to director fees from September 2019 to June 2020.
(b)Prof Warburton was granted Service Rights during the period and were in connection with a Contract Services Agreement between Prof Warburton and the Company which were approved at the 2020 and 2021 AGMs. This Contract Services Agreement concluded on 31 December 2021.
(c) Peter Cleary has elected to take his Director Fees in Restricted Rights in lieu of a cash payment. The $24,540 and $31,850 was approved at the 2021 AGM and relates to director fees from June 2020 to June 2021.
(d) John Gerahty retired as Non-Executive Director on 11 March 2021.

5.3 KMP Equity Interests and Changes During FY21

Movements in equity interests held by executive KMP during the reporting period, including their related parties, are set out below:

Table 9

Name	Instrument	Number Held at Open FY21	Granted FY21		Forfeited during FY21	Vested during FY21	FY21 Exercised (or Shares received from Exercising)	FY21 Purchased / Other	FY21 Sold	Number Held at Close 2021
		Number	Date Granted	Number	Number	Number	Number	Number	Number	Number
Mr Alex Underwood	Shares	2,300,000	-	-	-	-	-	600,000	(500,000)	2,400,000
	Vested Rights	750,000	2/06/2021	327,381	-	2,300,500	-	-	-	3,377,881
	Unvested Rights	5,577,089	16/08/2021	1,015,625	(1,849,500)	(2,300,500)	-	-	-	2,442,714
	Options	600,000	-	-	-	-	(600,000)	-	-	-
Mr David Evans	Shares	-	-	-	-	-	-	-	-	-
	Vested Rights	-	-	-	-	276,275	-	-	-	276,275
	Unvested Rights	1,347,208	-	-	(86,042)	(276,275)	-	-	-	984,891
TOTALS		**10,574,297**	**-**	**1,343,006**	**(1,935,542)**	**-**	**(600,000)**	**600,000**	**(500,000)**	**9,481,761**

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Movements in equity interests held by non-executive KMP during the reporting period, including their related parties, are set out below:

Table 10

Name	Instrument	Number Held at Open FY21	Granted FY21		Forfeited during FY21	Vested during FY21	FY21 Exercised (or Shares received from Exercising)	FY21 Purchased /Other	FY21 Sold	Number Held at Close 2021
		Number	Date Granted	Number	Number	Number	Number	Number	Number	Number
Mr Paul Espie AO	Shares	5,225,000	-	-	-	-	-	3,501,271	-	8,726,271
	Vested Rights	269,753	2/06/2021 2/07/2021	219,304	-	-	-	-	-	489,057
	Unvested Rights	-	-	-	-	-	-	-	-	-
Prof John Warburton	Shares	354,633	-	-	-	-	-	100,000	-	454,633
	Vested Rights	600,000	2/06/2021	600,000	-	-	-	-	-	1,200,000
	Unvested Rights	-	-	-	-	-	-	-	-	-
Mr Peter Cleary	Shares	250,000	-	-	-	-	-	340,000	-	590,000
	Vested Rights	-	1/06/2021	166,202	-	-	-	-	-	166,202
	Unvested Rights	-	-	-	-	-	-	-	-	-
Mr Louis Rozman	Shares	-	-	-	-	-	-	167,000	-	167,000
	Vested Rights	-	-	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-	-	-
Mr Paul Fudge	Shares	-	-	-	-	-	-	119,894,868	-	119,894,868
	Unissued Shares	-	-	-	-	-	-	20,105,132	-	20,105,132
	Vested Rights	-	-	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-	-	-
Ms Jacqui Clarke	Shares	-	-	-	-	-	-	-	-	-
	Vested Rights	-	-	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-	-	-
Mr John Gerahty	Shares	17,807,500	-	-	-	-	-	-	-	17,807,500
	Vested Rights	-	-	-	-	-	-	-	-	-
	Unvested Rights	-	-	-	-	-	-	-	-	-
TOTALS		**24,506,886**	-	**985,506**	**-**	**-**	**-**	**144,108,271**	**-**	**169,600,663**

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The following outlines the accounting values and potential future costs of equity remuneration granted during FY21 for executive KMP:

Table 11

2021 Equity Grants Name	Tranche	Grant Type	Vesting Conditions	Grant Date	Total Value at Grant	Value Expensed in FY 21	Max Value to be Expensed in Future Years
Mr Alex Underwood	FY20 STVR Restricted Rights	STVR	n/a*	1/06/2021	$ 112,946	$ 112,946	$ -
	FY21 LTVR Performance Rights	LTVR	Absolute TSR	3/08/2021	$ 28,728	$ 4,897	$ 23,831
	FY21 LTVR Performance Rights	LTVR	Milestones	3/08/2021	$ 21,038	$3,586	$ 17,452

Note: the minimum value to be expensed in future years for each of the above grants made in FY21 is nil. A reversal of previous expense resulting in a negative expense in the future may occur in the event of an executive KMP departure or failure to meet non market-based conditions including failure for Gate to open.
**Pursuant to Section 300A (1)(d) of the Corporations Act, The FY20 STVR Restricted Rights are not subject to the satisfaction of a performance condition as the Restricted Rights have been used to settle short term awards already subject to performance conditions.*

The following outlines the accounting values and potential future costs of equity remuneration granted during FY21 for Non-executive KMP:

Table 12

2021 Equity Grants Name	Tranche	Grant Type	Vesting Conditions	Grant Date	Total Value at Grant	Value Expensed in FY 21	Max Value to be Expensed in Future Years
Mr Paul Espie AO	Restricted Rights	Fee Sacrifice	n/a*	1/06/2021	$ 56,014	$56,014	$ -
	Restricted Rights	Fee Sacrifice	n/a*	2/07/2021	$18,222	$18,222	$ -
Prof John Warburton	Service Rights	Service Contract	n/a**	1/06/2021	$207,000	$207,000	$ -
Mr Peter Cleary	Restricted Rights	Fee Sacrifice	n/a*	1/06/2021	$44,242	$44,242	$ -
	Restricted Rights	Fee Sacrifice	n/a*	2/07/2021	$12,148	$12,148	$ -

Note: the minimum value to be expensed in future years for each of the above grants made in FY21 is nil. A reversal of previous expense resulting in a negative expense in the future may occur in the event of a NED departure or failure to meet non market-based conditions.
**Pursuant to Section 300A (1)(d) of the Corporations Act, The Restricted Rights to Mr Paul Espie and Mr Peter Cleary are not subject to the satisfaction of a performance condition as the Restricted Rights have been granted in lieu of cash payments for the fulfilment of their roles as Non-Executive Directors.*
***Pursuant to Section 300A (1)(d) of the Corporations Act, The Service Rights to Prof John Warburton are not subject to the satisfaction of a performance condition as the Service Rights have been granted in relation to the provision of technical services by Prof Warburton (in lieu of a cash payment) under the terms of a Consultancy Contract with Empire Energy This consultancy contract concluded on 31 December 2021.*

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5.4 KMP Service Agreements

5.4.1 Executive KMP Service Agreements

The following outlines current executive KMP service agreements:

Table 13

Name	Position Held at Close of FY21	Employing Company	Duration of Contract	Period of Notice		Termination Payments*
				From Company	From KMP	
Mr Alex Underwood	Managing Director	Empire Energy Group Limited	Permanent	12 months	12 months	12 months of salary in lieu of notice

**Note: Under the Corporations Act the Termination Benefit Limit is 12 months average Salary (over prior 3 years) unless shareholder approval is obtained.*

5.4.2 Non-executive directors (NEDs) Service Agreements

The appointment of Non-executive Directors is subject to a letter of engagement. Under this approach NEDs are not eligible for any termination benefits following termination of their office, nor any payments other than those required under law such as in respect of superannuation. There are no notice periods applicable to either party under this approach.

Directors' Report
for the year ended 31 December 2021

5.5 Other Statutory Disclosures

5.5.1 External Remuneration Consultants

The Remuneration Committee may engage the assistance and advice of External Remuneration Consultants to provide information on remuneration related matters. During FY21 the Board retained Godfrey Remuneration Group Pty Ltd (GRG) as an External Remuneration Consultant to provide assistance on any remuneration related matters as they arise. During FY21, GRG provided the following services:

- Analysis and recommendations regarding executive remuneration in relation to the Managing Director and Direct Reports - $15,000 + GST

GRG has also provided assistance with the drafting of the FY21 Remuneration Report the fees for which will be included in the FY22 Remuneration Report.

An agreed set of protocols has been put in place in prior years to ensure that the remuneration recommendations are free from undue influence from key management personnel. These protocols include requiring that the consultant not communicate with affected key management personnel without a member of the Remuneration Committee being present or without the authorisation of the Chairman of the Remuneration Committee, and that the consultant not provide any information relating to the outcome of the engagement with the affected key management personnel. The Board is also required to make inquiries of the consultants' processes at the conclusion of the engagement to ensure that they are satisfied that any recommendations made have been free from undue influence. The Board is satisfied that these protocols were followed and that there was no undue influence.

5.5.2 Loans to KMP and their related parties

During the financial year and to the date of this report, the Company made no loans to directors and other KMP and none were outstanding as at 31 December 2021 (2020: Nil).

5.5.3 Other transactions with KMP

Certain directors and KMP, or their personally-related entities (Related Parties), hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. A number of these entities transacted with the Company in the FY21 reporting periods. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with unrelated entities on an arms-length basis.

The following transactions occurred with entities controlled by Related Parties:

Related Party	Related Entity	Transactions
Prof John Warburton	Non-Executive Director	Service Rights granted to Prof Warburton during the period in connection with a Contract Services Agreement between Prof Warburton and the Company and were approved at the 2021 AGM
Paul Espie	Non-Executive Director	Payment for marketing services to Menzies Research Centre Limited (director-related entity of Chairman Paul Espie)

End of Audited Remuneration Report

Directors' Report
for the year ended 31 December 2021

SHARE OPTIONS

Movements

Cancelled

No options were cancelled during the financial year or in the period since the end of the financial year and up to the date of this report.

Grant of Options

The following options were granted during the financial year:

Number		Exercise Price A$	Expiry Date
8,000,000	Unlisted options	$0.70	31 August 2024
1,696,970	Unlisted options	$0.70	31 August 2024

8,000,000 unlisted options exercisable at $0.70 were issued to Pangaea (NT) Pty Ltd as part of the total consideration for the Pangaea/EMG tenement acquisition.

1,696,970 unlisted options exercisable at $0.70 were issued to EMG Northern Territory Holdings Pty Ltd as part of the total consideration for the Pangaea / EMG tenement acquisition.

Exercise of Options

A total of 13,800,000 unlisted options were exercised during the financial year or in the period since the end of the financial year and up to the date of this report.

Expiry of Options

The following options expired during the financial year or in the period since the end of the financial year and up to the date of this report:

Number		Exercise Price A$	Expiry Date
100,000	Unlisted options	$0.30	31 December 2021

At the date of this report the total number of unissued shares held under option was 14,196,970. These options are exercisable on the following terms:

Number		Exercise Price A$	Expiry Date
1,700,000	Unlisted options	$0.30	30 December 2022
2,800,000	Unlisted options	$0.60	30 December 2022
8,000,000	Unlisted options	$0.70	31 August 2024
1,696,970	Unlisted options	$0.70	31 August 2024
14,196,970			

Directors' Report
for the year ended 31 December 2021

PERFORMANCE RIGHTS

1) During the 2013 financial year the Company issued 2,500,000 Performance Rights (pre-consolidation) over fully paid ordinary shares in the Company as part consideration for the buyback of the minority interest equity holder in Empire Energy USA LLC. The minority interest holder also received 400,000 (on a post-consolidation bias) fully paid ordinary shares in the issued capital of Empire Energy Group Limited. The Performance Rights are exercisable at no cost under the following events:

- Lifting of the current moratorium on oil and/or natural gas fracking in New York State;
- If the Company sells, transfers or assigns all or substantially all of its property interests in Chautauqua and Cattaraugus Counties in the State of New York to an unaffiliated third party then the performance rights will vest in accordance with the following schedule:

Fair Market Value of Consideration Received by the Company	Performance rights exercisable
Less than $25.0 million	0.0%
At least $25.0 million but less than $45.0 million	Percentage calculated by dividing Fair Market Value of Consideration received by the Company by $45.0 million.
$45.0 million or more	100.0%

- If the holder of the Performance Rights in any way disposes of more than 75% of the 4 million ordinary shares assigned as part of the minority interest buy back transaction prior to either the moratorium being terminated or a third party sale being consummated then the performance rights will be cancelled.
- The holder of the Performance Rights is an associated entity of a former senior executive of the Company's US subsidiaries, Mr Allen Boyer.
- At the Company's Annual General Meeting conducted on 30 May 2019, Shareholders approved the consolidation of the Company's equity on a 1 for 10 basis. The effect of the Share Consolidation during the period reduced the 2,500,000 Performance Rights to 250,000 Performance Rights.

2) During the 2020 financial year, the Company issued 3,913,960 Performance Rights to the Managing Director and senior executives under the terms of the Company's Rights Plan and was approved by Shareholders on 14 July 2020.

3) During the 2021 financial year, the Company issued 1,015,625 Performance Rights to the Managing Director and senior executives under the terms of the Company's Rights Plan and was approved by Shareholders on 3 August 2021.

SERVICE RIGHTS

During the 2021 financial year the Company issued 600,000 Service Rights to Prof John Warburton under the terms of the Company's Rights Plan approved by Shareholders on 27 May 2021.

RESTRICTED RIGHTS

During the 2021 financial year the Company issued 2,212,707 Restricted Rights to the Chairman, Mr Peter Cleary, Managing Director and senior executives under the terms of the Company's Rights Plan approved by Shareholders on 27 May 2021.

Directors' Report
for the year ended 31 December 2021

DIRECTORS' AND OFFICERS' INDEMNITIES AND INSURANCE

During the 2021 financial year Empire Energy Group Limited paid an insurance premium, insuring the Company's Directors (as named in this report), Company Secretary, executive officers and employees against liabilities not prohibited from insurance by the *Corporations Act 2001*.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

Proceedings on Behalf of the Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Environmental Regulations

There are environmental regulations surrounding oil and gas activities which have been conducted by the Empire Group. There has been no material breach of these regulations during the financial period or since the end of the financial period and up to the date of this report.

Declaration by the Managing Director and Chief Financial Controller

The Directors have received and considered declarations from the Managing Director and Chief Financial Controller in accordance with Section 295A of the Corporations Act. The declaration states that in their opinion the Company's and Consolidated Entity's financial reports for the financial year ended 31 December 2021 present a true and fair view in all material aspects of the financial position and performance and are in accordance with relevant accounting standards.

Non-Audit Services

The Directors are satisfied that the provision of non-audit services during the period by the auditor (or by another person or firm on the auditors' behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Details of amounts paid or payable to the auditor for non-audit services are outlined in Note 33 to the financial statements.

The audit firm is engaged to provide tax compliance services. The Directors believe that given the size of the Empire Group's operations and the knowledge of those operations by the audit firm that it is appropriate for the auditor to provide these services. The Directors are of the opinion that these services will not compromise the auditor's independence requirements of the *Corporations Act 2001*.

Directors' Report
for the year ended 31 December 2021

Auditors' 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 52 and forms part of the Director's Report for the financial year ended 31 December 2021.

Auditor

Nexia Sydney Audit 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.

Alex Underwood
Managing Director
Sydney 31 March 2022

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To the Board of Directors of
Empire Energy Group Limited
Level 19, 20 Bond St,
SYDNEY NSW 2000

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

As lead audit director for the audit of the financial statements of Empire Energy Group Limited for the financial year ended 31 December 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 audit; and

(b) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Nexia

Nexia Sydney Audit Pty Ltd

Joseph Santangelo
Director
Date: 31 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2021

	Note	Year ended December 2021 A$	Year ended December 2020 A$
Sales Revenue	5a	8,502,389	6,464,202
Cost of Sales	6	(5,005,174)	(5,266,429)
Gross Profit		3,497,215	1,197,773
Other income	5b	1,605,667	1,038,608
General and administration expenses	8a	(6,569,465)	(5,308,876)
Exploration expenses		(1,770,955)	(253,947)
Other non-cash expenses	8b	(4,882,798)	(3,403,196)
Asset acquisition completion costs		(2,146,971)	-
Operating Loss before interest costs		(10,267,307)	(6,729,638)
Net interest expense	7	(567,563)	(754,995)
Loss before income tax from continuing operations		(10,834,870)	(7,484,633)
Income tax expense	9a	(212,739)	(199,822)
Loss after income tax from continuing operations		(11,047,609)	(7,684,455)
Loss after income tax expense for the year		(11,047,609)	(7,684,455)
Other comprehensive income/(loss)			
Items that may subsequently be reclassified to profit and loss:			
Exchange differences on translation of foreign operations		124,582	(258,669)
Other comprehensive income/(loss) for the year, net of tax		124,582	(258,669)
Total comprehensive loss for the year		(10,923,027)	(7,943,124)
		Cents per share	**Cents per share**
Earnings per share for loss attributable to the owners of Empire Energy Group Limited			
Basic earnings per share	30	(2.41)	(2.73)
Diluted earnings per share	30	(2.41)	(2.73)

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 31 December 2021

	Note	As at December 2021 A$	As at December 2020 A$
CURRENT ASSETS			
Cash and cash equivalents		25,649,699	14,145,866
Trade and other receivables	10	5,359,851	2,536,059
Prepayments	11	267,624	619,469
Inventories	12	44,604	39,717
Financial assets, including derivatives	13	244,171	482,240
TOTAL CURRENT ASSETS		31,565,949	17,823,351
NON-CURRENT ASSETS			
Financial assets, including derivatives	13	106,360	493,664
Oil and gas properties	14	34,899,982	29,266,292
Property, plant and equipment	14	553,413	566,797
Exploration and evaluation assets	15	90,849,806	17,175,322
Intangible assets	16	94,015	88,571
Right-of-use assets	19	752,993	1,149,087
TOTAL NON-CURRENT ASSETS		127,256,569	48,739,733
TOTAL ASSETS		158,822,518	66,563,084
CURRENT LIABILITIES			
Trade and other payables	17	11,568,698	5,969,972
Interest-bearing liabilities	18	8,027,261	7,823,606
Lease liabilities	19	439,926	311,233
Provisions	20	213,482	150,608
TOTAL CURRENT LIABILITIES		20,249,367	14,255,419
NON-CURRENT LIABILITIES			
Lease liabilities	19	389,341	972,287
Provisions	20	28,863,656	21,099,654
TOTAL NON-CURRENT LIABILITIES		29,252,997	22,071,941
TOTAL LIABILITIES		49,502,364	36,327,360
NET ASSETS		109,320,154	30,235,724
EQUITY			
Contributed equity	21	220,905,029	139,060,493
Contributed equity – unissued	21	5,629,437	-
Reserves		9,520,152	6,862,086
Accumulated losses		(126,734,464)	(115,686,855)
TOTAL SHAREHOLDERS' EQUITY		109,320,154	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 year ended 31 December 2021

Consolidated	Issued Capital	Unissued shares	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 income for year							
Loss after income tax	-	-	-	-	-	(11,047,609)	(11,047,609)
Exchange differences on translation of foreign operations	-	-	-	124,582	-	-	124,582
Total comprehensive income for the year	**-**	**-**	**-**	**124,582**	**-**	**(11,047,609)**	**(10,923,027)**
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	83,702,870	5,629,437	-	-	-	-	89,332,307
Less: share issue transaction costs	(1,858,334)	-	-	-	-	-	(1,858,334)
Options/rights issued during the year – share-based payments	-	-	-	-	2,533,484	-	2,533,484
Total transactions with owners	**81,844,536**	**5,629,437**	**-**	**-**	**2,533,484**	**-**	**90,007,457**
Balance at 31 December 2021	**220,905,029**	**5,629,437**	**180,499**	**(514,095)**	**9,853,748**	**(126,734,464)**	**109,320,154**

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 year ended 31 December 2020

Consolidated	Issued Capital	Unissued Shares	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 income for year							
Loss after income tax	-	-	-	-	-	(7,684,455)	(7,684,455)
Exchange differences on translation of foreign operations	-	-	-	(258,669)	-	-	(258,669)
Total comprehensive income for the year	**-**	**-**	**-**	**(258,669)**	**-**	**(7,684,455)**	**(7,943,124)**
Transactions with owners, recorded directly in equity							
Issue of ordinary shares	18,272,877	-	-	-	-	-	18,272,877
Less: share issue transaction costs	(632,678)	-	-	-	-	-	(632,678)
Options/rights issued during the year – share-based payments	-	-	-	-	1,033,532	-	1,033,532
Warrants lapsed in period, transferred to issue capital	-	-	-	-	-	-	-
Total transactions with owners	**17,640,199**	**-**	**-**	**-**	**1,033,532**	**-**	**18,673,731**
Balance at 31 December 2020	**139,060,493**	**-**	**180,499**	**(638,677)**	**7,320,264**	**(115,686,855)**	**30,235,724**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December 2021

	Note	Year ended 31 December 2021 A$	Year ended 31 December 2020 A$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		8,140,099	7,851,651
Payments to suppliers and employees		(15,183,614)	(9,821,260)
Interest received		13,322	-
Interest paid		(580,885)	(754,995)
Income taxes paid		(212,739)	(199,822)
R&D tax incentive received		5,363,923	-
Net cash flows used in operating activities	29(b)	(2,459,894)	(2,924,426)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of oil and gas assets		-	184
Payments for oil and gas assets		(12,965,477)	(12,841,410)
Payments for property, plant and equipment		(249,779)	-
Payments for acquisition of exploration assets		(9,680,824)	-
Payments for acquisition of assets completion costs		(1,546,991)	-
Net cash flows used in investing activities		(24,443,071)	(12,841,226)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuing of shares		41,217,154	18,272,877
Repayment of interest-bearing liabilities		(456,750)	(1,414,314)
Finance lease payments		(360,566)	(430,986)
Share Issue transaction costs		(1,858,333)	(632,678)
Net cash flows from financing activities		38,541,505	15,794,899
Net increase in cash and cash equivalents		11,638,540	29,247
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		(134,707)	11,016
CASH AND CASH EQUIVALENTS AT THE END OF FINANCIAL YEAR	29(a)	25,649,699	14,145,866

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES

Corporate information

The financial report covers Empire Energy Group Limited and its controlled entities ("Empire Group") consisting of Empire Energy Group Limited and the entities it controlled at the end of and during the year. The parent entity of the Empire Group is incorporated and domiciled in Australia with its core operations in the Northern Territory.

The principal activities of the Empire Group during the financial year are described in the Directors' Report.

The financial report of the Empire Group for the year ended 31 December 2021 was authorised for issue in accordance with a resolution of Directors on 31 March 2022.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss, financial assets at fair value through other comprehensive income, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Empire Energy Group Limited ('company' or 'parent entity') as at 31 December 2021 and the results of all subsidiaries for the year then ended. Empire Energy Group Limited and its subsidiaries together are referred to in these financial statements as the 'Empire Group'.

Subsidiaries are all those entities over which the Empire Group has control. The Empire Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Empire Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Empire Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Empire Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Empire Group.

Losses incurred by the Empire Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Empire Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Empire Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Operating segments

The financial statements are presented in Australian dollars, which is Empire Energy Group Limited's functional and presentation currency.

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign Currency Translations

The financial statements are presented in Australian dollars, which is Empire Energy Group Limited's functional and presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition

Natural gas revenue

Revenue from the sale of natural gas is recognised when natural gas has been delivered to a custody transfer point, contracts exist with customers, control of the assets passes to the purchaser upon delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable. Natural gas is sold by the Empire Group under contracts with terms ranging from one month up to the life of the well.

Virtually all of the Empire Group contracts' pricing provisions are tied to a market index with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of natural gas and prevailing supply and demand conditions, so that the price of the natural gas fluctuates to remain competitive with other available natural gas suppliers.

Because there are timing differences between the delivery of natural gas and the Empire Group's receipt of a delivery statement, the Empire Group has unbilled revenues. These revenues are accrued based upon volumetric data from the Empire Group's records and the Empire Group's estimates of the related transportation and compression fees, which are, in turn, based upon applicable product prices.

Oil revenue

Revenue from the sale of oil is recognised when control of the asset has been transferred to the buyer and can be measured reliably, which is usually at the time of lifting, transferred into a vessel, pipe or other delivery mechanism.

There are no elements at variable consideration in contracts with customers and prices are determined based on prevailing market sales price data.

Well operations

Well operations and pipeline income are recognised when persuasive evidence of an arrangement exists, services have been rendered, collection of revenues is reasonably assured and the sales price is fixed or determinable. The Empire Group is paid a monthly operating fee for each well it operates for outside owners.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

The fee covers monthly operating and accounting costs, insurance and other recurring costs. The Empire Group might also receive additional compensation for special nonrecurring activities, such as reworks and recompletions.

Finance income

Finance income comprises interest income on funds invested as well as fair value gains on oil and gas derivatives the group is party to. Interest income is recognised as it accrues, using the effective interest method.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants related to assets, including non-monetary grants at fair value, are presented in the statement of financial position by deducting the grant in arriving at the carrying amount of the asset.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Empire Group's consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Empire Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables, which generally have 30 to 90 day terms, are recognised and carried at original invoice amount less an allowance for any expected credit loss.

An estimate of expected credit is loss is made based on historic data on collectability and consideration of the credit worthiness of customers. Bad debts are written-off when identified.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories consists of crude oil, stated at the lower of cost to produce or market and other production supplies intended to be used in natural gas and crude oil operations.

Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is delighted as a hedging instrument, and if so, the nature of the item being hedged.

Cash flow hedges

Cash flow hedges are used to cover the Empire Group's exposure to price volatility that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Oil and gas properties

Oil and gas properties are stated at cost, less accumulated depreciation and accumulated impairment losses.

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting for gas producing activities. Costs to acquire mineral interests in gas properties, drill and equip exploratory wells that find proved reserves, and drill and equip development wells and related asset retirement costs are capitalised. Depletion is based on cost less estimated salvage value using the unit-of-production method. The process of estimating and evaluating gas reserves is complex, requiring significant decisions in the evaluation of geological, geophysical, engineering and economic data. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Empire Group, the expenditure is capitalised. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. The capitalised value of a finance lease is also included within property, plant and equipment. Plant and equipment are depreciated over their estimated useful lives using the straight line method as follows:

Plant and equipment: 10-20%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets are depreciated from the date of acquisition. Profits and losses on sales of property, plant and equipment are taken into account in determining the results for the year.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Exploration assets

Mineral exploration and evaluation expenditure is written off as incurred or accumulated in respect of each identifiable area of interest and capitalised. These costs are carried forward only if they relate to an area of interest for which rights of tenure are current and in respect of which:
- such costs are expected to be recouped through the successful development and exploitation of the area of interest, or alternatively by its sale; or
- exploration and/or evaluation activities in the area have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active or significant operations in, or in relation to, the area of interest are continuing.

In the event that an area of interest is abandoned or if the Directors consider the expenditure to be of reduced value, accumulated costs carried forward are written off during the period in which that assessment is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Immediate restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are expensed as incurred and treated as exploration and evaluation expenditure. Exploration activities resulting in future obligations in respect of restoration costs result in a provision to be made by capitalising the estimated costs, on a discounted cash basis, of restoration and depreciating over the useful life of the asset.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Intangible Assets

Intangible assets consist of goodwill. Goodwill is tested for impairment annually under AASB 136.

Interest-bearing liabilities

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Empire Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions – Employee Benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset Retirement Obligations

Asset retirement obligations are recognised when the Empire Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The present value of the estimated asset retirement costs is capitalised as part of the carrying amount oil and gas properties. For the Empire Group, asset retirement obligations primarily relate to the plugging and abandonment of oil and gas-producing facilities.

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. The liability is discounted using a discount rate that reflects market conditions as at reporting date. Revisions to the liability could occur due to changes in estimates of plugging and abandonment costs, remaining lives of the wells, if regulations enact new plugging and abandonment requirements, or there is a change in the market-based discount rate.

Changes in the estimated timing of decommissioning or decommissions cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to oil and gas properties. The unwinding of the discount of the asset retirement obligation is recognised as a finance cost.

Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

Empire Energy Group and its wholly-owned Australian resident entities form a tax-consolidated Empire Group. As a consequence, all members of the tax-consolidated Empire Group have been taxed as a single entity since 1 July 2003. The head entity within the tax-consolidated Empire Group is Empire Energy Group Limited.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated Empire Group are recognised in the separate financial statements of the members of the tax-consolidated Empire Group using the 'separate taxpayer within Empire Group' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated Empire Group and are recognised by the Empire Group

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

as amounts payable/(receivable) to/from other entities in the tax-consolidated Empire Group in conjunction with any tax funding arrangement amounts (refer below). Any difference between these amounts is recognised by the Empire Group as an equity contribution or distribution.

The Empire Group recognises deferred tax assets arising from unused tax losses of the tax consolidated Empire Group to the extent that it is probable that future taxable profits of the tax consolidated Empire Group will be available against which the asset can be utilised.

Any subsequent period adjustments to deferred tax assets arising from unused tax losses as a result of revised assessments of the probability of recoverability is recognised by the head entity only.

Nature of tax funding arrangements and tax sharing arrangements

The head entity, in conjunction with other members of the tax-consolidated Empire Group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated Empire Group in respect of tax amounts.

The tax funding arrangements require payments to/from the head entity equal to the current tax liability/(asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable/(payable) equal in amount to the tax liability/(asset) assumed. The inter-entity receivables/(payables) are at call. Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated Empire Group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Consolidated Statement of Financial Position.

Cash flows are included in the statement of cash lows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

1. SIGNIFICANT ACCOUNTING POLICIES (continued)

Asset acquisition costs

All costs incurred up until the date ownership of the assets acquired transferred to the Empire Group have been recognised as expenses in Statement of Profit/Loss & Other Comprehensive Income. Any costs incurred thereafter has been capitalised in accordance with exploration and evaluation assets.

Earnings per share

Earnings per share is calculated by dividing the profit attributable to the owners of Empire Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Empire Group for the annual reporting period ended 31 December 2021. The Empire Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

2. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements are described in the following notes:

- Note 9 – Income tax
- Note 14 – Oil and gas properties
- Note 20 – Provisions for liabilities and charges
- Note 26 – Share based payments

Judgments

In the process of applying the Empire Group's accounting policies, the Directors have made the following judgments at apart from those involving estimates, which may have the most significant effect on the amounts recognised in the consolidated financial statements:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Reserves base

Estimates of recoverable quantities of proven, probable and possible reserves reported include judgmental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex and difficult geological and geophysical models in order to make assessment of the size, shape, depth and quality of reservoirs, and their anticipated recoveries. The economic, geological and technical factors used to estimate may change from period to period.

Changes in reported reserves can impact asset carrying values and the recognition of deferred tax assets due to changes in expected future cash flows. Reserves are integral to the amount of amortisation charged to the income statement. Future development costs are estimated using assumptions as to the number of wells required to produce the commercial reserves, the cost of such wells and associated production and other capital costs. The current gas price curves are used for price assumptions. The Empire Group uses suitably qualified persons to prepare annual evaluation of proven hydrocarbon reserves, compliant with US professional standards for petroleum engineers.

Carrying value of oil and gas assets

Oil and gas properties are depreciated using the units-of-production (UOP) method over proved developed and undeveloped reserves.

The calculation of the UOP rate of depreciation, depletion and amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves.

This would generally result from significant changes in any of the factors or assumptions used in estimating reserves. Estimates of gas reserve quantities provide the basis for calculation of depletion, depreciation and amortisation and impairment, each of which represents a significant component of the consolidated financial statements.

These factors could include changes in proved reserves, the effect on proved reserves of differences between actual commodity prices and commodity price assumptions, and unforeseen operational issues.

Impairment indicators

The fair value of oil and gas properties is determined with reference to estimates of recoverable quantities of reserves (as outlined above) to determine the estimated future cash flows. An impairment loss is recognised for the amount by which the asset or Empire Group of assets carrying value exceeds the present value of its future cash flows.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units).

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and its value-in-use, using an asset's estimated future cash flows (as described below) discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

2. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Impairment of oil and gas assets

For oil and gas assets, the expected future cash flow estimation is based on a number of factors, variables and assumptions, the most important of which are estimates of reserves, future production profiles, commodity prices, costs and foreign exchange rates. In most cases, the present value of future cash flows is most sensitive to estimates of future oil price and discount rates.

The estimated future cash flows for the value-in-use calculation are based on estimates, the most significant of which are hydrocarbon reserves, future production profiles, commodity prices, operating costs and any future development costs necessary to produce the reserves.

Estimates of future commodity prices are based on the Group's best estimate of future market prices with reference to external market analysts' forecasts, current spot prices and forward curves. Future commodity prices are reviewed at least annually.

The discount rates applied to the future forecast cash flows are based on the Group's weighted average cost of capital, adjusted for risks where appropriate, including functional currency of the asset, and risk profile of the country in which the asset operates.

In the event that future circumstances vary from these assumptions, the recoverable amount of the Group's oil and gas assets could change materially and result in impairment losses or the reversal of previous impairment losses.

Due to the interrelated nature of the assumptions, movements in any one variable can have an indirect impact on others and individual variables rarely change in isolation. Additionally, management can be expected to respond to some movements, to mitigate downsides and take advantage of upsides, as circumstances allow.

Consequently, it is impracticable to estimate the indirect impact that a change in one assumption has on other variables and hence, on the likelihood, or extent, of impairments or reversals of impairments under the different sets of assumptions in subsequent reporting periods.

Asset retirement obligations

Asset retirement costs will be incurred by the Empire Group at the end of the operating life of some of Empire Group's facilities and properties. The ultimate asset retirement costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites.

The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

Share-based payments

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

3. CORONAVIRUS (COVID-19) PANDEMIC

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Empire Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Empire Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Empire Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Empire Group's principal financial instruments, other than derivatives comprise bank loans, financial assets, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Empire Group's operations. The Empire Group has various other financial assets and liabilities such as trade receivables and payables, which arise from its operations. The Empire Group also enters derivative transactions, principally commodity hedges.

The Board has overall responsibility for the determination of the Empire Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Empire Group's finance function.

The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Empire Group's competitiveness and flexibility.

The Empire Group is exposed to risks that arise from its use of financial instruments. The main risks arising from the Empire Group's financial instruments are interest rate risk, commodity price risk, liquidity risk, equity risk and credit risk. This note describes the Empire Group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Empire Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Further details regarding these policies are set out below:

(A) MARKET RISK

(i) Foreign Exchange Risk

The Empire Group's core operations are located in Australia where the main expenditures are recorded. The Statement of Financial Position can be affected by movement in the A$/US$ exchange rates upon translation of the US operations into the A$ presentation currency.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign exchange risk arises from commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The Empire Group seeks to mitigate the effect of its foreign currency exposure by borrowing in US$ for US operations and maintaining a minimum cash balance in Australia. Excluding presentation translation adjustments, the Empire Group's exposure to foreign exchange risk at the reporting date is limited to loans and investments between the Parent entity and the US subsidiaries.

(ii) Commodity Price Risk

The Empire Group's revenues and cash flows are exposed to commodity price fluctuations, in particular oil and gas prices. The Empire Group enters option and forward commodity hedges to manage its exposure to falling spot oil and gas prices.

To mitigate a portion of the exposure to adverse market changes, the Empire Group's commodity hedging programs utilise financial instruments based on regional benchmarks including NYMEX Henry Hub Natural Gas.

The Empire Group enters into derivative instruments for the Empire Group's production to protect against price declines in future periods while retaining some of the benefits of price increases. While these derivatives are structured to reduce exposure to changes in price associated with the derivative commodity, they also limit benefits the Empire Group might otherwise have received from price changes in the physical market. The Empire Group believes the derivative instruments in place continue to be effective in achieving the risk management objectives for which they were intended.

(iii) Interest Rate Risk

The Empire Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. The Empire Group's exposure to interest rate risk at 31 December 2021 is set out in the following tables.

The Empire Group's exposure to the risk of changes in market interest rates relates primarily to the Empire Group's long-term debt obligations with a floating interest rate in the US.

The Empire Group's policy is to continually review the portion of its borrowings that are either at floating or fixed rates of interest. To manage this mix in a cost-efficient manner, the Empire Group previously entered into interest rate swaps, in which Empire agrees to exchange, at specified intervals, the difference between fixed and variable interest rate amounts calculated by reference to an agreed upon notional principal amount. These swaps were designated to hedge underlying debt obligations. There are no interest rate swaps at 31 December 2021.

The Empire Group monitors forecasts and actual cash flows and the maturity profiles of financial assets and liabilities to manage its liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

	%	Floating Interest Rate	Fixed Interest Maturing in 1 Year or Less	Fixed Interest Maturing in Over 1 to 5 Years	Non-Interest Bearing	Total
31 December 2021						
Financial Assets						
Cash and cash equivalents	0.05	25,649,699	-	-	-	25,649,699
Trade and other receivables		-	-	-	5,359,851	5,359,851
Financial assets		-	-	-	350,531	350,531
		25,649,699	-	-	5,710,382	31,360,081
Financial Liabilities						
Trade & other payables		-	-	-	11,568,698	11,568,698
Interest-bearing liabilities	6.59	-	8,027,261	-	-	8,027,261
		-	8,027,261	-	11,568,698	19,595,959

	%	Floating Interest Rate	Fixed Interest Maturing in 1 Year or Less	Fixed Interest Maturing in Over 1 to 5 Years	Non-Interest Bearing	Total
31 December 2020						
Financial Assets						
Cash and cash equivalents	0.10	14,145,866	-	-	-	14,145,866
Trade and other receivables		-	-	-	2,536,059	2,536,059
Financial assets		-	-	-	975,904	975,904
		14,145,866	-	-	3,511,963	17,657,829
Financial Liabilities						
Trade & other payables		-	-	-	5,969,972	5,969,972
Interest-bearing liabilities	6.65	-	7,823,606	-	-	7,823,606
		-	7,823,606	-	5,969,972	13,793,578

(iv) Empire Group Sensitivity

Based on the financial instruments held at 31 December 2021, had Henry Hub index prices increased/decreased by 10% and 10% respectively, with all other variables held constant, the Empire Group's post-tax profit for the year would not materially change due to the extent of effective hedging of oil and gas production. Equity would not have materially changed under either scenario.

Should interest rates increase by 1% the impact on post-tax profit would be a decrease of approximately $80,000.

(B) CREDIT RISK

Credit risk is the risk that the other party to the financial instrument will fail to discharge their financial obligation in respect of that instrument resulting in the Empire Group incurring a financial loss. The Empire Group's exposure to credit risk arises from potential default of the counter party with the maximum exposure equal to the carrying amount of these instruments. There are no significant concentrations of credit risk within the Empire Group.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Empire Group trades only with recognised, credit worthy third parties. In the US, trade receivables, (balances with oil and gas purchases) have not exposed the Empire Group to any bad debt to date. All derivatives are with the same counterparty.

In the US, all of the purchasers that the Empire Group's operators choose to deal with are oil or gas companies and local utilities.

Trade and other receivable balances are monitored on an ongoing basis with the Empire Group's exposure to bad debts minimal.

The maximum exposure to credit risk at balance date is as follows:

	2021 $	2020 $
Trade, other receivables, and derivatives	5,710,382	3,511,963

The maximum exposure to credit risk at balance by country is as follows:

	2021 $	2020 $
Australia	1,483,512	605,300
United States of America	4,226,870	2,906,663

(C) LIQUIDITY RISK

Liquidity risk is the inability to access funds, both anticipated and unforeseen, which may lead to the Empire Group being unable to meet its obligations in an orderly manner as they arise.

The Empire Group's liquidity position is managed to ensure sufficient funds are available to meet financial commitments in a timely and cost-effective manner. The Empire Group is primarily funded through on-going cash flow, debt funding and equity capital raisings, as and when required.

Funding is in place with reputable financial institutions in the US and Australia. Bank compliance reporting is undertaken quarterly and adherence to covenants checked regularly. Management also regularly monitors actual and forecast cash flows to manage liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Maturity Analysis	Fair Value $	Carrying Amount $	Contractual Cash flows $	1 year $	1-5 years $
31 December 2021					
Non Derivatives					
Current					
Trade and other payables	11,568,698	11,568,698	11,568,698	11,568,698	-
Interest bearing liabilities	8,027,261	8,027,261	8,062,307	8,027,261	-
Non-current					
Interest bearing liabilities	-	-	-	-	-
Derivatives					
Financial asset	(350,531)	(350,531)	(350,531)	(244,171)	(106,360)
Financial liability	-	-	-	-	-

Maturity Analysis	Fair Value $	Carrying Amount $	Contractual Cash flows $	1 year $	1-5 years $
31 December 2020					
Non Derivatives					
Current					
Trade and other payables	5,969,972	5,969,972	5,969,972	5,969,972	-
Interest bearing liabilities	7,823,606	7,823,606	8,488,055	714,120	7,773,935
Non-current					
Interest bearing liabilities	-	-	-	-	-
Derivatives					
Financial asset	(975,904)	(975,904)	(975,904)	(482,240)	(493,664)
Financial liability	-	-	-	-	-

(D) EQUITY RISK

The Empire Group relies on equity markets to raise capital for its exploration and development activities and is thus exposed to equity market volatility.

Equity price risk arises from investments in equity securities and Empire Group Limited's issued capital.

The Company's equity risk is considered minimal and as such no sensitivity analysis has been completed.

Fair Value of Financial Assets and Liabilities

The fair value of all monetary financial assets and liabilities of Empire Group Limited approximate their carrying value there were no off-balance financial assets and liabilities at year end.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

4. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

The Empire Group is required to classify financial instruments, measured at fair value, using a three level hierarchy, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

An instrument is required to be classified in its entirety on the basis of the lowest level of valuation inputs that is significant to fair value. Considerable judgement is required to determine what is significant to fair value and therefore which category the financial instrument is placed in can be subjective.

The fair value of financial instruments classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Consolidated **31 December 2021** **Assets**	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value of derivatives	-	350,531	-	350,531
Total assets	-	350,531	-	350,531

Consolidated **31 December 2020** **Assets**	**Level 1**	**Level 2**	**Level 3**	**Total**
Fair value of derivatives	-	975,904	-	975,904
Total assets	-	975,904	-	975,904

There were no transfers between levels during the financial year.

Capital Risk Management

The Company considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the Company's primary objective is to maintain a sufficient funding base to enable the Company to meet its working capital and strategic operation needs.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt the Company considers not only its short-term position but also its long-term operational and strategic objectives.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

5. REVENUE

	2021 $	2020 $
a. Sales revenue		
Revenue from oil and gas sales	7,886,493	4,832,351
Revenue from well operations	497,758	625,074
Oil and gas price risk management income	118,138	1,006,777
	8,502,389	6,464,202
b. Other income		
Interest income	13,322	9,885
Government stimulus packages	1,551,081	1,043,871
Other income	41,264	(15,148)
	1,605,667	1,038,608
Disaggregation of revenue		
The disaggregation of revenue from contract with customers is as follows:		
Geographical regions		
United States	8,502,389	6,646,202
Australia	-	-
Timing or revenue recognition		
Recognised over a point in time	-	-
Recognised at a point in time	8,502,389	6,646,202

6. COST OF SALES

Oil and gas production	5,005,174	5,266,429

7. INTEREST EXPENSE

Interest paid/payable on financial liabilities	567,563	754,995

8. EXPENSES

a. General and administration expenses		
Salaries and wages – Australia	2,080,682	1,720,179
Insurances including NT work program	562,701	486,464
Legal and advisory fees – Litigation costs	222,105	-
Other advisory fees	370,846	353,584
Overhead expenses	3,333,131	2,784,649
Total G&A expenses	6,569,465	5,308,876
b. Other non-cash expenses		
Depreciation, depletion and amortisation (note 8d)	1,692,144	1,290,186
Finance costs (note 8c)	1,425,405	1,414,314
Unrealised derivative movement	661,782	(90,652)
Share-based payments expense (note 26)	1,103,467	958,532
Other expenses including foreign currency movements	-	(169,184)
Total other expenses	4,882,798	3,403,196

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

8. EXPENSES (continued)

	2021 $	2020 $
c. Finance expenses (non-cash)		
Accretion of asset retirement obligation (note 20)	765,000	694,257
Unwind of discount of debt	660,405	720,057
Total finance costs (non-cash)	1,425,405	1,414,314
d. Depreciation, depletion and amortisation		
Oil & Gas properties and plant and equipment (note 14)	1,390,098	876,415
Right-of-use assets (note 19)	302,046	413,771
	1,692,144	1,290,186
e. Loss before income tax includes the following specific expenses:		
Employee benefits expense [(a)]		
Defined contribution superannuation expense	140,720	102,668
Other employee expenses	4,645,291	4,407,013
Total employee benefits expense	4,786,011	4,509,681

[(a)] Comprising an average 37 permanent full-time employees throughout FY2021. 30 employees are based in the US where the employee benefit expense has been recognised in Cost of Sales (note 6) and 7 employees are based in Australia whereby the employee benefits expense has been recognised in General and Administration expense (note 8a).

9. INCOME TAX

	2021	2020
a. Income tax expense		
Current tax	-	-
Deferred tax	212,739	199,822
Income tax benefit attributable to continuing operations	212,739	199,822
b. Numerical reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	(10,834,890)	(7,484,633)
Tax at the Australian tax rate of 26% (2020: 27.5%)	(2,817,071)	(2,058,275)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
- Withholding tax paid	212,739	199,822
- Deferred tax asset in relation to tax losses and temporary differences not recognised	2,671,522	2,052,668
- Effect of difference in overseas tax rates	145,549	5,607
Income tax expense	212,739	199,822

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

9. INCOME TAX (continue)

	2021 $	2020 $
c. Deferred tax assets not recognised relate to the following:		
Tax losses	13,940,952	10,542,726
Capital losses	201,841	201,841
Other	4,966,105	5,013,964
	19,108,898	15,758,531

The potential benefit of the deferred tax asset attributable to tax losses will only be obtained if:

(i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised; or

(ii) the consolidated entity continues to comply with the conditions for deductibility imposed by the law; and

(iii) no changes in tax legislation adversely affect the consolidated entity in realising the asset.

d. Dividend Franking Account

There are no franking account credits available as at 31 December 2021.

	2021 $	2020 $
e. Deferred tax liabilities		
The balance comprises temporary differences attributable to:		
Forward commodity contracts	(88,204)	268,382
Oil & Gas Properties and Property, Plant & Equipment	(3,729,327)	5,475,641
Other	(108,875)	2,246,404
	(3,926,406)	7,990,427
Set-off of deferred tax liabilities pursuant to set-off provisions (note f)	(3,926,406)	(7,990,427)
Net deferred tax liabilities	-	-
f. Deferred tax assets		
The balance comprises temporary differences attributable to:		
Accrued asset retirement obligation	2,140,298	1,253,859
Oil & Gas and Property, Plant & Equipment	2,180,824	2,786,798
Other	644,983	19,775
	4,966,105	4,060,432
Set-off of deferred tax assets pursuant to set-off provisions (note e)	(4,966,105)	(4,060,432)
Net deferred tax assets	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

10. TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
Current		
Trade receivables (a)	3,077,852	1,930,760
Other receivables	871,404	50,539
GST receivable	1,410,595	554,760
	5,359,851	2,536,059

(a) Trade receivables aging		
Current	2,827,432	1,638,616
31 to 60 days overdue	15,296	10,367
61 to 90 days overdue	5,831	30,464
Over 90 days overdue	229,293	251,313
	3,077,852	1,930,760

11. PREPAYMENTS

Prepayments	267,624	619,469

12. INVENTORIES

Crude oil and production supplies	44,604	39,717

13. FINANCIAL ASSETS, INCLUDING DERIVATIVES

Current		
Oil and gas price forward contracts	244,171	482,240
Non-current		
Oil and gas price forward contracts	106,360	493,664

Commodity hedge contracts outstanding as at 31 December 2021 are outlined below.

2021 NATURAL GAS - HENRY HUB - NYMEX – Swaps					**2020 NATURAL GAS - HENRY HUB - NYMEX - Swaps**				
Period	**Swap Price**	**Premium**	**Product**		**Period**	**Swap Price**	**Premium**	**Product**	
-	-	-	-		Jan 21 – Mar 21	US$3.10	-	150,000	mmbtu
-	-	-	-		Apr 21 – Sep 21	US$2.85	-	300,000	mmbtu
-	-	-	-		Oct 21 – Dec 21	US$3.10	-	150,000	mmbtu

2021 NATURAL GAS - HENRY HUB - NYMEX – Options					**2020 NATURAL GAS - HENRY HUB - NYMEX - Options**				
Period	**Floor Price**	**Premium**	**Volume**		**Period**	**Floor Price**	**Premium**	**Volume**	
Jan 22 – Dec 22	US$3.25	US$0.29	840,000	mmbtu	Jan 21 – Dec 21	US$2.50	US$0.23 – US$0.41	900,000	mmbtu
Jan 22 – Dec 22	US$2.50	US$0.35 – US$0.41	900,000	mmbtu	Jan 22 – Dec 22	US$2.50	US$0.35 – US$0.41	900,000	mmbtu
Jan 23 – Dec 23	US$2.50	US$0.27 – US$0.41	600,000	mmbtu	Jan 23 – Dec 23	US$2.50	US$0.41	300,000	mmbtu

14. OIL AND GAS PROPERTIES AND PROPERTY PLANT & EQUIPMENT

	Oil & Gas – Producing	Oil & Gas – Non Producing	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in $							
At 1 January 2021	84,290,679	3,553,790	6,530	333,045	1,308,967	1,076,145	90,569,156
Additions	-	-	-	10,715	226,279	12,785	249,779
Disposals	-	-	-	(25,719)	(101,986)	(234,613)	(362,318)
Change in estimate at balance date	5,412,007	-	-	-	-	-	5,412,007
At 31 December 2021	89,702,686	3,553,790	6,530	318,041	1,433,260	854,317	95,868,624
Accumulated Depreciation in $							
At 1 January 2021	(55,985,071)	-	-	(121,327)	(1,065,906)	(902,145)	(58,074,449)
Depreciation and depletion	(1,109,217)	-	-	(10,400)	(229,702)	(40,779)	(1,390,098)
Disposals	-	-	-	25,719	101,986	234,613	362,318
Plugged sale of wells	4,687	-	-	-	-	-	4,687
At 31 December 2021	(57,089,601)	-	-	(106,008)	(1,193,622)	(708,311)	(59,097,542)
Closing written down value before foreign currency adjustment	**32,613,085**	**3,553,790**	**6,530**	**212,033**	**239,638**	**146,006**	**36,771,082**
Cumulative impact of foreign currency adjustments	**(713,562)**	**(553,331)**	**361**	**(4,270)**	**(10,362)**	**(36,523)**	**(1,317,687)**
Closing written down value	**31,899,523**	**3,000,459**	**6,891**	**207,763**	**229,276**	**109,483**	**35,453,395**

14. OIL AND GAS PROPERTIES AND PROPERTY PLANT & EQUIPMENT (continued)

	Oil & Gas – Producing	Oil & Gas – Non Producing	Land	Buildings	Equipment	Motor Vehicles	Total
Cost in $							
At 1 January 2020	84,290,679	3,553,790	6,530	333,045	1,088,981	1,056,246	90,329,271
Additions	-	-	-	-	221,632	19,899	241,531
Disposals	-	-	-	-	-	-	-
Expiration costs	-	-	-	-	(1,646)	-	(1,646)
At 31 December 2020	84,290,679	3,553,790	6,530	333,045	1,308,967	1,076,145	90,569,156
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
At 31 December 2020	(55,985,071)	-	-	(121,327)	(1,065,906)	(902,145)	(58,074,449)
Closing written down value before foreign currency adjustment	**28,305,608**	**3,553,790**	**6,530**	**211,718**	**243,061**	**174,000**	**32,494,707**
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**	**2,946,805**	**6,492**	**195,791**	**229,601**	**134,913**	**29,833,089**

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

14. OIL AND GAS PROPERTIES AND PROPERTY PLANT & EQUIPMENT (continued)

At 31 December 2021, the group assessed the carrying amounts of its non-current assets for indicators of impairment in accordance with the Group's accounting policy.

Estimates of recoverable amounts for producing assets are based on an asset's value in use or fair value less costs to sell, using a discounted cash flow method, and are most sensitive to the key assumptions described in note 2.

The pre-tax discount rate that has been applied in assessing oil and gas assets is 12% (2020: 12%).

	2021 $	2020 $
15. EXPLORATION ASSETS		
Capitalised exploration and evaluation assets	90,849,806	17,175,322
	90,849,806	17,175,322

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

Consolidated		
Balance at the beginning of the year	17,175,321	4,615,227
Additions during the year		
- Evaluation and exploration assets	20,640,009	12,560,094
- Pangaea acquisition	58,398,399	-
- Offset research and development grant	(5,363,923)	-
	90,849,806	17,175,321

16. INTANGIBLE ASSETS		
Goodwill[(a)]	94,015	88,571
	94,015	88,571

[(a)] Movements in goodwill relate to foreign currency fluctuations.

17. TRADE AND OTHER PAYABLES		
Current		
Trade creditors [(a)]	9,725,159	4,887,738
Accruals	1,806,704	1,047,533
Other creditors	36,835	34,701
	11,568,698	5,969,972

[(a)] Increase from prior year largely represents $4.4 million of Carpentaria-2H drilling costs which did not become payable until after the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

18. INTEREST-BEARING LIABILITIES	2021 $	2020 $
Current		
Bank loan - secured	8,027,261	7,823,606
	8,027,261	7,823,606

Classification of Borrowings

These accounts 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 ("AASB 101"). This accounting standard requires the Group to classify liabilities as current if the Group does not have an unconditional right to defer payment for twelve months at period end. However, the expected repayment of the borrowings is not for complete repayment within the twelve month period.

The Company maintains a credit facility consisting of the following, as restated in October 2018 and amended in September 2019, which matures in September 2024 with a bank that is a minority owner in the Company. Interest accrues on the outstanding borrowings at the 30-Day US LIBOR (0.09% at 31 December 2021) plus 6.5%. At 31 December 2021, the Company's rate option was the 30-day US LIBOR.

Outstanding borrowings under the agreement are secured by the assets of the Company. Under terms of the facilities, the Company is required to maintain financial ratios customary for the oil and gas industry. The Company 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 in 2021 and 2020 were approximately US$687,500 and US$962,500, respectively.

On 16 February 2021, the Company received a second term note with a collective principal amount of approximately US$344,000 pursuant to the Second Draw Paycheck Protection Program (PPP2 Term Note) under the Coronavirus Aid, Relief and Economic Security Act. The PPP2 Term Note was evidenced by a promissory note, which incurred interest at a fixed annual rate of 1.00%, with the first 10 months of interest deferred. The original agreement stated that beginning December 2021, the Company would make equal monthly payments of principal and interest with the final payment due in February 2026. Subsequent legislation extended the deferral period for loan payments to either (1) the date that SBA remits the borrower's loan forgiveness amount to the lender or (2) if the borrower did not apply for loan forgiveness, 10 months after the end of the borrower's loan forgiveness covered period. The Company had eligible expenditures in excess of the PPP loan amount during the year ended 31 December 2021 and received forgiveness in November 2021, therefore the Company recognized approximately US$344,000 in gain on PPP loan forgiveness in the Statement of Profit or Loss and Other Comprehensive Income.

Due to debt restructuring in October 2018, the Company accumulated deferred financing costs of approximately US$1,622,000. Amortization expense of the deferred financing costs is included with non-cash expenses in the Statement of Profit or Loss and Other Comprehensive Income and approximated US$153,000 for the year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

18. INTEREST-BEARING LIABILITIES (continued)

Credit Facility Summary

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 an opening availability of US$6,537,500 on 1 January 2021.

The credit facility balance on 31 December 2021 was US$5,850,010 (A$8,062,321).

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$5.85 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

A summary of period end debt is as follows:	2021 $	2020 $
Facility	5,850,010	6,537,500
PP term note	-	10,000
Sub-Total	5,850,010	6,547,500
Less deferred financing costs, net	(25,429)	(521,759)
Total Debt in USD	5,824,581	6,025,741
Total Debt in AUD	8,027,261	7,823,606

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

19. LEASE ASSETS AND LIABILITIES

	2021 $	2020 $
ASSETS		
Right-of-use assets	752,993	1,149,087
LIABILITIES		
Current		
Leases – minimum lease payments	439,926	311,233
Non-Current		
Leases – minimum lease payments	389,341	972,287
Movement in Right-of-use-assets		
Balance at beginning of the period	1,149,087	201,537
Additions for the period	-	1,391,359
Depreciation	(302,407)	(413,771)
Foreign currency translation movements	(93,687)	(30,038)
Balance at end of the period	752,993	1,149,087

The Company leased its former US corporate headquarters in Pittsburgh under a non-cancellable lease, with monthly payments ranging from US$3,665 to US$3,966 through November 2021. The US corporate headquarters moved in 2019 to Mayville, New York State, into a building owned by the Company. The Company was still obligated to make payments on the office for months throughout 2021, before the lease was terminated early in November 2021. Net rental expense approximated US$48,000 and US$51,000, for the years ended 31 December 2021 and 2020, respectively.

The Company leases trucks under an operating agreement recognised as a right-of-use asset and lease liability. The term of the agreement begins upon delivery of each truck and lasts for a period of up to 48 months. Lease payments in 2021 and 2020 were approximately US$83,000 and US$144,000, respectively. The Empire Group has the option to acquire the leased assets at the agreed value on the expiry of the leases.

The Company leases its Australian corporate headquarters in Sydney under a 4-year operating sublease recognised as a right-of-use asset and lease liability, with monthly payments approximately $20,124. The rental agreement has a 4% fixed rent review on the anniversary of the commencement date of the sublease being 29th January 2020.

The Company leases a photocopier under a 4-year operating agreement which commenced in November 2021. Monthly lease payments are $399.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

20. PROVISIONS

	2021 $	2020 $
Current		
Employee entitlements	213,482	150,608
Non-current		
Asset retirement obligations (USA)	28,161,781	21,099,654
Provision for rehabilitation (Northern Territory)	701,875	-
	28,863,656	21,099,654
Movement in Asset Retirement Obligation		
Balance at beginning of the period	21,099,654	22,511,419
Write-off accrued plugging costs	(13,401)	-
Accretion expense for the period, included in finance costs	765,000	694,257
Provision for rehabilitation	701,875	-
Change in estimate	5,412,007	-
Foreign currency translation movements	898,521	(2,106,022)
Balance end of the period	28,863,656	21,099,654

Asset Retirement Obligation

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

The provision represents the present value of decommissioning costs which are expected to be incurred up to 2048. The estimated liability is based on historical experience in plugging and abandoning wells, estimated remaining lives of those based on reserve estimates, external estimates as to the cost to plug and abandon the wells in the future, and regulatory requirements. Assumptions, based on the current economic environment, have been made which management believe are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works. Furthermore, the timing of decommissioning is likely to depend on when the assets cease to produce at economically viable rates. This in turn will depend upon the future oil and gas prices, which are inherently uncertain.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

21. CONTRIBUTED EQUITY

	2021 Shares	2020 Shares	2021 $	2020 $
Ordinary shares - fully paid	612,074,341	323,941,984	220,905,029	139,060,493
Unissued ordinary shares	20,105,132	-	5,629,437	-

Movements in ordinary share capital

Details	Shares	Issue price	$
Balance - 1 January 2020	262,838,649		121,420,294
Issue of shares on the exercise of options	60,809,585	$0.30	18,242,876
Issue of shares on the exercise of options	93,750	$0.32	30,000
Issue of shares on the exercise of options [(a)]	200,000		-
Share issue transaction costs, net of tax	-		(632,678)
Balance - 31 December 2020	323,941,984		139,060,492
Issue of shares on the exercise of options	600,000	$0.30	180,000
Issue of shares on the exercise of options	12,000,000	$0.32	3,840,000
Issue of shares on the exercise of options [(b)]	-	$0.30	15,000
Issue of shares as a private placement to raise funds	123,940,519	$0.30	37,182,156
Issue of shares in lieu of cash payment for fees and services rendered	2,000,000	$0.30	600,000
Issue of shares for asset acquisition	149,591,838	$0.28	41,885,715
Share issue transaction costs, net of tax	-		(1,858,334)
Balance - 31 December 2021	612,074,341		220,905,029

Movements in unissued ordinary share capital

Details	Shares	Issue price	$
Balance - 1 January 2021	-		-
Unissued shares for asset acquisition	20,105,132	$0.28	5,629,437
Share issue transaction costs, net of tax	-		-
Balance - 31 December 2021	20,105,132		5,629,437

(a) Funds received in December 2019, issued in January 2020
(b) Funds received in December 2021, issued in January 2022

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

21. CONTRIBUTED EQUITY (continued)

Shares

At balance date the Empire Group had the following securities on issue:

- 612,074,341 (2020: 323,941,984) listed fully paid ordinary shares - ASX Code: EEG

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. No dividends were paid or declared during the year, or since the year-end.

a) Share Options

Movements

Granted
8,000,000 unlisted options exercisable at $0.70 were granted to Pangaea (NT) Pty Ltd as part of the total consideration for the Pangaea/EMG tenement acquisition.

1,696,970 unlisted options exercisable at $0.70 were granted to EMG Northern Territory Holdings Pty Ltd as part of the total consideration for the Pangaea/EMG tenement acquisition.

Exercise of Options
13,800,000 unlisted options were exercised during the financial year or in the period since the end of the financial year and up to the date of this report.

Expiry/Lapse of Options
100,000 unlisted options expired during the financial year, or in the period since the end of the financial year and up to the date of this report.

Options
At balance date the Company had 14,196,970 (2020:18,400,000) unissued shares under option. These options are exercisable on the following terms:

Number		Exercise Price A$	Expiry Date
1,700,000	Unlisted options	$0.30	30 December 2022
2,800,000	Unlisted options	$0.60	30 December 2022
8,000,000	Unlisted options	$0.70	31 August 2024
1,696,970	Unlisted options	$0.70	31 August 2024
14,196,970			

b) Performance Rights

At balance date the Company had 6,142,396 unissued shares subject to Performance Rights. The Performance Rights are subject to certain preconditions being met.

At balance date the Company had 1,300,500 unissued shares from Performance Rights that have vested during the period.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

21. CONTRIBUTED EQUITY (continued)

During the 2013 financial year the Company issued 2,500,000 Performance Rights (pre-consolidation) over fully paid ordinary shares in the Company as part consideration for the buyback of the minority interest equity holder in Empire Energy USA LLC. The minority interest holder also received 4,000,000 fully paid ordinary shares in the issued capital of Empire Energy Group Limited. The Performance Rights are exercisable at no cost under the following events:

- Lifting of the current moratorium on oil and/or natural gas fracking in New York State;

- If the Company sells, transfers or assigns all or substantially all of its property interests in Chautauqua and Cattaraugus Counties in the State of New York to an unaffiliated third party then the performance rights will vest in accordance with the following schedule:

Fair Market Value of Consideration Received by the Company	Performance rights exercisable
Less than $25.0 million	0.0%
At least $25.0 million but less than $45.0 million	Percentage calculated by dividing Fair Market Value of Consideration received by the Company by $45.0 million.
$45.0 million or more	100.0%

- If the holder of the Performance Rights in any way disposes of more than 75% of the 4 million ordinary shares assigned as part of the minority interest buy back transaction prior to either the moratorium being terminated or a third party sale being consummated then the performance rights will be cancelled.

- The holder of the Performance Rights is an associated entity of a former senior executive of the Company's US subsidiaries, Mr Allen Boyer.

- At the Company's Annual General Meeting conducted on 30 May 2019, Shareholders approved the consolidation of the Company's equity on a 1 for 10 basis. The effect of the Share Consolidation during the period reduced the 2,500,000 Performance Rights to 250,000 Performance Rights.

During the 2020 financial year, the Company issued 3,913,960 Performance Rights to the Company's Managing Director and employees under the terms of the Company's Rights Plan approved at the Shareholders on 14 July 2020.

During the 2021 financial year, the Company issued 1,015,625 Performance Rights to the Company's Managing Director under the terms of the Company's Rights Plan approved by the Shareholders on 3 August 2021.

The terms and conditions of each grants of performance rights affecting remuneration of directors and other key management personnel in this financial year or future reporting year are as follows:

Performance Rights

Director	No. of granted performance rights	Grant Date	Vesting date and exercisable date	Expiry Date	Exercise price	Fair value of performance rights at grant date
A Underwood	1,427,089	7 Aug 2020	31 Dec 2022	31 Dec 2035	Nil	$60,465
D Evans	984,891	7 Aug 2020	31 Dec 2022	31 Dec 2035	Nil	$46,081

21. CONTRIBUTED EQUITY (continued)

Director	No. of granted performance rights	Grant Date	Vesting date and exercisable date	Expiry Date	Exercise price	Fair value of performance rights at grant date
A Underwood	1,015,625	3 Aug 2021	31 Dec 2023	31 Dec 2036	Nil	$49,766

c) Service Rights

At balance date, the Company had 2,438,558 unissued shares subject to Service Rights. The Service Rights are subject to certain preconditions being met.

During the 2020 financial year, the Company issued 838,558 Service Rights to the Company's Non-Executive Directors and employees under the terms of the Company's Rights Plan approved at the Shareholders Meeting on 14 July 2020.

During the 2021 financial year, the Company issued 600,000 Service Rights 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.

The terms and conditions of each grants of service rights affecting remuneration of directors and other key management personnel in this financial year or future reporting year are as follows:

Service Rights

Director	No. of granted service rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of service rights at grant date
J Warburton	600,000	1 Jun 2021	31 Dec 2021	31 Dec 2036	Nil	$207,000

d) Restricted Rights

At balance date, the Company had 3,232,460 unissued shares subject to Restricted Rights. The Restricted Rights are subject to certain preconditions being met.

During the 2021 financial year, the Company issued the following:

- 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.

- 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.

- 385,506 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.

The terms and conditions of each grants of service rights affecting remuneration of directors and other key management personnel in this financial year or future reporting year are as follows:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

21. CONTRIBUTED EQUITY (continued)

Restricted Rights

Director	No. of granted restricted rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of restricted rights at grant date
A Underwood	327,381	1 Jun 2021	31 Aug 2021	1 Jun 2036	Nil	$112,946
P Espie	162,359	1 Jun 2021	31 Aug 2021	1 Jun 2036	Nil	$56,014
P Cleary	128,239	1 Jun 2021	31 Aug 2021	1 Jun 2036	Nil	$44,242
P Espie	56,945	2 Jul 2021	30 Sep 2021	2 Jul 2036	Nil	$18,222
P Cleary	37,963	2 Jul 2021	30 Sep 2021	2 Jul 2036	Nil	$12,148

22. RESERVES

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

Foreign currency translation reserve
The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Option reserve
The option reserve comprises the value of options, performance rights, service rights and restricted rights issued but not exercised at balance date.

23. CONTINGENT LIABILITIES

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 31 December 2021, the Empire Group had $701,875 environmental contingencies requiring specific disclosure.

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

24. CONTINGENT ASSETS

There are no contingent assets as at the date of this annual report.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

25. COMMITMENTS FOR EXPENDITURE

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 consolidated entity 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 31 December 2021.

26. SHARE BASED PAYMENTS

Year Ending – 31 December 2021
During the 2021 financial period the following share-based payments occurred:

The Company granted the following service, performance and restricted rights to the Company's Managing Director, Non-Executive Directors and employees under the terms of the Company's Rights Plan approved by Shareholders on 30 May 2019.

Service Rights

No. of granted service rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of service rights at grant date
600,000	1 Jun 2021	31 Dec 2021	31 Dec 2036	Nil	$207,000

Performance Rights

No. of granted performance rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of performance rights at grant date
870,536*	3 Aug 2021	31 Dec 2023	31 Dec 2035	Nil	$28,728
145,089**	3 Aug 2021	31 Dec 2023	31 Dec 2035	Nil	$21,038

* Tranche 1 ** Tranche 2

Restricted Rights

No. of granted restricted rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of restricted rights at grant date
327,381	1 Jun 2021	31 Aug 2021	1 Jun 2036	Nil	$112,946
129,850	23 Dec 2020	23 Mar 2021	23 Dec 2035	Nil	$46,746
1,369,970	23 Dec 2020	23 Dec 2021	23 Dec 2035	Nil	$493,189
290,598	1 Jun 2021	31 Aug 2021	1 Jun 2036	Nil	$100,256
94,908	2 Jul 2021	30 Sep 2021	2 Jul 2036	Nil	$30,371

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

26. SHARE BASED PAYMENTS (continued)

Options
During the 2021 financial period the following option issues occurred:

Number		Exercise Price A$	Expiry Date
8,000,000	Unlisted options	$0.70	31 August 2024
1,696,970	Unlisted options	$0.70	31 August 2024

8,000,000 unlisted options exercisable at $0.70 were issued to Pangaea (NT) Pty Ltd as part of the total consideration for acquisition of interests in certain exploration permits in the Northern Territory during the year.

1,696,970 unlisted options exercisable at $0.70 were issued to EMG Northern Territory Holdings Pty Ltd as part of the total consideration for acquisition of interests in certain exploration permits in the Northern Territory during the year.

Service Rights
For the Service Rights granted during the 2021 financial year, the valuation model inputs used to determine the fair value at the grants date, are as follows:

Granted during year	Grant Date	Vesting date	Share price at grant date A$	Expected volatility	Dividend yield	Risk-free interest rate
600,000	1 Jun 2021	31 Dec 2021	$0.345	100.80%	Nil	1.59%

Performance Rights
For the Performance Rights granted during the 2021 financial year, the valuation model inputs used to determine the fair value at the grants date, are as follows:

Granted during year	Grant Date	Vesting date	Share price at grant date A$	Expected volatility	Dividend yield	Risk-free interest rate
1,015,625	6 Aug 2021	31 Dec 2023	$0.29	99.28%	Nil	1.15%

Restricted Rights
For the Restricted Rights granted during the 2021 financial year, the valuation model inputs used to determine the fair value at the grants date, are as follows:

Granted during year	Grant Date	Vesting date	Share price at grant date A$	Expected volatility	Dividend yield	Risk-free interest rate
290,598	1 Jun 2021	31 Aug 2021	$0.345	100.8%	Nil	1.50%
94,908	2 Jul 2021	30 Sep 2021	$0.320	99.73%	Nil	1.43%

The weighted average share price during the financial year was A$0.337 (2020: A$0.311 on a post consolidation basis).

The weighted average remaining contractual life of options granted during the financial year and outstanding at the end of the financial year was 2.7 years (2020: 2 years).

The weighted average remaining time to Vesting Date of Service Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 0.5 year (2020: 1).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

26. SHARE BASED PAYMENTS (continued)

The weighted average remaining time to Vesting Date of Performance Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 2 years (2020: 2).

The weighted average remaining time to Vesting Date of Restricted Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 0 years (2020: 0.3).

Year Ending – 31 December 2020
During the 2020 financial period the following share-based payments occurred:

The Company granted the following service, performance and restricted rights to the Company's Managing Director, Non-Executive Directors and employees under the terms of the Company's Rights Plan approved by Shareholders on 30 May 2019.

Service Rights

No. of granted service rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of service rights at grant date
600,000	7 Aug 2020	31 Dec 2020	31 Dec 2035	Nil	$186,000
238,558	7 Aug 2020	31 Dec 2020	31 Dec 2035	Nil	$73,953

Performance Rights

No. of granted performance rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of performance rights at grant date
3,191,922*	7 Aug 2020	31 Dec 2022	31 Dec 2035	Nil	$75,329
722,038**	7 Aug 2020	31 Dec 2022	31 Dec 2035	Nil	$111,916

* Tranche 1 ** Tranche 2

On 18 February 2022, Empire issued 993,774 Performance Rights to its employees for the 2021 Financial year.

Restricted Rights

No. of granted restricted rights	Grant Date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value of restricted rights at grant date
750,000	7 Aug 2020	5 Nov 2020	31 Dec 2035	Nil	232,500
269,753	7 Aug 2020	5 Nov 2020	31 Dec 2035	Nil	$83,623

On 18 February 2022, Empire issued 568,778 Restricted Rights to its employees for the 2021 Financial year.

Options
No options were granted during the 2020 financial year.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

26. SHARE BASED PAYMENTS (continued)

Service Rights
For the Service Rights granted during the 2020 financial year, the valuation model inputs used to determine the fair value at the grants date, are as follows:

Granted during year	Grant Date	Vesting date	Share price at grant date A$	Expected volatility	Dividend yield	Risk-free interest rate
600,000	7 Aug 2020	31 Dec 2020	$0.31	114.65%	Nil	0.83%
238,558	7 Aug 2020	31 Dec 2020	$0.31	114.65%	Nil	0.83%

Performance Rights
For the Performance Rights granted during the 2020 financial year, the valuation model inputs used to determine the fair value at the grants date, are as follows:

Granted during year	Grant Date	Vesting date	Share price at grant date A$	Expected volatility	Dividend yield	Risk-free interest rate
3,913,960	7 Aug 2020	31 Dec 2022	$0.31	114.65%	Nil	0.83%

Restricted Rights
For the Restricted Rights granted during the 2020 financial year, the valuation model inputs used to determine the fair value at the grants date, are as follows:

Granted during year	Grant Date	Vesting date	Share price at grant date A$	Expected volatility	Dividend yield	Risk-free interest rate
1,019,753	7 Aug 2020	5 Nov 2020	$0.31	114.65%	Nil	0.83%

The weighted average share price during the financial year was A$0.311 (2019: A$0.294 on a post consolidation basis).

The weighted average remaining contractual life of options granted during the financial year and outstanding at the end of the financial year was 2 years (2019: 3 years).

The weighted average remaining time to Vesting Date of Service Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 1 year (2019: 1.7).

The weighted average remaining time to Vesting Date of Performance Rights (unless extended in accordance with the rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 2 years (2019: 1.8).

The weighted average remaining time to Vesting Date of Restricted Rights (unless extended in accordance with the Rights Plan Rules) granted during the financial year and outstanding at the end of the financial year was 0.3 years (2019: n/a).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

26. SHARE BASED PAYMENTS (continued)

a) Expenses arising from share-based payment transactions

Year ending - 31 December 2021

The share-based payments during the year have been recognised as follows:

- Expense relating to issued equity-based payments based on a pro-rata portion of the vesting period	A$1,103,467
- Recognised directly against issued capital as a cost associated with the share	A$nil

Year ending - 31 December 2020

The share-based payments during the year have been recognised as follows:

- Expense relating to issued equity-based payments based on a pro-rata portion of the vesting period	A$958,532
- Recognised directly against issued capital as a cost associated with the share	A$nil

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

27. SEGMENT INFORMATION

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

	US Operations		Northern Territory		Corporate		Eliminations		Total	
in AUD	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue (external)	8,502,389	6,464,202	-	-	-	-	-	-	8,502,389	6,464,202
Revenue (internal)	-	-	-	-	5,391,040	3,162,341	(5,391,040)	(3,162,341)	-	-
Other income (excluding interest income)	1,605,667	938,608	-	-	-	100,000	-	-	1,605,667	1,038,608
Reportable segment result before tax	**3,123,197**	537,944	**(7,783,009)**	(3,649,144)	**(724,697)**	(215,241)	**-**	-	**(5,384,509)**	**(3,326,441)**
Adjustments:										
Effect of interest income and expense:										
- Interest income (internal)	-	-	-	-	4,966,517	3,505,498	(4,966,517)	(3,505,498)	-	-
- Interest income (external)	-	-	602	652	10,113	8,523	-	-	10,715	9,175
- Interest expense (internal)	(2,127,389)	(1,998,222)	(2,839,367)	(1,507,276)	-	-	4,966,517	3,505,498	(239)	-
- Interest expense (external)	(557,152)	(722,995)	-	-	(20,887)	(41,175)	-	-	(578,039)	(764,170)
	(2,684,541)	(2,721,217)	(2,838,765)	(1,506,624)	4,955,743	3,472,846	-	-	(567,563)	(754,995)
Material non-cash expenses not included in segment result										
- Depreciation and amortisation	(1,286,527)	(1,023,252)	(131,625)	(17,690)	(273,992)	(249,244)	-	-	(1,692,144)	(1,290,186)
- Share-based payment expense	-	-	-	-	(1,103,467)	(958,532)	-	-	(1,103,467)	(958,532)
- Impairment of assets	-	-	-	-	-	-	-	-	-	-
- Unrealised gain/loss on derivatives	(661,782)	90,652	-	-	-	-	-	-	(661,782)	90,652
- Finance cost - ARO accretion	(765,000)	(694,257)	-	-	-	-	-	-	(765,000)	(694,257)
- Finance cost - Discount on debt	(660,405)	(720,057)	-	-	-	-	-	-	(660,405)	(720,057)
- Other non-cash expenses	-	-	-	-	-	169,183	-	-	-	169,183
Loss before income tax - continuing operations	**(2,935,058)**	**(4,530,187)**	**(10,753,399)**	**(5,173,458)**	**2,853,587**	**2,219,012**	**-**	**-**	**(10,834,870)**	**(7,484,633)**
Reportable segment assets	40,731,366	33,596,007	93,999,011	18,390,703	206,535,235	111,623,338	(182,443,094)	(97,046,964)	158,822,518	66,563,084
Reportable segment liabilities	(67,782,221)	(57,785,746)	(122,367,210)	(36,005,503)	(1,577,620)	(1,753,821)	142,224,687	59,217,710	(49,502,364)	(36,327,360)
Capital expenditure	(154,308)	-	(79,113,129)	(12,653,271)	(20,750)	(41,763)	-	-	(79,288,187)	(12,695,034)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

27. SEGMENT INFORMATION (Continued)

The revenue reported above 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 Chief Operating Decision Maker (CODM) allows resources to be allocated and subsequent performance to be analysed. This is reviewed on a monthly basis.

The Empire Group's reportable segments under AASB 8 and reviewed by the CODM are as follows:

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

Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' salaries, finance income and finance expense, gains or losses on disposal of associates and discontinued operations. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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 Company's producing oil and gas assets are located in the USA.

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

Major customers

Revenues from two major customers of the Empire Group's US Operations segment represents approximately $7,397,078 (2020: two major customers $2,654,414) of the Empire Group's total revenues.

28. RELATED PARTY DISCLOSURES

a. Disclosures Relating to Directors

The names of persons who were directors of the Company at any time during the financial year were:

- A Underwood
- P Espie
- P Fudge
- J Warburton
- P Cleary
- J Clarke
- L Rozman
- J Gerahty

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

28. RELATED PARTY DISCLOSURES (continued)

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Empire Group is set out below:

	2021 $	2020 $
Short-term employee benefits	734,196	918,801
Post-employment benefits	44,966	48,452
Long-term benefits	104,386	-
Share-based payments	500,339	690,102
	1,383,887	1,657,355

Transactions with related parties
The following transactions occurred with related parties

Payment for marketing services from Menzies Research Centre Limited (director-related entity of Chairman, Paul Espie)	5,000	20,000
Prof Warburton received Service Rights in connection with the consultancy contract between Prof Warburton and the Company [(a)]	207,000	186,000
	212,000	206,000

[(a)] Prof Warburton provided technical advisory services to the Company with payment in Service Rights in lieu of cash under the terms of the Company's Rights Plan approved at the Shareholders Meeting on 27 May 2021.

b. Disclosures Relating to Controlled Entities

Empire Energy Group Limited is the ultimate controlling Company of the Consolidated Entity comprising the Company and its wholly owned controlled companies.

During the year the Company advanced and received loans and provided accounting and administrative services to other companies in the Empire Group. These balances, along with associated charges, are eliminated on consolidation.

c. Investments in Controlled Companies

	Country of Incorporation	Class of Share	Interest Held December 2021 %	 December 2020 %
Controlling Empire Group				
Empire Energy Group Limited	Australia			
Controlled Companies				
Imperial Oil & Gas Pty Limited	Australia	Ordinary	100	100
Imperial Oil & Gas A Pty Limited	Australia	Ordinary	100	-
Empire Energy Holdings, LLC	USA	Units	100	100
Empire Energy USA, LLC	USA	Units	100	100
Empire Energy (MidCon), LLC	USA	Units	100	100
Empire Energy E&P, LLC	USA	Units	100	100

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

28. RELATED PARTY DISCLOSURES (continued)

All entities are audited by Nexia Sydney Audit Pty Ltd with the exception of Empire Energy Holdings, LLC, Empire Energy USA LLC, Empire Energy (MidCon), LLC and Empire Energy E&P, LLC which are companies incorporated in the USA and are audited by Schneider Downs & Co Inc.

29. NOTES TO THE STATEMENT OF CASH FLOWS

	2021 $	2020 $
(a) Reconciliation of Cash		
Cash at the end of the financial year is shown in Statement of Financial Position as follows:		
Cash at bank and in hand	25,649,699	14,145,866
(b) Reconciliation of loss after income tax expense to net cash flows from operating activities		
(Loss) for the period after income tax expense	(11,047,609)	(7,684,455)
Adjustments for non-cash items:		
Government grant offset against oil and gas properties	5,363,923	-
Asset acquisition costs in Income Statement disclosed as investing activities	1,546,991	-
Amortisation on right-of-use assets	227,987	413,771
Depreciation & amortisation expense	1,464,157	876,415
Discount on debt	660,405	720,057
Asset retirement obligation accretion	765,000	694,257
Share-based payment expense	1,103,447	958,532
Unrealised loss/(gain) on forward commodity contracts	661,782	(90,652)
Other non-cash expenses	600,000	(169,184)
Operating loss before changes in working capital and provisions	1,346,083	(4,281,259)
Change in Trade and other receivables	(2,823,792)	53,748
Change in Prepayments and other current assets	351,845	(65,809)
Change in Inventories	(4,887)	8,246
Change in Trade and other payables	(1,392,017)	1,281,332
Change in Provisions	62,874	79,316
	(3,805,977)	1,356,833
Net cash flows used in operating activities	(2,459,894)	(2,924,426)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

29. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

(c) Changes in Liabilities arising from Financing Activities

	Balance at 1 January 2021	Financing Cashflows	Options and refinance costs	Amortisation of deferred finance costs	Effect of changes in FX	Balance at 31 December 2021
Interest bearing borrowings	7,823,606	(1,425,405)	-	661,782	967,278	8,027,261

	Balance at 1 January 2020	Financing Cashflows	Options and refinance costs	Amortisation of deferred finance costs	Effect of changes in FX	Balance at 31 December 2020
Interest bearing borrowings	9,250,600	(1,414,314)	-	720,057	(732,737)	7,823,606

30. EARNINGS PER SHARE

	2021 $	2020 $
Basic earnings per share (cents per share)	(2.41)	(2.73)
Diluted earnings per share (cents per share)	(2.41)	(2.73)
Loss used in the calculation of basic and diluted earnings per share	(11,047,609)	(7,684,455)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	459,010,151	281,399,784
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	459,010,151	281,399,784

Potential ordinary shares are excluded from calculation of diluted earnings per share as they are anti-dilutive.

31. SUPERANNUATION COMMITMENTS

The Empire Group contributed to externally managed accumulation superannuation plans on behalf of employees.

Empire Group contributions are made in accordance with the Empire Group's legal requirements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

32. PARENT ENTITY INFORMATION

	2021 $	2020 $
Information relating to Empire Energy Group Limited:		
Current Assets	23,975,135	13,569,275
Total Assets	206,535,235	111,623,338
Current Liabilities	1,208,342	966,266
Total Liabilities	1,577,620	1,753,822
Shareholders' Equity:		
Issued Capital	(226,534,466)	(139,060,493)
Reserves		
- Fair value reserve	(607,280)	(607,280)
- Foreign currency translation reserve	(2,617,052)	(177,261)
- Options reserve	(6,309,945)	(4,004,053)
- Share based payment reserve	(539,224)	(311,630)
- General Reserve	(337,482)	(337,482)
Accumulated Losses	31,987,834	34,628,683
Total Shareholders' Equity	(204,957,615)	(109,869,516)
Loss for the period	2,640,849	2,019,189
Total Comprehensive Loss	2,640,849	2,019,189

33. AUDITORS' REMUNERATION

Audit Services		
Auditors of the Company – Nexia Sydney:		
Audit and review of financial reports	128,225	121,059
Other auditors:		
Audit and review of financial reports	65,423	137,712
	193,648	258,771
Other services		
Auditors of the Company – Nexia Sydney:		
Taxation services	28,980	18,182
Other auditors:		
Taxation services	22,623	48,623
	51,603	66,805

34. MATTERS SUBSEQUENT TO BALANCE DATE

1) On 16 February 2022, Empire announced the successful 2021 Beetaloo work program had resulted in a substantial increase in Contingent and Prospective resources independently assessed by Netherland, Sewell & Associates Inc for EP187.

2) On 23 February 2022, Empire provided an update regarding grants awarded under the Australian Government's *Beetaloo Cooperative Drilling Program*. Empire's wholly owned subsidiary, Imperial Oil & Gas Pty Limited, had executed replacement grant agreements with the Australian Government totalling up to $19.4 million which will offset 25% of the cost of seismic acquisition and the drilling, fracture stimulation and flow testing of three horizontal appraisal wells in its 100% owned EP187 tenement, located in the Beetaloo Sub-basin, Northern Territory.

3) After year-end Empire executed two fixed price swaps with EnergyMark LLC its largest gas customer in the USA. The terms of the swaps are: 1 April 2022 to 30 September 2022 (50,000 mmbtu per month at $4.21) and 1 October 2022 to 31 March 2023 (50,000 mmbtu per month at $5.35) referenced against NYMEX Henry Hub.

4) On 18 February 2022, Empire issued 993,774 Performance Rights and 568,778 Restricted Rights to its employees for the 2021 Financial year.

5) On 23 February 2022, Empire issued 1,200,000 ordinary shares following the exercise of 1,200,000 unlisted options at $0.30 per share. The proceeds of the conversion of the options to shares was $360,000.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2021

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2021 and of its performance for the financial 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

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

Alexander Underwood
Managing Director

31 March 2022
Sydney, Australia

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Independent Auditor's Report to the Members of Empire Energy Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Empire Energy Group Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the Group in accordance with 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 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 report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Carrying value of oil and gas assets Refer to note 14 (Oil and Gas properties and property, plant and equipment). At 31 December 2021, the Group has capitalised Oil and Gas Assets - Producing of $31.9m. AASB 136 – 'Impairment of Assets' requires that the recoverable amount of an asset, or cash generating unit to which it belongs, be determined whenever an indicator of impairment exists. The management assessment based on the external expert valuation concluded that there is no impairment of the carrying value at reporting date. The Group's assessment of the recoverable amount of its producing oil and gas properties was a key audit matter because the carrying value of the assets are material to the financial statements and management's assessment of recoverable amounts incorporate significant internal and external judgements and assumptions including commodity prices, available reserves, residual values and discount rates.	Our procedures included, amongst others: ▪ assessing whether the external expert engaged by management to provide independent valuations was appropriately experienced and qualified; ▪ evaluating management's key assumptions and estimates used to determine the recoverable amount of its assets, including those related to forecast commodity prices and revenue, costs, discount rates and estimated residual values; ▪ checking the mathematical accuracy of the cash flow models, testing inputs from valuation reports produced, as well as external inputs, including spot and forward prices for oil and gas at the reporting date; ▪ assessing the accuracy of management's forecasting by evaluating the reliability of historical forecasts and reviewing whether current market conditions would impact those forecasts; and ▪ assessing whether appropriate disclosure regarding significant areas of uncertainty has been made in the financial report.
Exploration and evaluation expenditure - oil and gas assets Refer to note 15 (Exploration assets). At 31 December 2021, the Group has capitalised exploration and evaluation expenditure of $90.8m. These costs predominately relate to the Northern Territory area of interest and were the result of exploration campaigns and the purchase of new exploration tenements referred to as the Pangaea acquisition. The Group's accounting policy in respect of exploration and evaluation assets is outlined in note 1. This is a key audit matter because the carrying value of the assets are material to the financial statements, and significant judgements have been applied in determining whether an indicator of impairment exists in relation to capitalised expenditure assets in accordance with Australian Accounting Standard AASB 6 –	Our procedures included, amongst others: ▪ agreeing the ownership and tenure of the exploration permits in the Northern Territory area of interest to the Spatial Territory Resource Information Kit for Exploration ("STRIKE") online registry; ▪ testing a sample of additions of capitalised exploration expenditure to supporting documentation; ▪ In relation to the Pangaea acquisition, – We reviewed the sale and purchase agreement to identify and gain an understanding of the key terms; – We agreed the transfer of the tenement titles to the "STRIKE" online registry;

Key audit matter	How our audit addressed the key audit matter
'Exploration for and Evaluation of Mineral Resources'.	– We assessed the significant components of the purchase price consideration for accuracy and appropriate valuation; and – We assessed whether the acquisition was appropriately measured and recognised in accordance with Australian Accounting Standards. ▪ In assessing whether an indicator of impairment exists in relation to the Group's exploration assets in accordance with AASB 6 – 'Exploration for and Evaluation of Mineral Resources', we: – reviewed the minutes of the Group's board meetings, market announcements and management assessment; – discussed with management the Group's ability and intention to undertake further exploration and evaluation activities.
Asset retirement obligations Refer to note 20 (Provisions) At 31 December 2021, the Group has a carrying value of Asset Retirement Obligations (USA) of $28.2m. The measurement of the provision for Asset Retirement Obligations incorporates significant judgement and uncertainty, with restoration cost estimates varying in response to many factors including changes in technology, legal requirements, discount rates, past experience at other production sites, and estimates of future restoration well plugging costs. The expected timing and amount of expenditure can also change, for example, in response to changes in laws and regulations or their interpretation. This was a key area of audit focus due to the size and nature of these estimates and their consequential effects on assessing the recoverable amount of producing assets.	Our procedures included, amongst others: ▪ evaluating management's process of estimating and measuring the provision for asset retirement obligations; ▪ evaluating whether the discount rate applied by management to the forecast cash outflows is appropriate and consistent with the requirements of AASB 137 – 'Provisions, Contingent Liabilities and Contingent Assets'; ▪ considering the Group's estimates of plugging costs per well, including assessment of whether there have been changes in technology or costs that would materially impact those estimates. We compared the estimates for plugging costs against actual costs incurred in 2021; ▪ considering whether the key assumptions and judgements used in management's estimates were consistently applied in measuring the asset retirement obligations and in assessing the recoverable amount of the related assets; and ▪ benchmarking on management's estimates used in calculating the obligations.

Other information

The directors are responsible for the other information. The other information comprises the information in Empire Energy Group Limited's annual report for the year ended 31 December 2021, but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 25 to 47 of the directors' Report for the year ended 31 December 2021.

In our opinion, the Remuneration Report of Empire Energy Group Limited for the year ended 31 December 2021, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Nexia

Nexia Sydney Audit Pty Ltd

Joseph Santangelo
Director
31 March 2022
Sydney

SHAREHOLDER INFORMATION

ORDINARY SHARES

Substantial Shareholders as at 21 March 2022 (grouped)

Name	Number of Shares	% Holding
Pangaea (NT) Pty Limited*	119,894,868	19.53
Elphinstone Group	53,333,969	8.69
Global Energy and Resources Development Limited	32,294,969	5.26

* Pangaea (NT) Pty Limited also holds 20,105,132 unissued shares

Distribution of Fully Paid Ordinary Shares

	Holders	Number of Shares	% Holding
1 – 1,000	189	47,036	0.01
1,001 – 5,000	630	1,891,356	0.31
5,001 – 10,000	350	2,821,506	0.46
10,001 – 100,000	977	39,774,319	6.48
100,001 and over	485	569,419,469	92.74
Total number of holders	2,631	613,953,686	100.00

i	Number of holders of less than a marketable parcel	272
ii	Percentage held by 20 largest holders	62.65%

Twenty Largest Shareholders as at 29 March 2021 (ungrouped)

Name	Number of Shares	% Holding
PANGAEA (NT) PTY LTD	119,894,868	19.53
ELPHINSTONE HOLDINGS PTY LTD	52,000,000	8.47
GLOBAL ENERGY AND RESOURCES DEVELOPMENT LIMITED	32,294,969	5.26
EMG NORTHERN TERRITORY HOLDING PTY LTD	26,515,152	4.32
MACQUARIE BANK LIMITED <METALS MINING AND AG A/C>	26,451,367	4.31
CITICORP NOMINEES PTY LIMITED	24,129,803	3.93
LIANGROVE MEDIA PTY LIMITED	17,807,500	2.90
GROSVENOR EQUITIES PTY LTD <NO 2 A/C>	15,874,720	2.59
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,335,000	1.52
CHA QIAN	9,245,000	1.51
ALL-STATES FINANCE PTY LIMITED	9,238,671	1.50
ROBMAR INVESTMENTS PTY LIMITED	7,284,069	1.19
INVIA CUSTODIAN PTY LIMITED <KUARKA A/C>	5,917,302	0.96
MR ANDREW FORSTER	5,000,000	0.81
CRITICAL INVESTMENTS PTY LTD <CRITICAL INVESTMENTS A/C>	4,643,363	0.76
NATIONAL NOMINEES LIMITED	4,298,642	0.70
CHEOY LEE YACHTS AUSTRALIA PTY LTD	4,130,000	0.67
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	3,982,577	0.65
MS SWATI SHUKLA	3,400,000	0.55
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,217,117	0.52
	384,660,120	62.65

Voting Rights

On a show of hands every member present in person or by proxy shall have one vote and upon a poll every member, present in person or by proxy, shall have one vote for every share except if the issue price has not been paid in full, then the holder is only entitled to a fraction of a vote on that share, being, the quotient of the amount paid up divided by the issue price of that share.

UNQUOTED SECURITIES AS AT 29 MARCH 2022

Class of unquoted securities	No. of securities	No. of holders
- Unlisted options exercisable at A$0.30 expiring 30 December 2022	1,700,000	11
- Unlisted options exercisable at A$0.60 expiring 30 December 2022	2,800,000	2
- Unlisted options exercisable at A$0.70 expiring 31 August 2024	9,696,970	2
- Unlisted Performance Rights	6,173,359	9
- Unlisted Performance Rights (Vested)	2,140,634	4
- Unlisted Service Rights	2,438,558	3
- Unlisted Restricted Rights	3,801,238	39

Voting Rights

There are no voting rights attached to any of the unquoted securities listed above

LIST OF MINERAL LEASES – USA AND AUSTRALIA

A full list of the mineral (oil & gas) leases and rights of way held by the Company was announced on the Australian Securities Exchange on 31 March 2022. Given the extensive list it was not practical to include this listing in the Annual Report of the Company.

CORPORATE GOVERNANCE STATEMENT

The Company's corporate governance statement can be found on the Company's website at the following location: http://empireenergygroup.net/company-overview/corporate-governance