



EMPIRE OIL & GAS NL

ASX RELEASE

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Empire delivers another profitable half year result

- Revenue of A\$8.7 million for the period (1H FY16 A\$10.5 million), after lower gas nominations from Alcoa and an expected decline in the condensate-gas-ratio
- EBITDAX of A\$4.0 million for the period (1H FY16 A\$5.3 million) positively impacted by cost saving initiatives at Red Gully including the revised operations and maintenance contract
- Profit after Tax of \$0.4 million (1H FY16 \$1.2 million)
- Profit after Tax of \$0.7 million, excluding significant one off costs incurred evaluating a corporate growth opportunity and refinancing the debt facility
- Continued progress at Red Gully North-1 with the successful remediation and production testing completed

Perth Basin domestic gas producer, Empire Oil & Gas NL (**Empire**, ASX: EGO) provides its interim financial report for the six months ended 31 December 2016 (**1H FY17**).

Empire continued to generate profits recording a 1H 2017 Net Profit After Tax of A\$0.4 million (2015: A\$1.2 million). This included significant one off costs associated with financial and legal advisory services relating a third party sales process for a significant growth opportunity.

Total reported revenue for the period was A\$8.7 million (1H 2016 A\$10.5 million), primarily due to lower gas nominations from Alcoa, and the predicted decline in the condensate-gas-ratio over the half-year period. Total gas revenue was A\$7.3 million (2015:A\$8.2 million) and condensate revenue was A\$1.4 million (2015: A\$2.2 million).

The decrease in profit due to the decline in sales was mitigated by the robust cost reduction initiatives at Red Gully including the revised operations and maintenance contract implemented by Empire during the period. Cost of sales reduced to A\$2.8 million (2015: A\$3.1 million).

As set out in the Company's most recent quarterly production report, total gas production for the half-year ended 31 December 2016 was 1.2 PJ, down 20% compared to production of 1.5 PJ for the half-year ended 31 December 2015. Total condensate production for the half-year ended 31 December 2016 was 35 kbbl, down 36% compared to production of 55 kbbl for the half-year ended 31 December 2015. The decline in production was due to a reduction in gas nominations from Alcoa and the condensate gas-ratio decline.

During 1H FY17 Empire successfully completed the A\$15 million refinancing of the ERM debt facility through the drawdown of the Mineral Resources Limited (ASX: MIN) revolving working capital facility. The new revolving working capital facility carries an annual interest rate equal to the Australian Bank Bill Swap Rate (BBSW mid) plus 5% and a three year term.

The 2016 annual reserves review was released in September 2016 as prepared by Valmap Pty Ltd. The 2P gas and condensate reserves within the Red Gully Production License area (PL 18 / PL 19) as at 1 July 2016 were estimated to be 10.9 PJ and 340.4 Mstb.

No impairment of exploration and evaluation expenditure was recorded in 1H FY17.

Chief Executive Officer Ken Aitken said: *"The second half of 2016 saw Empire continue to deliver positive operational and financial results despite lower gas nominations and commodity prices. Operationally, we successfully completed the remediation of Red Gully North-1 which confirmed the discovery of a new light oil play in the C sands. 2H FY17 is already shaping up to be an exciting period with continued production from Red Gully, the upcoming reserves analysis for Red Gully North-1 and updates relating to our farm-out discussions and drilling schedule for our highly prospective exploration targets across our portfolio."*

The H1 FY17 results were as follows:

	6 months ended 31 Dec 2016 (A\$000)	6 months ended 31 Dec 2015 (A\$000)	Change (A\$000)
Gas revenue	7,328	8,219	(891)
Condensate revenue	1,366	2,233	(867)
Total revenue	8,695	10,452	(1,757)
Cost of Sales	(2,806)	(3,062)	256
Gross Profit	5,889	7,390	(1,501)
Net other expenses	(1,854)	(2,048)	194
EBITDAX	4,035	5,341	(1,307)
Impairment	-	-	-
EBITDA	4,035	5,341	(1,307)
Depreciation / amortisation (Cost of sales)	(3,042)	(3,692)	650
Depreciation (General)	(61)	(39)	(23)
EBIT	932	1,611	(679)
Net finance costs	(282)	51	(333)
Profit of the Group before income tax	650	1,662	(1,012)
Income tax (loss) / benefit	(266)	(508)	242
Profit of the Group after income tax	384	1,154	(770)

Notes:

- EBITDAX represents Earnings Before Interest, Tax, Depreciation, Amortisation and Exploration impairment / write-offs. Together with EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) and EBIT (Earnings Before Interest and Tax), the EBITDAX figure are non-IFRS measures that are presented to provide investors with further information and perspective on the overall financial performance and operations of Empire. These financial measures are unaudited however; the figures have been extracted from the financial statements, which have been subject to review by Empire's auditor. Please refer to the financial statements, which were subject to the half-year review completed by the auditors, for the IFRS financial information

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About Empire Oil & Gas

Empire Oil & Gas NL ('Empire' or the 'Company') is an onshore conventional gas and condensate producer and explorer listed on the Australian Securities Exchange (ASX: EGO) with key assets in the Perth Basin in Western Australia.

The Company's producing assets at Red Gully are less than 150 kms from the city of Perth where there is a strong gas market. Since commencing operations in 2013, the 100% owned Red Gully Processing Facility has produced and delivered over 8,950 Terajoules (TJ) of gas. Gas produced to date has been contracted to Alcoa of Australia (Alcoa) and delivered through the Dampier to Bunbury Natural Gas Pipeline (DBNGP), which runs close to the Red Gully Processing Facility (RGPF). Condensate is transported via road to BP.

Empire is the holder of the largest net onshore acreage in the highly prospective Perth Basin with its production licenses and permits covering more than 8,000 km², representing 46% of the currently granted acreage in the onshore Perth Basin. Close to pipeline infrastructure and with rapid commercialisation opportunities, the Company has significant exploration potential in an underexplored, proven petroleum basin.

Empire's vision is to sustainably grow the business into a mid-tier exploration and production company. Empire's strategy is to be the Perth Basin operator of choice, safely supplying WA domestic gas by growing the Red Gully production hub, delivering reserves and production growth by drilling material quality exploration prospects in the high profit margin onshore Perth Basin and, enabling Empire to attract quality farm-in partners to assist in accelerating growth plans.