



21 April 2017

Contingent oil resources at Red Gully North-1

- **Contingent resource estimate (2C) for Red Gully North-1 volatile oil discovery of 200,000bbls**
- **Extended well test planning underway to determine the commerciality of Red Gully North-1**

Perth Basin domestic gas producer Empire Oil & Gas NL (Empire, ASX: EGO) is pleased to announce contingent resource estimates for the Red Gully North-1 (RGN-1) volatile oil discovery.

The reservoir fluid study and resource assessment of the RGN-1 discovery indicated an initial 2C contingent resource estimate of 200,000bbls of oil (Figure 1) from an oil in place estimate of 570,000bbls. Laboratory analysis of the samples taken during the test revealed oil with an extremely high shrinkage factor which has led to a lower than anticipated contingent resource volume for the mapped C sand structure. The upcoming extended well test, which is expected to be cash flow positive, is expected to reduce this uncertainty and provide a better understanding of the upside oil volumes and commercial potential of the volatile oil discovery.

Contingent Resource: Volatile oil C sand (bbls)

	1C	2C	3C
Overall Oil in Place	160,000	570,000	1,070,000
Recoverable Resource	60,000	200,000	360,000

Chief Executive Officer Ken Aitken said: *“The high good quality oil flow rate and the upside potential of the contingent resource volumes at Red Gully North-1, give us confidence to proceed with the extended well test which will assess the commercial significance of this new oil play. Importantly, we also expect the test to assess the gas volumes in the D sand. Planning is now well underway and we expect the cash flow positive 90-day well test to commence in Q3 2017.*

The upper D sand was also interpreted to be gas bearing from the data acquired during drilling but failed to flow gas in the initial tests. Empire is investigating the use of two artificial lift techniques in order to recover completion brine lost into the upper D sand which could potentially enable the zone to flow gas. A successful test would provide Empire the ability to book gas reserves on the D sand. Empire presently carries a contingent resource of 1.67 Bcf (1C), 3.1 Bcf (2C) and 4.3 Bcf (3C) for the upper D sand.

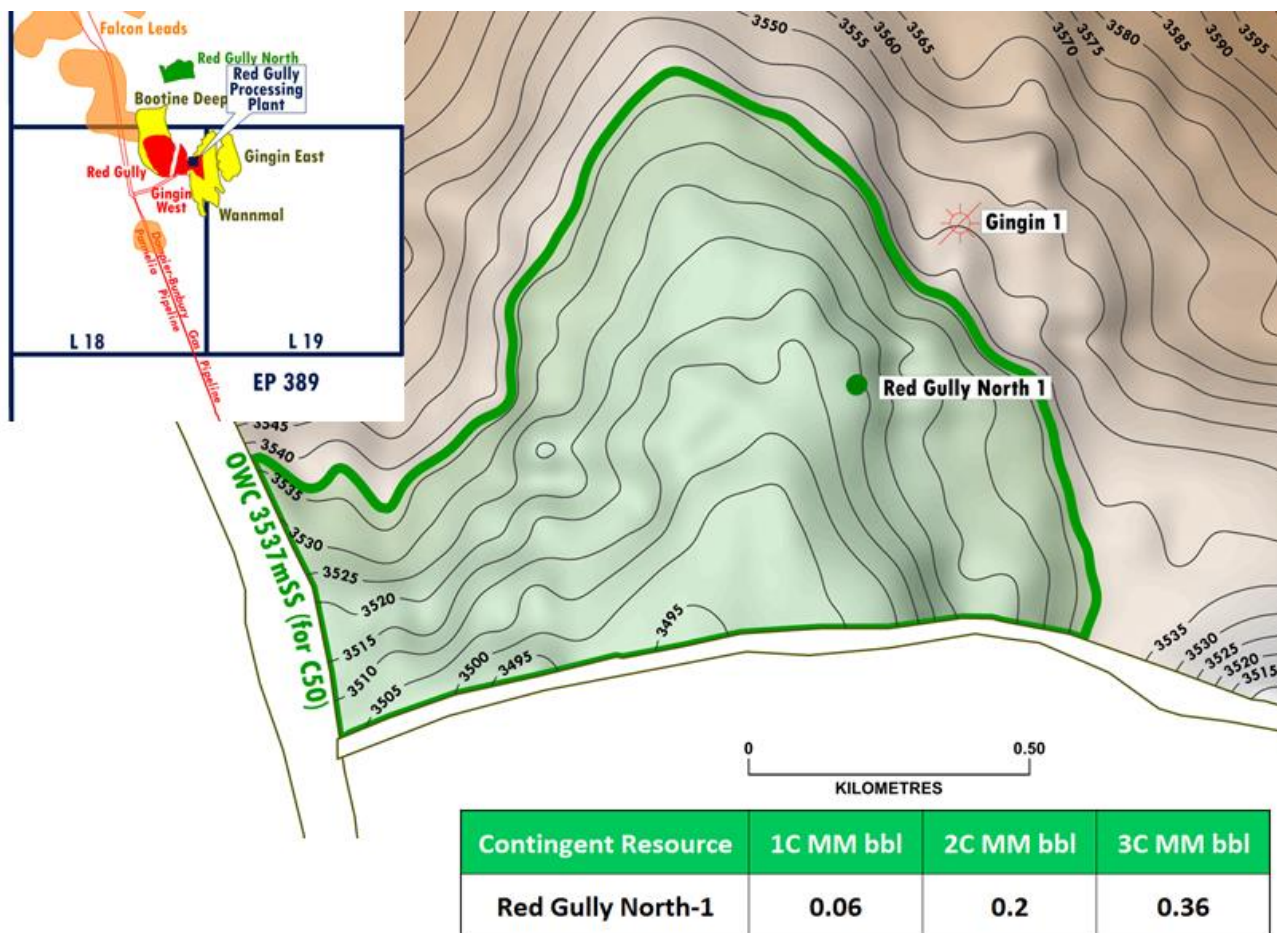
Planning is underway to conduct an extended well test of RGN-1 in Q3 2017 subject to regulatory approvals. The objectives of the extended well test are:

- Determine stable hydrocarbon and water flow rates of the C sand over 90 days
- Further understand oil shrinkage to reduce uncertainty of total oil and associated gas recovery
- Determine upper D sand gas zone flow potential under artificial lift
- Determine commerciality of oil and gas production and convert contingent resources to reserves

Testing and data analysis summary

Empire completed a volumetric assessment of the C sand which flowed at 409 bpd with associated gas at 1.29 mmscf/d during testing. The gas and volatile oil flow was accompanied by 734 bbls/d of water during the testing. The origin of the water is not clear and no obvious oil water contact in the tested interval was observed on the wireline logs. The volatile nature of the RGN-1 oil dictates that there is a relatively high amount of associated gas with the oil and there is conversely a relatively high degree of shrinkage that has adversely affected the contingent oil resources which could be assigned.

Figure 1: Red Gully North-1 – Contingent Resources



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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 9,300 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 over 40% 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.

Qualifications and Consent

The preparation of the contingent resource update was undertaken by Mr. Ian Paton, Valmap Pty. Ltd. Ian has over 30 years of Australian and International experience in the Upstream Petroleum business. This experience includes extensive work in asset evaluation, reserve assessment, due diligence in acquisitions and preparation of assessment reports. Mr Paton is a current Member of the SPE and holds B.Sc. Hons (geophysics), M.Pet.Eng Western Australia University and MBA South Australia University.

The estimates of reserves presented in this assessment fairly represents the information and supporting documentation prepared by Mr Ian Paton who is a competent petroleum and resources evaluator and has consented to the inclusion of such information in this announcement in the form and context in which it appears. Mr Paton is a part-time Geoscience and Engineering consultant to Empire Oil and Gas.