

EMPIRE OIL & GAS NL

Quarterly Report June 2017



Record plant uptime and increasing cash position across June Quarter

Perth Basin domestic gas producer Empire Oil and Gas NL (Empire, ASX: EGO) is pleased to provide its quarterly activities report for the quarter ending 30 June 2017.

Production

- Average daily gas production of 6.4TJ/day, an increase on previous quarter's production of 6.2TJ/day
- Average plant uptime of 99.7% over the quarter (excluding planned downtime), up from 94.7% on previous quarter

Safety

- The Red Gully Production Facility (RGPF) achieved a record of 4 years Lost Time Injury (LTI) free milestone on 31 May 2017.

Exploration

- Highly experienced Perth Basin well engineering contractor has been awarded a contract for the FY18 drilling campaign.

Finance and Corporate

- Cash receipts of A\$4.3 million for the quarter, down from A\$4.4 million across the previous quarter due to lower oil prices
- Positive operating cash flow of A\$1.2 million with the reduction of one-off expenditure on Red Gully North-1 during the quarter
- Cash at quarter end of A\$2.3 million after ongoing fixed asset capital expenditure on the compressor project during the quarter

Commenting on the quarter, Chief Executive Officer Angus Walker said: *"Empire has delivered another solid operational quarter with improved production and cash at bank, while we progress our exploration activities in a difficult farm-out market. The improved cash position was achieved despite lower oil prices later in the quarter and a significant capex program at Red Gully that will help maintain future production."*

About Empire Oil & Gas NL

ASX Code: EGO

Cash on hand (quarter end):
A\$2.3 million

Market capitalisation (quarter end):
A\$16.4 million

Share price range in quarter:
A\$0.12 to A\$0.22

Empire Oil & Gas is an Australian energy company focussed on exploration and production opportunities in the onshore Perth Basin.

Empire owns and operates the Red Gully gas and condensate field which has been in production since mid-2013.

Empire holds around half of the highly prospective onshore Perth Basin acreage. The Perth Basin has excellent infrastructure and a strong gas market.

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PRODUCTION

Quarterly Sales	June 2017 quarter 2017	March quarter 2017	FY16/17 YTD
Red Gully Facility (100%)			
Gas sales (TJ)			
Gas sales for the quarter	585	557	2,330
Cumulative RGPF gas sales ¹	10,095	9,510	
Condensate sales (bbl)			
Condensate sales for the quarter	15,195	14,439	64,163
Cumulative RGPF condensate sales ¹	382,019	366,824	
Plant Performance			
Average plant run time (% , including planned downtime)	98.8	91.0	93.0
Average plant run time (% , excluding planned downtime)	99.7	94.7	96.5
Average daily gas sales (TJ per day)	6.4	6.2	6.4
Average daily condensate sales (bbl per day) ²	167.0	160.4	175.8

¹ Cumulative RGPF sales represent total volumes delivered from the commencement of RGPF operations in 2013 to the end of June 2017 quarter.

Production and Safety Performance

The Red Gully Processing Facility (RGPF) achieved a record 4 years Lost Time Injury (LTI) free milestone on 31 May 2017. This is an excellent achievement and Empire would like to recognise its staff, Upstream production operations team and all other contractors for achieving this significant milestone.

Total gas delivered during the June 2017 quarter was 585 TJ at an average daily gas production rate of 6.4 TJ/day, 5.0% higher than the March 2017 quarter.

The condensate volume delivered over the March 2017 quarter was 15,195 bbl at an average daily production rate of 167.0 bbls/day, 5.2% higher than the March 2017 quarter.

The increase in condensate production was improved by record RGPF uptime in the June 2017 quarter.

Produced water handling upgrade project

Empire commenced the RGPF Produced Water Handling Upgrade Project during the December 2016 quarter. Mechanical completion was reached in the March 2017 quarter. This project has been designed to increase the RGPF produced water handling capacity from the current 50 bbls to 500 bbls of formation water per day. The project is expected to be commissioned once the new RGPF environmental plan receives approval from the regulator.

RGPF uptime

The RGPF uptime (excluding planned outages) for the June 2017 quarter was a record 99.7%.

RGPF Wellhead Compressor Project

Empire continued to progress the RGPF Wellhead Compressor Project during the June 2017 quarter which is expected to increase overall RG-1 gas field recovery by 3PJ (refer to ASX announcement dated 6 September 2016).

Gingin West

Empire was in the process of undertaking a workover of the suspended Gingin West-1 well (GGW-1) to re-establish flow from the well. GGW-1 is a small contingent resource, 0.18PJ of gas and 9,400 bbls of condensate, expected to provide up to three months additional gas to production. Due to various delays, the timing of GGW-1 project now coincides with the more significant wellhead compressor project for RG-1 well. As a result Empire has decided to suspend the GGW-1 project. The GGW-1 project is not considered material to the company.

EXPLORATION

Ongoing review of the acreage portfolio confirms that EP 368, EP 432 and EP 389 remain a priority as the most prospective permits. Empire is preparing for field activities in EP 368 and EP 389, including the planned drilling of Lockyer Deep-1 and the acquisition of 2D seismic data in EP 389.

EP 426, EP 454 and EP 430 entered permit years that require 2D seismic data or drilling within the next 12 months. Empire is currently assessing options to meet these permit requirements.

An application has been made for partial surrender/relinquishment of most of EP 440. The permit was previously identified as a secondary focus area and subsequent work has confirmed that it has low prospectivity, with significant access constraints due to the presence of park and nature reserves.

Empire continues to focus on exploration for high margin, conventional hydrocarbons. The recent decision by the WA state government to introduce a moratorium on hydraulic fracture stimulation activities in the south of the basin only affects permits where Empire has already reduced its exposure by farm-out, or acreage that is in the process of being relinquished or surrendered due to low interpreted prospectivity for conventional hydrocarbons.

EP 368 / EP 426

The EP 368 joint venture successfully secured a 12 month extension to the EP 368 commitment well from the regulator, which now falls due by 29 June 2018.

Further evaluation work was conducted during the June 2017 quarter to ensure that the best location is selected for the upcoming well commitment.

Lockyer Deep-1 continues to be the preferred location to test the Lockyer Deep – North Erregulla structural trend, which remains undrilled at the Permian age, Kingia High Cliff horizons. A surface location for the drilling of Lockyer Deep-1 was nominated by the operator and is currently with the joint venture for review and approval.

Planning and execution of the drilling of Lockyer Deep-1 has commenced and a contract has been awarded to a highly experienced well engineering contractor who has undertaken much of the well engineering and execution for the recent Waitsia gas wells drilled by AWE in acreage adjacent to EP 368. Empire is working to secure a suitable drilling rig for its FY18 drilling campaign.

The current work program commitment for EP426 is for a 2D seismic survey, to be completed by June 2019.

Figure 1: Lockyer Deep and North Erregulla prospective resources

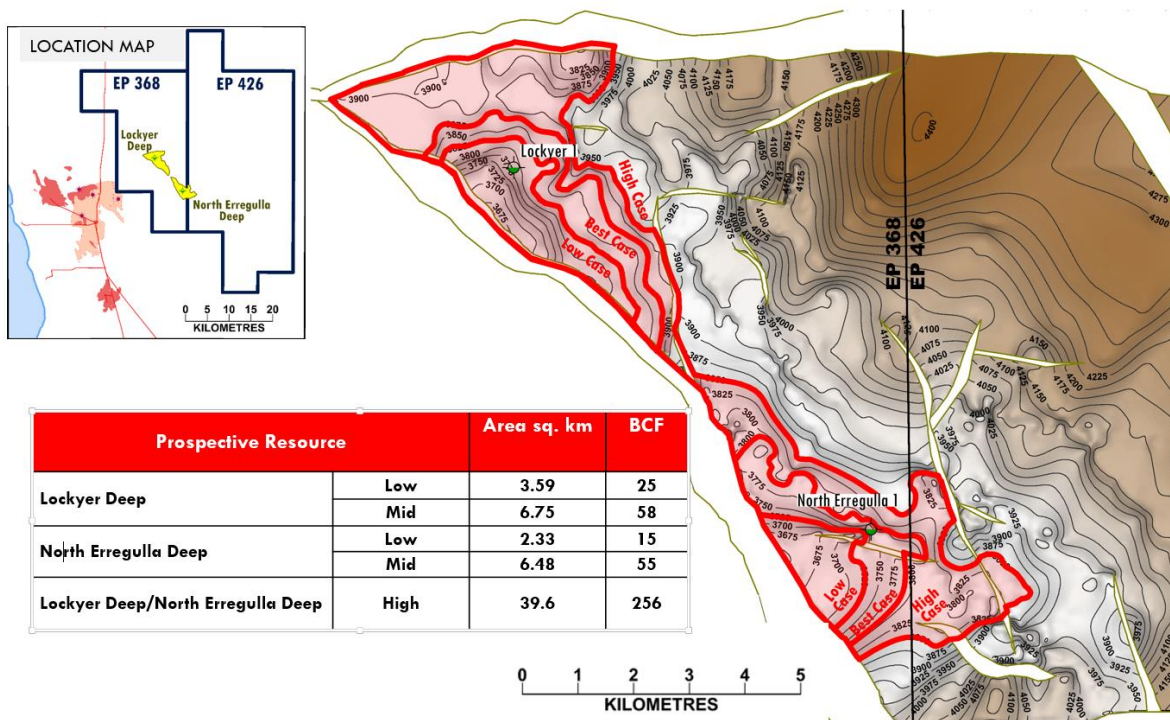
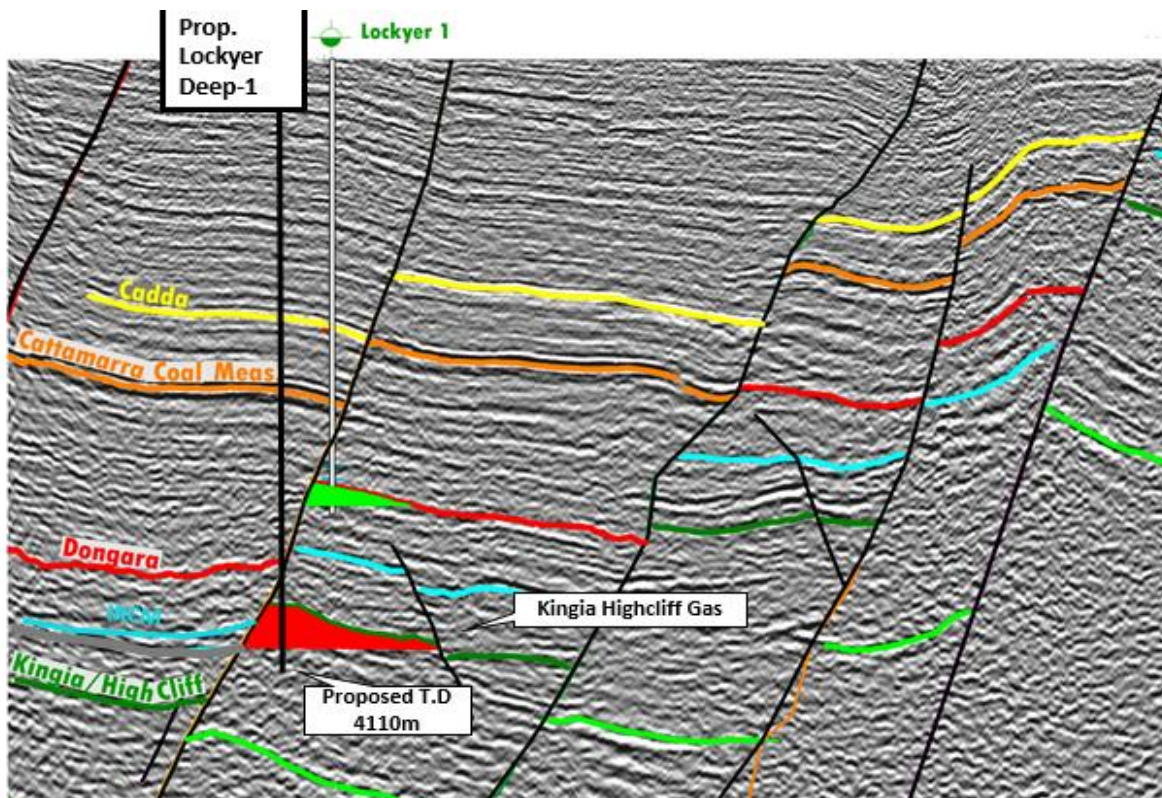


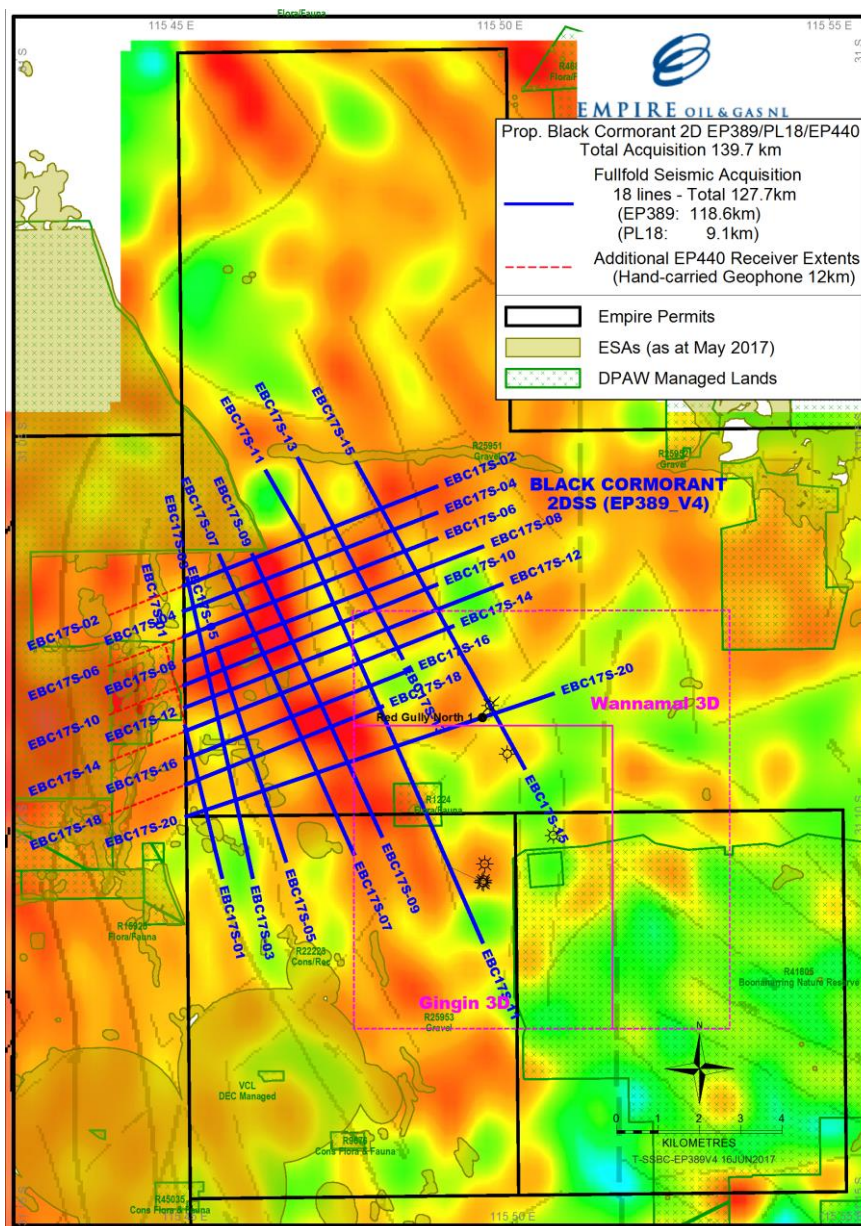
Figure 2: Lockyer Deep Seismic Section and Proposed Lockyer Deep-1 Well Trajectory Relative to Lockyer-1



EP 389

The renewal of EP 389 was submitted to the regulator in January 2017 and is pending approval. In the renewal term Empire is planning to undertake a 2D seismic program to investigate the potential of an interpreted structural trend (lead) that was identified by the Black Swan Airborne Geophysical survey northwest of the Red Gully gas condensate field. The survey application documents and environmental plan for undertaking this 2D seismic survey are being prepared for submission to the regulator. Should the leads to be targeted by the planned Black Cormorant 2D seismic survey in EP 389 mature to drillable prospects, the commercialisation of any discovery would be enhanced due to the proximity to the RGPF (Figure 3).

Figure 3: Proposed Black Cormorant Seismic Survey – EP 389



FINANCE AND CORPORATE

Cash flow

Empire ended the quarter with A\$2.3 million cash at bank, an increase of A\$0.1 million from the 31 March 2017 balance. A\$4.3 million in gas and condensate receipts were received against cash outflows of A\$0.6 million for exploration and evaluation, A\$1.7 million for production, A\$0.4 million for staff costs and A\$0.6 million for administration costs.

Expected cash outflows for the September 2017 quarter will increase to A\$4.8m due to a further A\$1.6m in one-off capital items relating to the RGPF wellhead compressor project.

The net cash position is expected to significantly improve after the September 2017 quarter as the one-off capital wellhead compressor project will be complete.

Red Gully revenue

Total accrued revenue for Red Gully was A\$4.4 million, comprising A\$3.7 million in gas sales and A\$0.7 million in condensate sales.

Gas revenues increased 6% to A\$3.7 million over the June 2017 quarter as the RGPF maintained contracted quantities with good uptime. Condensate revenues declined 13% to A\$0.7 million over the same period due to a decline in oil price.

Community relations

Empire actively supports the local community around Gingin and is a proud sponsor of the Gingin Football Club and the Gingin Aquatic Centre. The Gingin Football Club is currently farming a section of Empire's land with the funds raised assisting with improving club facilities.

Issued capital

No new shares were issued during the quarter. Table 1 shows the Company's issued capital at quarter end.

Table 1: Issued Capital as at 30 June 2017

Capital type	Number issued
Ordinary Shares	102,404,989
All Options	17,073,059
Listed Options	7,853,059
Unlisted Options	9,220,000

Angus Walker

Chief Executive Officer
Empire Oil & Gas NL

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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 9,500 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 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 a 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.

Cautionary Statement

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Resources

Empire is not aware of any new information or data that materially affects the information included in this report and that all material assumptions and technical parameters underpinning the estimates in this presentation continue to apply and have not materially changed.

Qualifications and consent

The preparation of the Reserve update report as of 1 July 2016 was undertaken by Mr Ian Paton, Valmap Pty Ltd. Mr Paton 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 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.

Forward Looking Statements

This report has been prepared by Empire Oil and Gas NL (“EGO”) for general information purposes only. This report may contain certain forward-looking statements which have not been based solely on historical facts but rather on EGO’s current expectations about future events and a number of assumptions which are subject to significant uncertainties and contingencies, many of which are outside the control of EGO and its Directors, Officers and Advisers. Due care and attention has been taken in the preparation of this report. However, the information contained in this report (other than as specifically stated) has not been independently verified for EGO or its Directors and Officers, nor has it been audited. Accordingly, the Company does not warrant or represent that the information contained in this report is accurate or complete. To the fullest extent permitted by law, no liability, however arising, will be accepted by EGO or its Directors, Officers or Advisers, for the fairness, accuracy or completeness of the information contained in the report. The Company is not under any obligation to update the information contained in this report.

Table of Abbreviations	
A\$	Australian Dollars
Bopd or Bpd	Barrels of oil per day
Bwpd	Barrels of water per day
Bbls	Barrels of oil
Bcf	Billion cubic feet
DMP	Department of Environmental Protection
EGO	Empire Oil and Gas
Km	Kilometres
Km²	Square kilometres
m	Millions
PJ	Petajoules
Scf/d	Standard cubic feet per day
TJ or TJ/d	Terrajoules or Terrajoules per day
MMscf	Million standard cubic feet
MMbbls	Million barrels of oil
2D	Two dimensional seismic data
MTI	Medical treatment injury
LTI	Lost time injury
GGW1	Gingin West 1
RGN	Red Gully North
RGN-1	Red Gully North-1
RGPF	Red Gully Processing facility
RVP	Reid Vapour Pressure

Appendix 1: Petroleum Tenements – Interests

Table 4: Tenement Schedule – 30 June 2017

Licence No.	Production and Pipeline Licence Holders	Equity Held	Changes Q2 2017
L 18	Empire Oil Company (WA) Limited	100%	No change
L 19	Empire Oil Company (WA) Limited	100%	No change
PL 96	Empire Oil Company (WA) Limited	100%	No change

Permit No.	Exploration Permit Holders	Equity Held	Changes Q2 2017
EP 389	Empire Oil Company (WA) Limited	100%	Renewal application pending, subject to statutory relinquishment of acreage
EP 426	Empire Oil Company (WA) Limited* Westranch Holdings Pty Ltd	77.78% 22.22%	No Change
EP 368	Empire Oil Company (WA) Limited* Westranch Holdings Pty Ltd	80% 20%	12 month Suspension of Yr 2 commitment well to 29 June, 2018
EP 432	Empire Oil Company (WA) Limited	100%	No Change
EP 454	Empire Oil Company (WA) Limited	100%	No Change
EP 430	Empire Oil Company (WA) Limited	100%	Application lodged for work program variation
EP 416	Empire Oil Company (WA) Limited Pilot Energy Limited*	40% 60%	No change
EP 440	Empire Oil Company (WA) Limited	100%	Application for partial surrender submitted
EP 480	Empire Oil Company (WA) Limited Pilot Energy Limited*	40% 60%	No change

* Denotes permit operator of joint venture

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

EMPIRE OIL & GAS NL

ABN

55 063 613 730

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	4,302	17,364
1.2 Payments for		
(a) exploration & evaluation	(573)	(5,624)
(b) development	0	0
(c) production	(1,723)	(5,796)
(d) staff costs	(428)	(1,933)
(e) administration and corporate costs	(558)	(2,100)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	10	40
1.5 Interest and other costs of finance paid	(254)	(762)
1.6 Income taxes paid	0	0
1.7 Research and development refunds	0	198
1.8 Other (Legal Settlement)	390	375
1.9 Net cash from / (used in) operating activities	1,166	1,762
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1,053)	(2,586)
(b) tenements (see item 10)	0	0
(c) investments	0	0
(d) other non-current assets	0	0

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	0	0
	(b) tenements (see item 10)	0	150
	(c) investments	0	0
	(d) other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other (provide details if material)	0	0
2.6	Net cash from / (used in) investing activities	(1,053)	(2,436)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	0	0
3.2	Proceeds from issue of convertible notes	0	0
3.3	Proceeds from exercise of share options	0	0
3.4	Transaction costs related to issues of shares, convertible notes or options	0	0
3.5	Proceeds from borrowings	0	15,100
3.6	Repayment of borrowings	0	(14,921)
3.7	Transaction costs related to loans and borrowings	0	(142)
3.8	Dividends paid	0	0
3.9	Other (provide details if material)	0	0
3.10	Net cash from / (used in) financing activities	0	37

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,189	2,939
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,166	1,762
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,053)	(2,436)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	0	37
4.5	Effect of movement in exchange rates on cash held	0	0
4.6	Cash and cash equivalents at end of period	2,302	2,302

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	2,302	2,189
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,302	2,189

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

(81)

0

Directors fees

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

0

0

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	15,100	15,100
8.2 Credit standby arrangements	0	0
8.3 Other (please specify)	0	0
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Mineral Resources have provided a secured revolving working capital facility to Empire at an interest rate of BBSW(MID) + 5% per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	651
9.2 Development	0
9.3 Production	1,498
9.4 Staff costs	463
9.5 Administration and corporate costs	553
9.6 Other (Capital Projects)	1,621
9.7 Total estimated cash outflows	4,786

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		Refer to the Petroleum Tenements table included at the back of the 30 June 2017 Quarterly Activities Report.		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		Refer to the Petroleum Tenements table included at the back of the 30 June 2017 Quarterly Activities Report.		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: .. 

..... Date:31 July 2017.....
 (Director/Company secretary)

Print name:Rachel Rees.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.