



EMPIRE OIL & GAS NL

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11 December 2014

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Company Announcements Office
Australian Securities Exchange
20 Bridge Street
SYDNEY NSW 2000

ANNUAL GENERAL MEETING 2014 – PRESENTATION

Please find attached an Empire Oil & Gas NL (ASX: EGO) ASX Announcement containing slides presented at the 2014 Annual General Meeting held today.

Yours sincerely
For Empire Oil & Gas NL

Timothy Spencer
Company Secretary

Media
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Annual General Meeting Presentation

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Proxy Summary

11 December 2014



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Disclaimer and Competent Person's Statement

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- Unless otherwise indicated, the statements contained in this Investor Presentation about both the EP 389 Joint Venture and Empire's reserves and contingent resources estimates have been compiled in accordance with the definitions and guidelines in the 2007 SPE PRMS. This information is based on, and fairly represents, information and supporting documentation prepared by Mr Ian Paton, who has consented to the inclusion of this information in the form and context in which it appears in this report. Mr Paton holds degrees in Geophysics (BSc (Hons)) and Petroleum Engineering (MPet Eng) and has over 35 years of experience as a specialist geophysicist with extensive experience in petroleum field exploration and development, and he is also a qualified petroleum reserves and resources evaluator and member of the Society of Petroleum Engineers. Mr Paton is a consultant to Empire Oil and Gas NL. Prospective Resource estimates have been provided by Milton Schmedje who holds a degree in Geology (BSc Hons), and who has 30 years experience as a petroleum geologist and is a member of the American Association of Petroleum Geologists (AAPG).



CEO Overview



Empire's Strategy for Success



Experience

- Highly experienced management and board
- Significant Perth Basin exploration and production experience

Production a key point of difference

- Red Gully field in production for more than 12 months
- 11PJ¹ of 2P reserves as of 1 October 2014

Unlocking highly prospective exploration acreage

- Focus on conventional high margin onshore Perth Basin oil and gas plays
- Empire to hold approximately 50%² of Perth Basin acreage post ERM deal
- Aggressive exploration drive planned, subject to funding

Perth Basin business drivers

- Strong WA gas market
- Close to Dampier to Bunbury Gas Pipeline with retail and mining customer potential
- Recent AWE discovery adjacent to Empire's North Perth Basin permits
- Unconventional gas prospects provide significant long term value potential



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¹ As assessed in the Independent Expert Report dated 3 November 2014, attached to the Empire Oil & Gas NL – 2014 AGM Notice of Meeting

² Information represents all granted Exploration and Production Licences in the Perth Basin as per Encom-GP Info Petroleum Permits of Australia 2014.

Red Gully Production - Gas/Condensate + LPG

Red Gully



Production

- Red Gully-1 well producing ~ 8TJ/day since B Sand online
- Gingin West-1, back-up well
- Legacy issues being addressed
- Plant uptime improved to over 96% (excluding planned downtime)
- Space for plant expansion

Condensate to BP Kwinana



Condensate

- Condensate sales contract with BP
- Closest oil/gas facility to City of Perth
- Lower transportation costs
- 150km all bitumen road to BP Kwinana refinery
- ~ 360 barrels of condensate per day

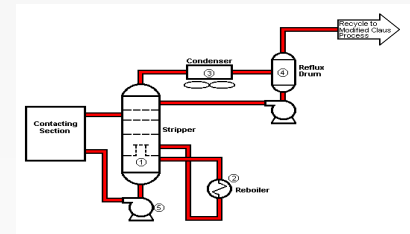
Gas Transported Via DBP pipeline to Alcoa



Gas Export

- JV own ~ 2km pipeline connecting to DBP
- Long term relationship with gas customer Alcoa
- 1st tranche of gas repaying Alcoa prepayment
- Expected to be repaid September/October 2015 based on current plant and well performance
- Pipeline provides access to multiple customers and strong gas market.

Potential to increase production capacity and add LPG stripping



Production Hub Potential

- 4 prospects within 4 km radius
- Plant not initially designed to process LPG
- 12 tonnes of LPG (Autogas Propane/Butane) value not being realised
- Local auto gas market in Perth
- Feasibility study being progressed. Potential new revenue stream.



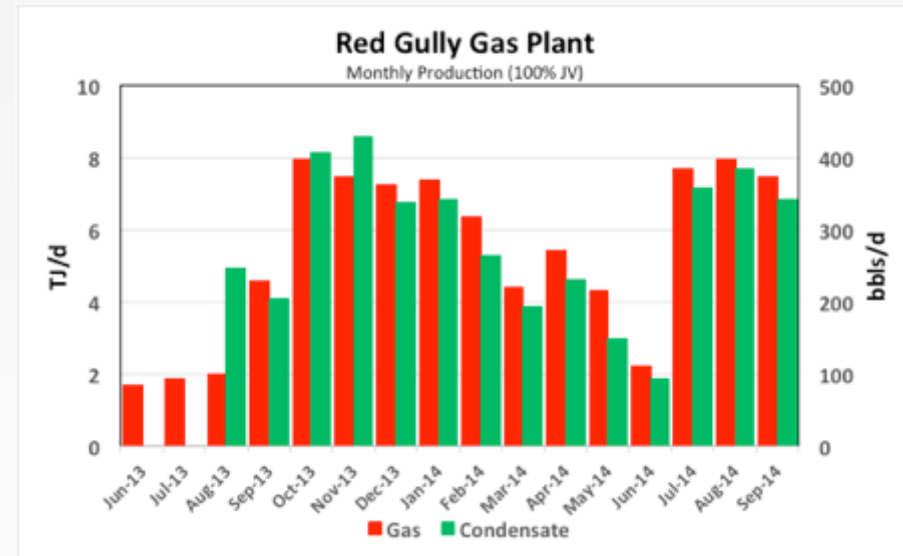
EMPIRE OIL & GAS NL

Empire's production performance



Over 12 months of Red Gully production:

- Commissioning completed in September 2013
- Initial production from Red Gully-1 D Sands
- Declining production and increasing water cut and flow instability
- Red Gully-1 B Sands successfully perforated and tested in June 2014
- Stable production over the September 2014 Quarter
- Cash received from condensate sales for 12 months ended September 2014 of \$7.6 million (Empire share)



Future sales:

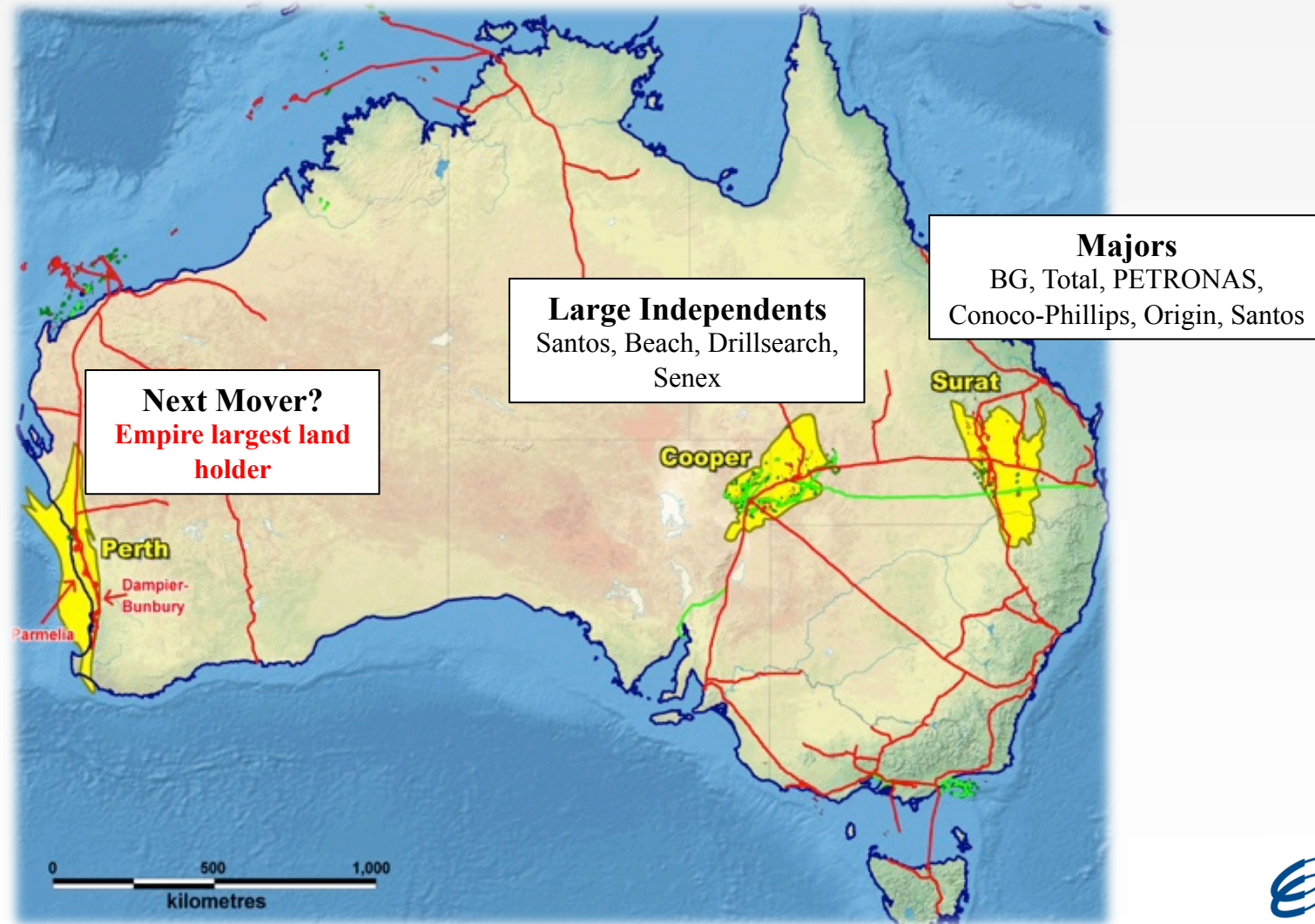
- Gas sales up to September/October 2015 expected to extinguish Alcoa pre-payment
- From then, gas sales plus condensate sales (assuming 100% ownership) expected to produce cash revenue of approx. \$25 million per annum*

* Assumes Brent benchmark condensate price of \$85 USD/bbl; and exchange rate of \$1 AUD = \$0.87 USD



Australia's three major onshore Petroleum Basins

Prolific hydrocarbon basins located close to well developed infrastructure and markets



Strategy – Refocusing on the Perth Basin



Perth Basin – Core Focus Area

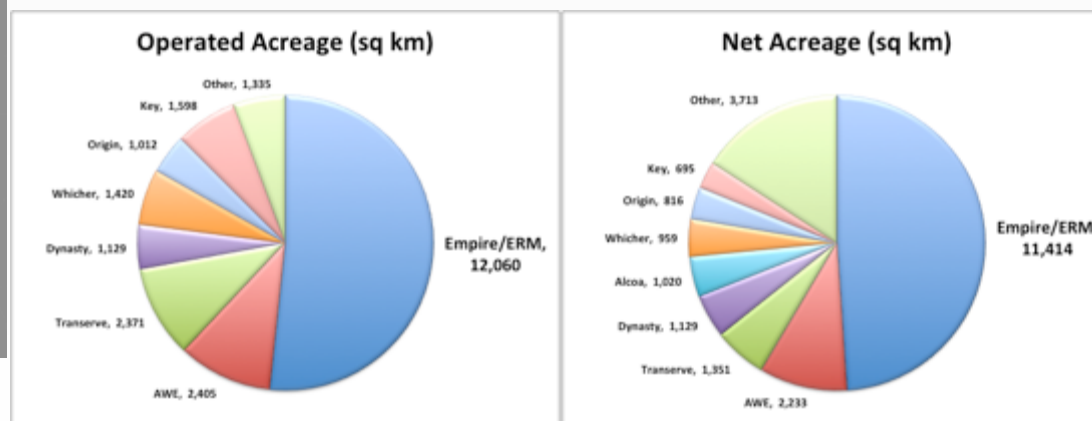
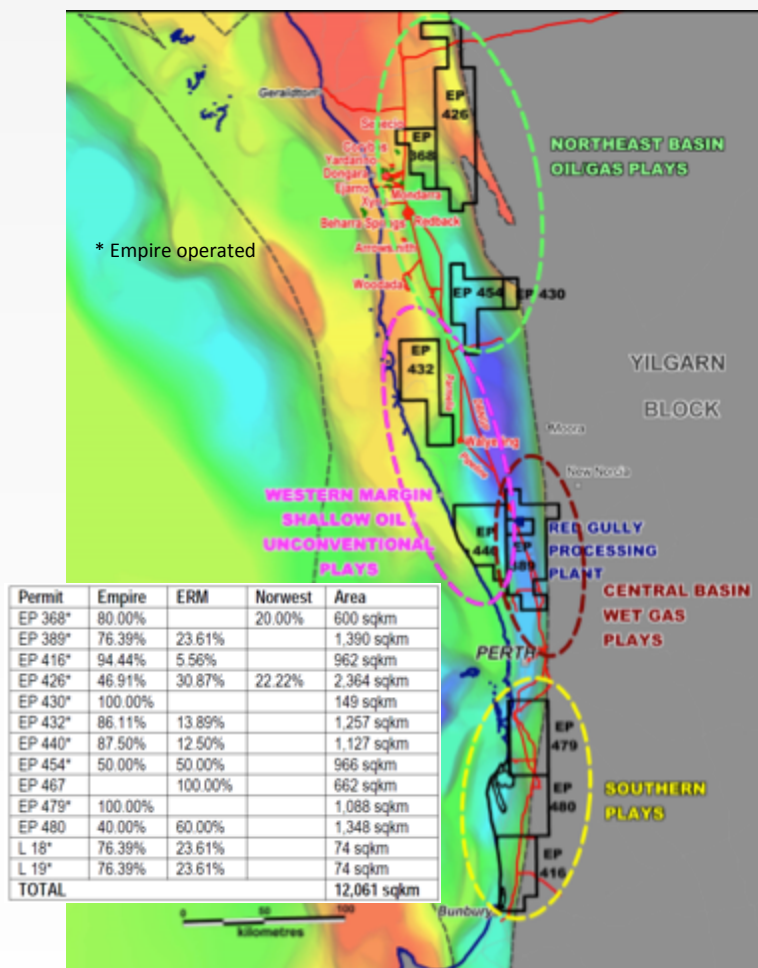
- 11 exploration tenements
- Proven petroleum systems with diversity of hydrocarbon plays
- Four focus areas

The ERM Transaction results in

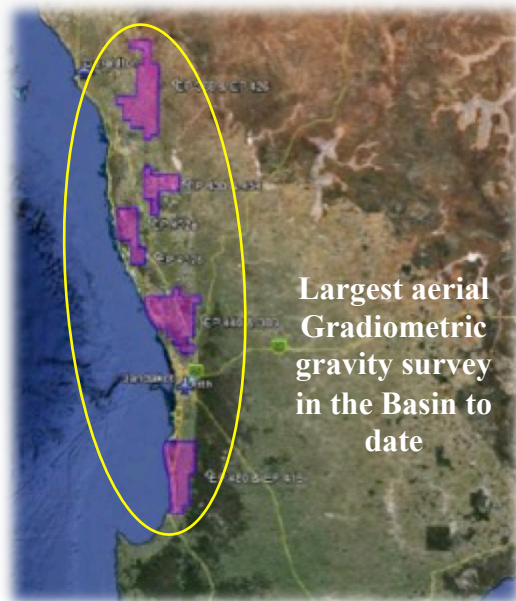
- Acreage covering approx. 12,000 sq km
- High equity (80% to 100%)
- Ability to attract new farminer, while
 - Maintaining material equity position
 - Securing additional funding
 - Attracting potential farm-in premium (promote)
 - Progressing the exploration program

Carnarvon Basin tenements being sold

- Enables Empire to focus on unlocking value in the Perth Basin



Building the prospect inventory



Largest aerial
Gradiometric
gravity survey
in the Basin to
date

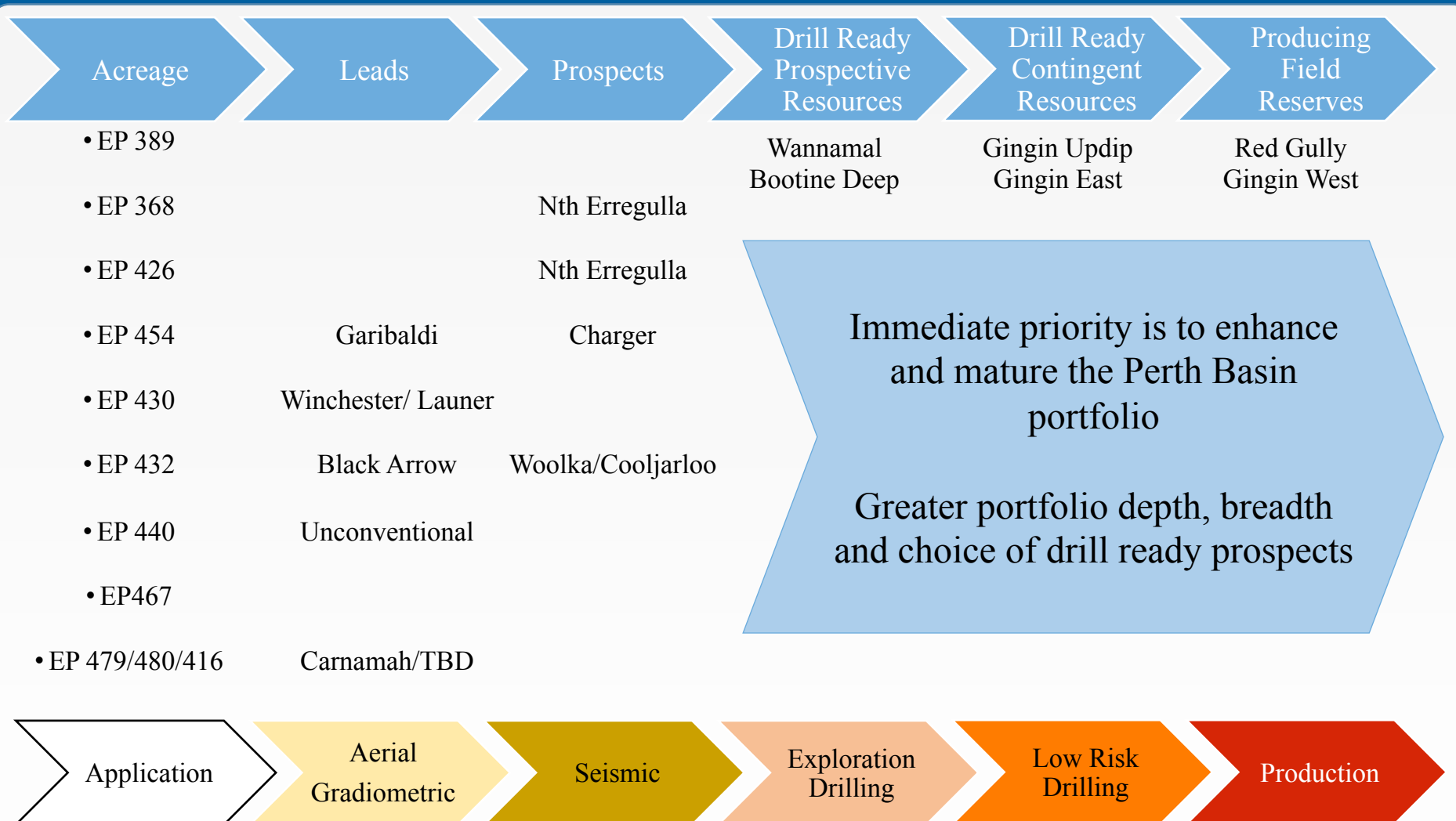
- Outside of those areas with existing 3D seismic, there is insufficient sub-surface image data available to support risk covered drilling
- Urgent need to improve sub-surface imaging over large area of under explored acreage
- Large scale 2D or 3D seismic is capital intensive, and
 - Requires long lead times
 - Comprehensive environmental approvals
 - Land owner access agreements
- Airborne gradiometric surveying is
 - Cheaper
 - Faster
 - Lower environmental and landowner impact

Most efficient means to:

- Accelerate and enhance exploration of all Empire acreage, and
- Building a rich lead and prospect inventory



Leads and prospects inventory 'funnel'



EP 389 - Near field exploration potential

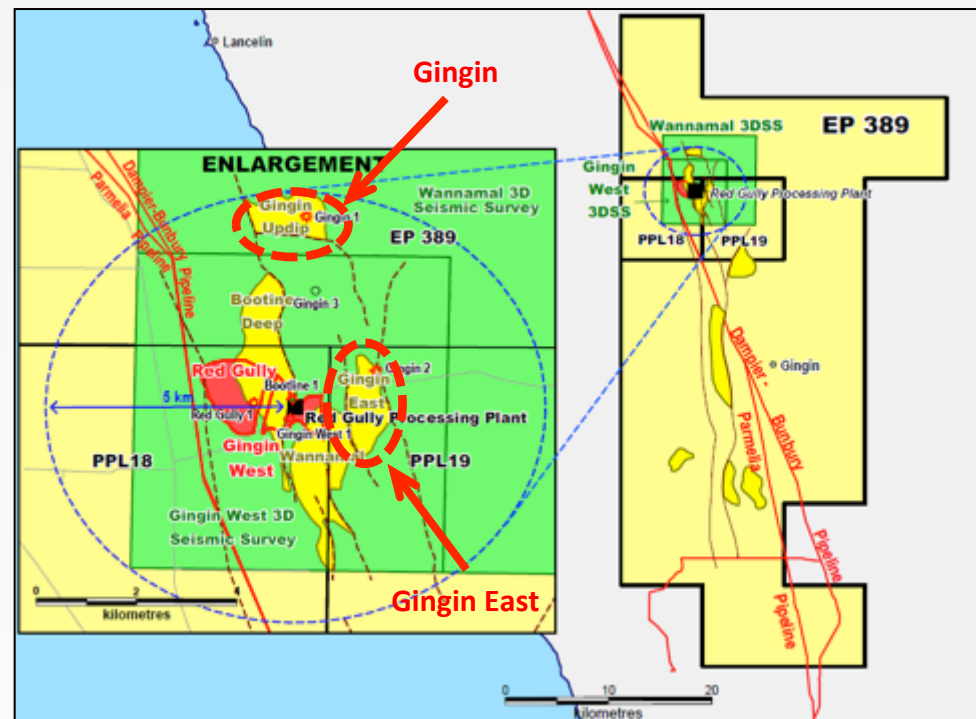
Four high quality exploration prospects
3D seismic coverage
Close proximity to existing facilities
Low cost development potential

Gingin

- Updip of existing Gingin-1 discovery
- Empire's preferred prospect
- 2C Contingent gas resources – 16.7 Bcf*
- 2C Contingent condensate resources – 184 KBBL*

Gingin East

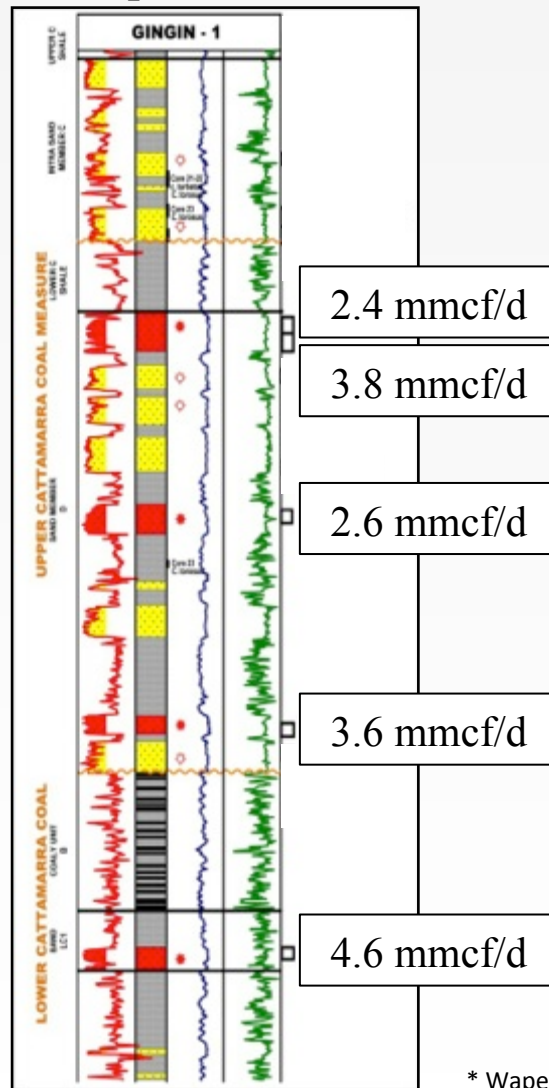
- Gas encountered in Gingin-2
 - 2C Contingent gas resources – 11.1 Bcf*
 - 2C Contingent condensate resources – 498 KBBL*
-
- Bootine Deep and Wannamal prospects provide further exploration upside



Gingin Updip - a low risk exploration target



Historic proven flow rates*



Gingin-1

- 1960's discovery
- Old well, drilled with heavy mud and old technology
- Used poor engineering practices and poor completion

BUT
Combined total flow
16.6 mmcf/d

Planned well to be drilled 470m from Gingin-1

- With modern technology additional potential exists
- Further sand perforations likely to yield additional commercial flow rates

* Wapet Well Test Report - 1964

AWE's recent large Perth Basin discovery

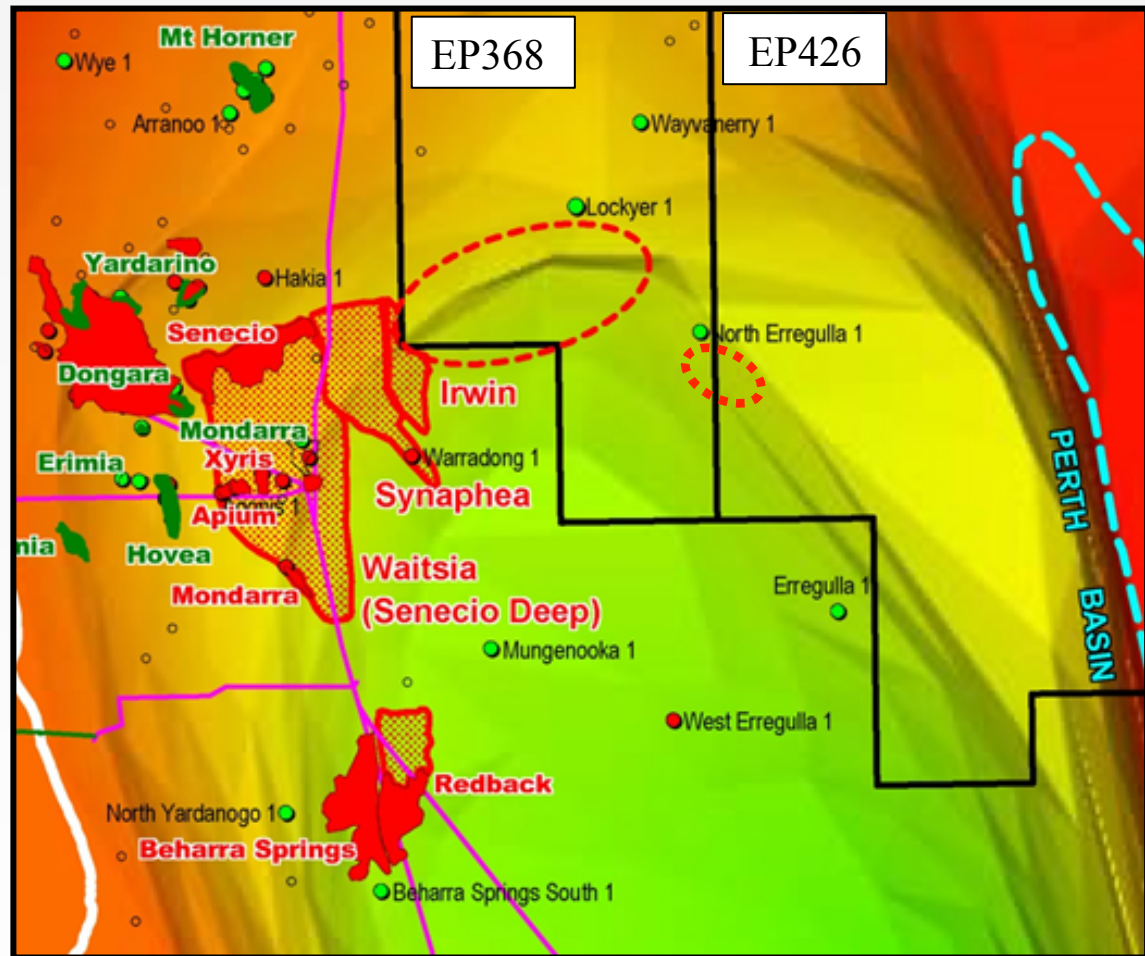


AWE Senecio/Waitsia*

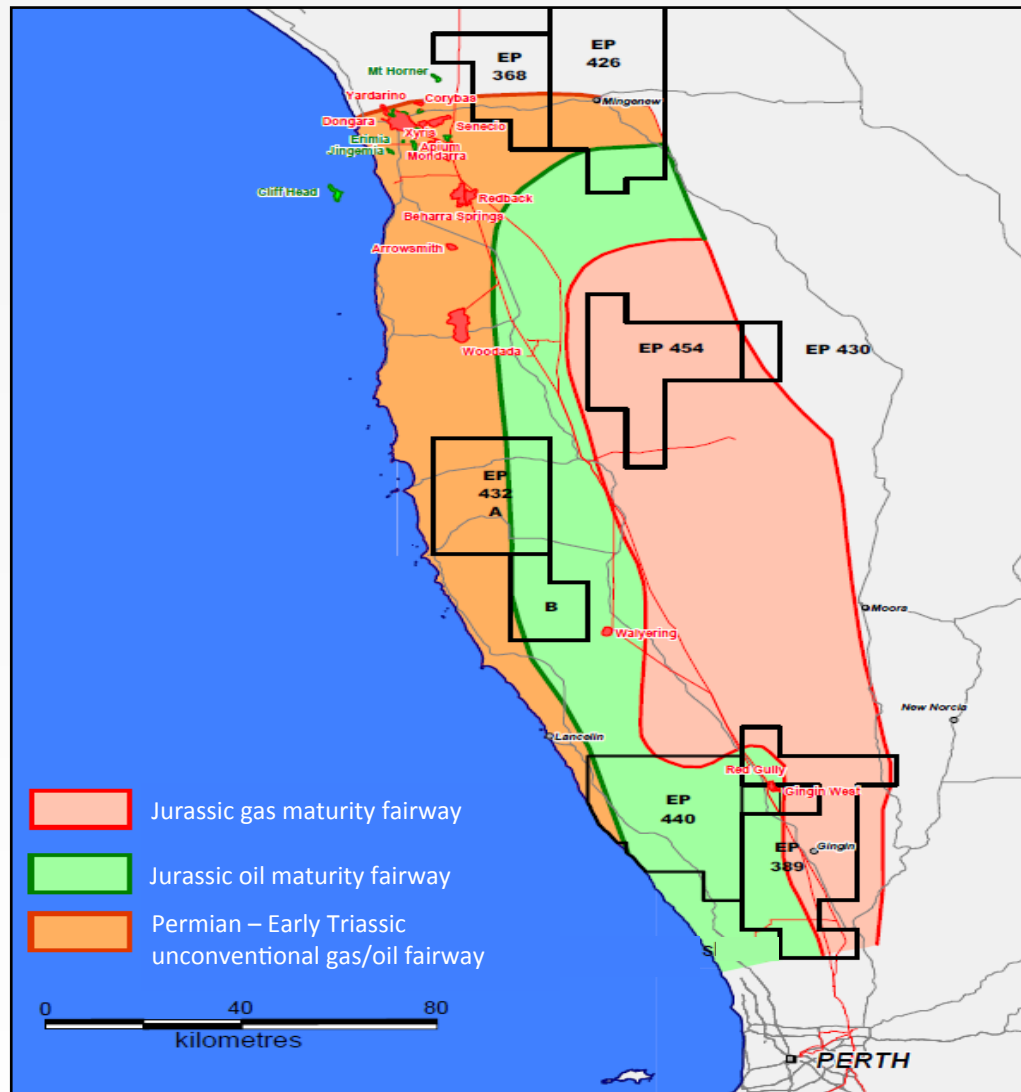
- Reported to be the largest gas discovery in the Perth Basin since the 1960's
- Initial 2C Contingent Recoverable Resources – 360 Bcf
- Additional Prospective Recoverable Resources – 420 Bcf
- Additional drilling (Irwin-1) planned for 1H 2015

Empire

- Assessing potential play extension into EP368
- Positive implications for Nth Erregulla prospect (EP 368/426)



Emerging unconventional potential in Empire acreage

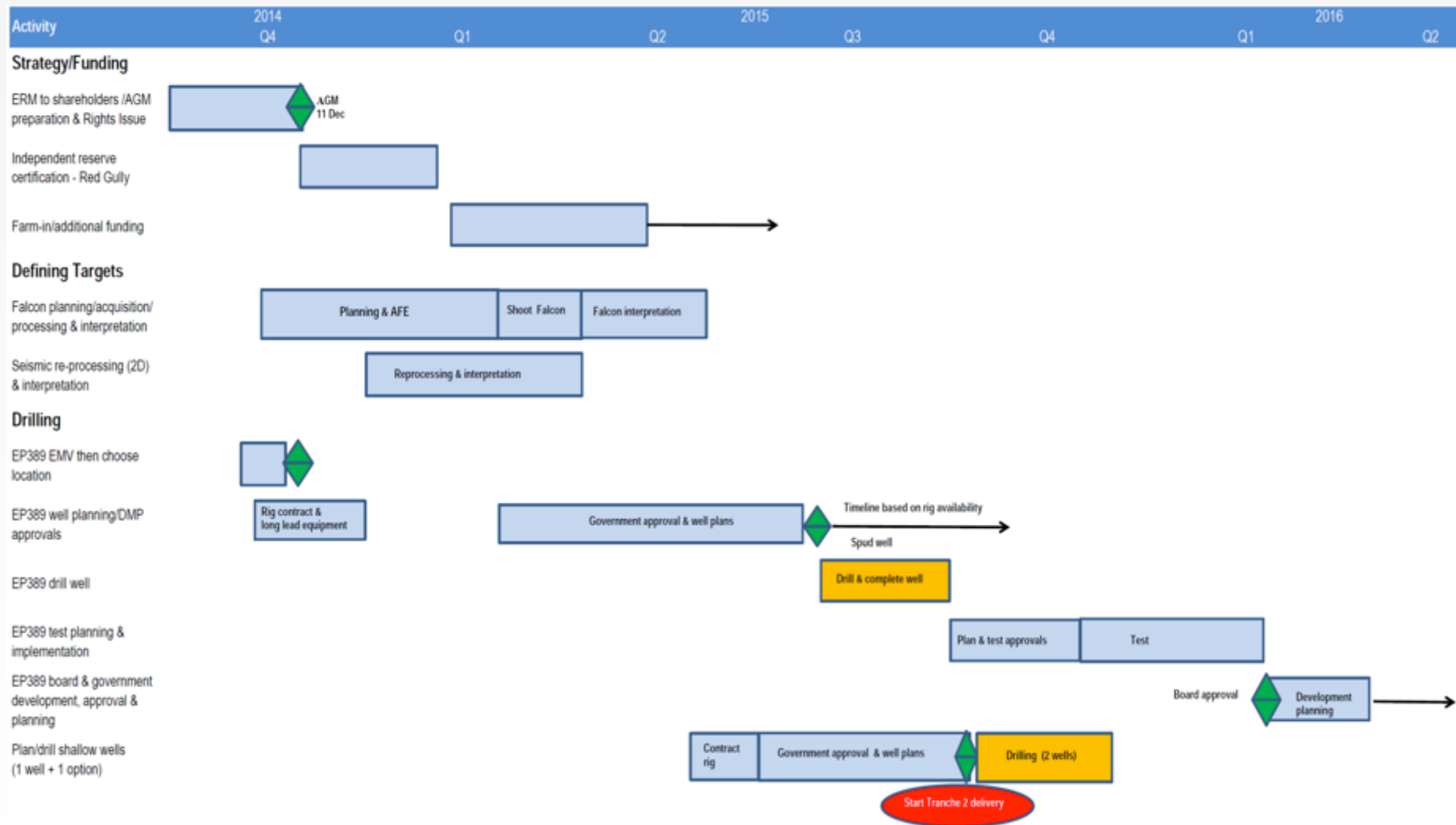


- Empire holds extensive acreage with unconventional resource potential
- AWE hold permits between Empire's EP 432, 389 & 440 and EP's 368 & 426
- Recent drilling in AWE's adjacent acreage has confirmed the unconventional potential of the Perth basin
- AWE has undertaken an independent technical assessment of unconventional potential
- Gross unconventional resources in AWE's adjacent acreage are estimated at 11.1 TCF and 31MMbbls*
- The AWE identified fairways are likely to extend into Empire's acreage





Key catalysts



Summary – Why Invest in Empire



- Major player in the under-explored Perth Basin
- Highly prospective tenements
- Operator with production at Red Gully
- Red Gully provides new production hub potential
- Experienced Board and Management Team
- Supportive major shareholder
- ERM deal allows Empire to drive value through exploration





THANK YOU



Resolution 1 – ERM transaction



ERM Deal – Summary



What's being purchased from ERM:

- Interests in Perth Basin tenements including the flagship Red Gully project
- Production licences associated with the Red Gully project
- All plant and equipment
- Interests in Cattamarra Farms Pty Ltd



Details of Transaction:

- Purchase price of \$15.1 million
- ERM providing vendor finance to cover purchase
- Repayable on the sale of the Red Gully Plant or 31 August 2016 whichever is earliest, or earlier by Empire giving 120 days notice
- Interest free rate on vendor finance
- Top up mechanism based on improvement in Empire share price over 0.8 cents, capped at 70% of any increase
- ERM to lift interest to 19.99%.
- Issue price 12.5% discount to 10 day VWAP to 10 December.



Independent Expert – Transaction opined to be fair and reasonable



Valuation¹ Summary:

EP 389 & Red Gully represent significant value:

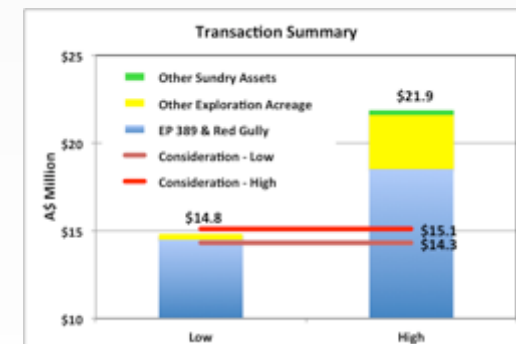
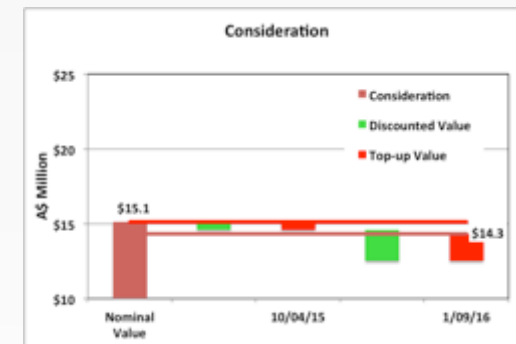
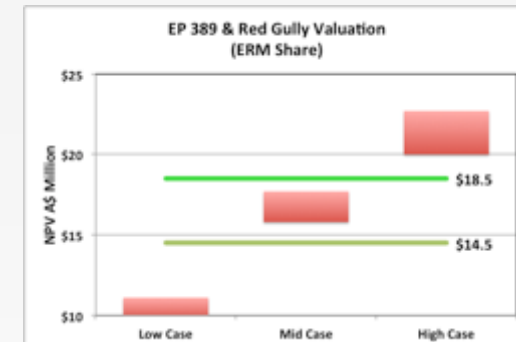
- Low, mid and high case volumes provide value ranging from \$9.8 to \$22.7 million
- Assessed market value \$14.5 to \$18.5 million.

Interest free vendor finance with nominal value of \$15.1 million:

- Discounted value at 10.5% per annum
- Black-Scholes option pricing model to value Top-up mechanism
- Repayment valued between \$14.3 and \$15.1 million.

Total transaction assessed to be at the low end of the market value range:

- Total transaction valued at \$14.8 to \$21.9 million
- Transaction assessed to be at 3.5% to 31% discount to total asset value.

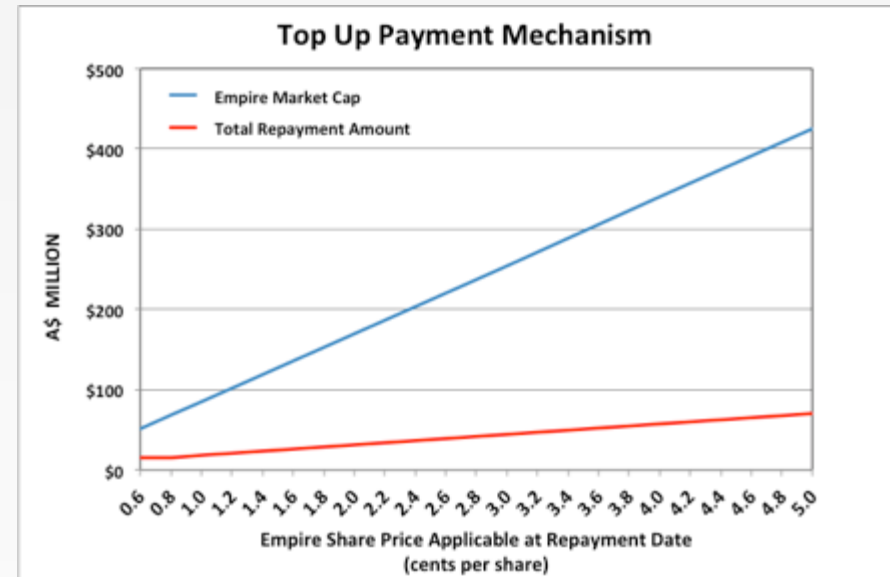


Demystifying top up payment



The top up mechanism is based on future share price appreciation until interest free vendor finance is repaid.

- No top up if share price \leq 0.8 cents per share
- Top up escalates at 70% of increased share price above 0.8 cents per share;
- A 100% increase in share price (1.6 cps) would result in a total repayment of \$25.7 million
- This requires an equivalent Market cap of \sim \$136 million¹
- A Black-Scholes option pricing model based on a spot price of 0.65 cents and an assumed volatility of 50% values the top up at \$0.6 to \$1.8 million



Potential options available to Empire for repayment include:

- Debt finance against proven reserves or the Red Gully plant
- Sale and lease of plant
- Further equity raising



ERM Transaction - a catalyst to unlock value



If transaction is NOT approved:

- Empire will remain funding constrained and ERM's repayment is required by 30 June 2015
- ERM support for the rights issue may not be as strong
- Reduced ability to attract quality farm-in partners or investors
- Need to find additional funding or reduce exploration program
- Risks loss of permits if exploration program not carried out



Resolution 2 – Issue of Shares to ERM



ERM Power - Subscription of shares in Empire	Units	Totals
BEFORE SHARE SUBSCRIPTION		
Empire - Shares on issue	Qty	6,294,307,442
ERM Power's shareholding in Empire*	Qty	642,430,745
ERM Power's shareholding in Empire*	%	10.21%
SHARE SUBSCRIPTION		
Shares to be issued to ERM Power	Qty	769,655,433
10-day VWAP to 10 December 2014 (AGM)	\$/share	\$0.005658
Share subscription price - % of 10-day VWAP	%	87.5%
Share subscription proceeds**	\$	\$3,810,372
AFTER SHARE SUBSCRIPTION		
Empire - Shares on issue	Qty	7,063,962,875
ERM Power's shareholding in Empire*	Qty	1,412,086,178
ERM Power's shareholding in Empire*	%	19.99%
<i>*includes associates; ** calculation is unrounded</i>		

