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EMPIRE SET TO ENTER NEW CHAPTER OF GROWTH

Please find attached an Empire Oil & Gas NL (ASX: EGO) ASX Announcement regarding Empire entering a new chapter of growth with sharply higher cashflow and aggressive exploration strategy.

Yours sincerely

For Empire Oil & Gas NL



Rachel Rees
Company Secretary

Media

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Empire set to enter new chapter of growth with sharply higher cashflow and aggressive exploration strategy

Key Points

- **Higher than expected gas sales in May ensure Empire is on track to start Tranche 2 of its gas supply contract with Alcoa in August**
- **Tranche 2 supply will see Empire's forecasted cash from gas sales to be received in FY15/16 to increase by approximately \$14m**
- **Independent reserves study planned for July due to the excellent Red Gully-1 reservoir performance**
- **Black Swan Airborne Geophysical Survey successfully completed on budget and ahead of schedule**
- **Survey results will be used to identify exploration leads and prospects to define the future exploration program and support farm-out negotiations**

Empire Oil & Gas (ASX: EGO) is pleased to advise that its financial position is about to be significantly strengthened, with higher-than-expected gas sales putting the Company on track to start the second tranche of its gas supply contract with Alcoa of Australia in August.

The strong gas sales stem from the continued excellent production performance of the Red Gully reservoir and facility.

In light of these production results, Empire plans to run a down-hole pressure survey in the Red Gully-1 well and then commission a further independent reserve study in July 2015.

Gas sales to Alcoa ran at 9.5 terajoules a day in the last three weeks of May, resulting in total sales for the month of May being some 20 per cent higher than Empire had forecast.

The additional sales are important as Empire is rapidly fulfilling its gas supply obligations under Tranche 1 of its agreement with Alcoa.

The latest sales figures provide further evidence that the Tranche 1 volumes will be met in August, at which time Empire will start supplying gas to Alcoa under Tranche 2 of the contract.

The start of Tranche 2 will represent a pivotal point in Empire's growth as the contract will increase the Company's cash to be received from gas sales by approximately \$14 million for FY15/16



compared with the current financial year. The full FY 15/16 financial year revenue forecast is approximately \$23 million.

The sharp increase in cash revenue to be received from Tranche 2 is due to the fact that Empire does not receive any cash revenue from gas sales under Tranche 1. The Tranche 1 sales revenue was received from Alcoa prior to the start of production and used to help fund construction of the Red Gully gas and condensate facility.

Under Tranche 1, Empire incurs all the costs for producing and supplying gas and condensate, but generates cash revenue only from the sale of the condensate.

Empire's cash revenue forecasts under Tranche 2 are based on the fixed price contained in the Alcoa Gas Supply Agreement, which is not affected by the current low oil price.

Empire Chief Executive Ken Aitken said that the continued excellent Red Gully reservoir and facility performance has accelerated the start of Tranche 2 gas sales and would underpin a major transformation in Empire's financial position.

"Under Tranche 1, Empire has been incurring the cost of supplying the gas but we have not been receiving any cash for the gas produced," Mr Aitken said.

"The cashflow from Tranche 2 will strengthen Empire significantly and when combined with the exploration program now underway, will mark the start of a new chapter of growth for the Company."

Geophysical Survey

Empire is also pleased to announce that the Black Swan Airborne Geophysical Survey being conducted in the Perth Basin has been successfully completed on budget and ahead of schedule.

The survey, which started on 1 May and finished on 30 May, involved the acquisition of 12,776 line kilometres of closely spaced, state-of-the-art geophysical data over some 9,885 sqkm of Empire's Perth Basin acreage, providing detailed coverage with modern geographical data over approximately half the onshore portion of the basin.

The survey is the largest of its type to be flown in the Basin and was conducted across all Empire's permits, with the exception of EP 467 in the far south of the Basin, where a separate geologic review is being conducted.

The data from the survey will now be processed, interpreted and integrated with the existing seismic data. The final integrated interpretation is expected in the December Quarter, 2015.

The data will be used to build an inventory of exploration leads and prospects for Empire's large acreage position in the Basin and help select further drilling targets in addition to Red Gully North-1 well, which is scheduled for drilling in the December Quarter, 2015.

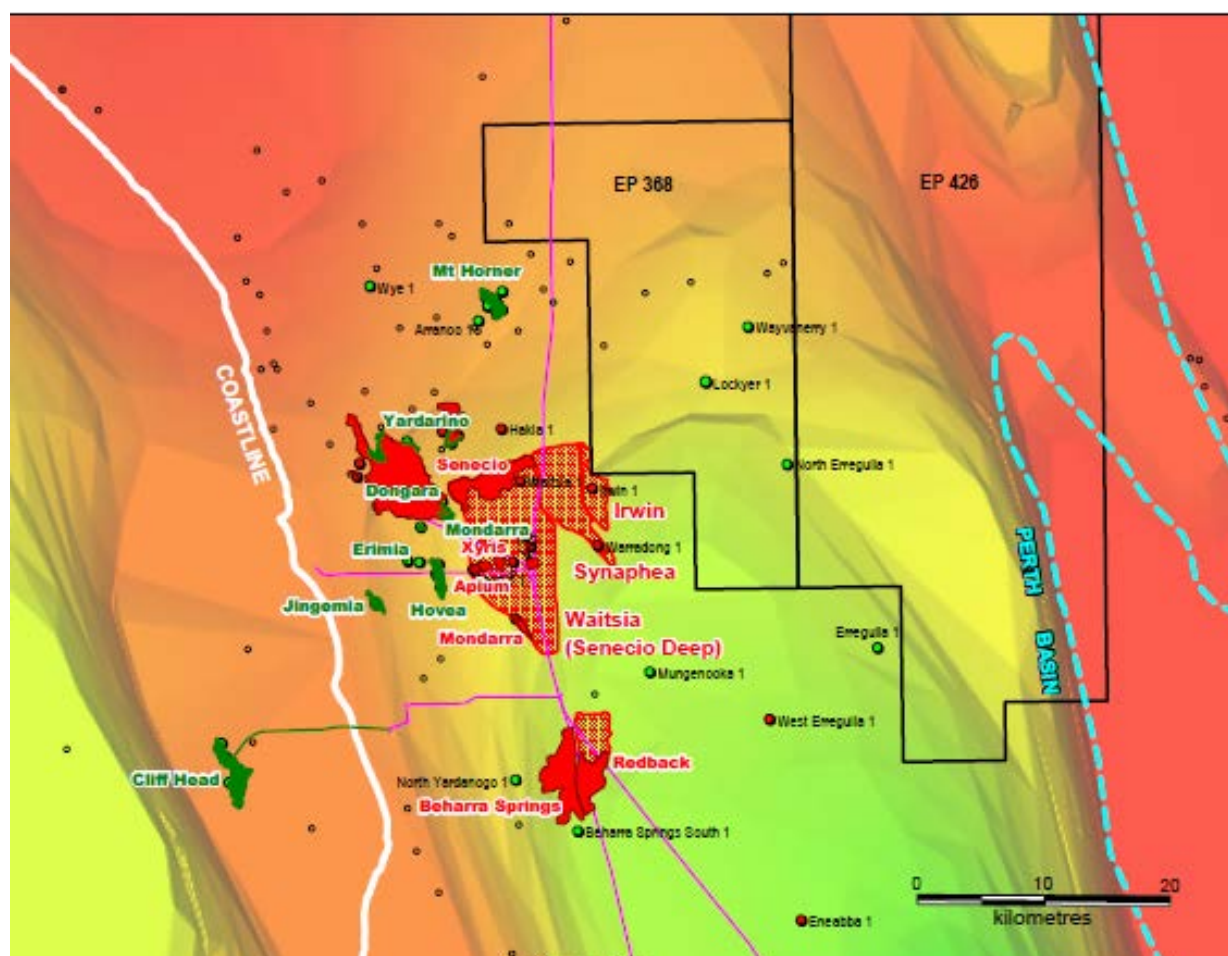
Empire is also prioritising the interpretation of the data acquired in EP 368 and EP 426. These tenements are adjacent to those containing AWE's (ASX: AWE) recently reported Waitsia-1 and Irwin-1 discoveries.

The AWE wells intersected conventional reservoirs in the Kingia sandstone, opening a new gas play in the north of the Basin. Based on current data, this play could extend into EP 368 and EP 426,



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where the Kingia play remains undrilled and untested despite the presence of hydrocarbons in a number of old wells at shallower levels.



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