



EMPIRE OIL & GAS NL

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The Manager
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Chairman's Letter – Proposed Share Consolidation

Dear Shareholders

Subsequent to the financial year end, Empire successfully conducted a small parcel consolidation facility that has reduced the number of shareholders by a significant percentage, thereby reducing administration costs.

As part of this ongoing strategy, the Board is pleased to announce that it intends to recommend a 100:1 share consolidation at the Annual General Meeting to be held on 25 November 2015.

The minimum increment in share price for Empire, as stipulated by the ASX, is 0.1 cents, which represents a significant percentage of Empire's share price (25% at a share price of A\$0.004 as of close on 15 October 2015). This can result in the following adverse impacts:

- Relatively wide bid-offer spreads (as a percentage of share price), which increase the transaction costs to buyers and sellers;
- Reduced liquidity, since potential buyers and sellers are disincentivised from trading;
- Increased share price volatility, since the traded price is close to the minimum increment; and
- Increase in speculators on the share register, at the expense of longer term shareholders.

The Board believes a share consolidation would create the following benefits for all shareholders:

- Reduce the bid-offer spread;
- Reduce volatility;
- Increase appeal to a wider range of investors, particularly global and institutional investors; and
- Increase the Company's ability to raise funds in the future (if required) while minimising dilution for existing shareholders.

The share consolidation would apply equally to all shareholders, as such there is no effect on shareholder's percentage holding in Empire.

The Board believes this strategy is consistent with its objective of enhancing shareholder value.

Yours sincerely

AM (Tony) Iannello
Chairman

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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 150kms 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 5,000 Terajoules (TJ) of gas. Gas produced to date has been contracted to Alcoa and delivered through the Dampier to Bunbury Natural Gas Pipeline (DBNGP), which lies next to the Processing Facility. Condensate produced is transported via road to BP.

EGO is the holder of the largest net acreage in the highly prospective Perth Basin with its production licenses and permits covering more than 10,000km², representing 48% of the currently granted acreage in the Perth Basin. Close to pipeline infrastructure and with rapid commercialisation opportunities, the Company has significant exploration potential in an underexplored, proven petroleum system.

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, enabling Empire to attract quality farm-in partners to assist in accelerating growth plans.



SHARE CONSOLIDATION

ASX: EGO
OCTOBER 2015

AN ASPIRING MULTI-HUB MIDCAP E&P COMPANY



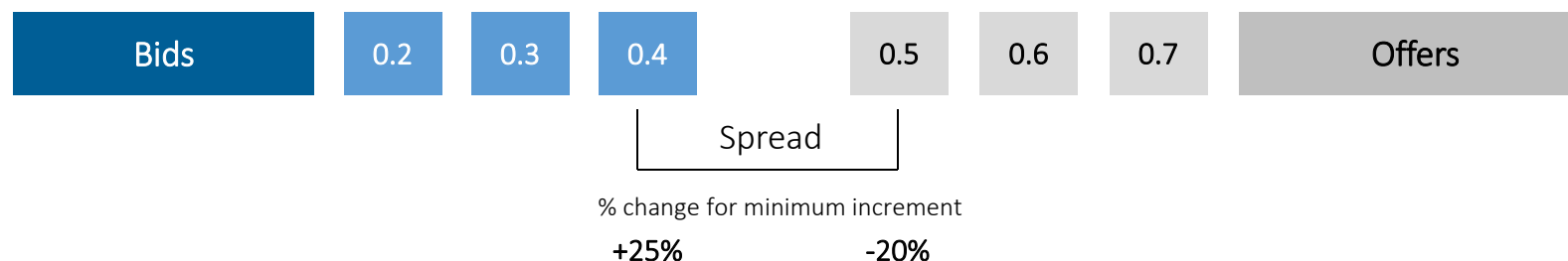
EMPIRE OIL & GAS NL

Overview of current trading

Recent trading in Empire shares highlights the significant share price volatility due to the large bid/offer spread

- Recent trading in Empire has fluctuated between 0.4 cents and 0.5 cents, resulting in very large percentage (and \$) changes in Empire's market capitalisation
- Average trade size is c. \$2,500¹, but the minimum increment price change moves Empire's market capitalisation by c. \$10 million

Illustrative market for Empire shares (minimum increment of 0.1 cents at these levels, as stipulated by the ASX²)



- Empire wishes to promote an efficient market in its shares, including:
 - Facilitation of trading without delay or difficulty
 - Relative price stability
 - Low transaction costs for buyers and sellers (currently, given wide bid/offer spread, parties may be forced to transact at lower or higher prices than they would otherwise)
 - Trading which reflects information about Empire

Source: IRESS as at 15-Oct-2015

Note:

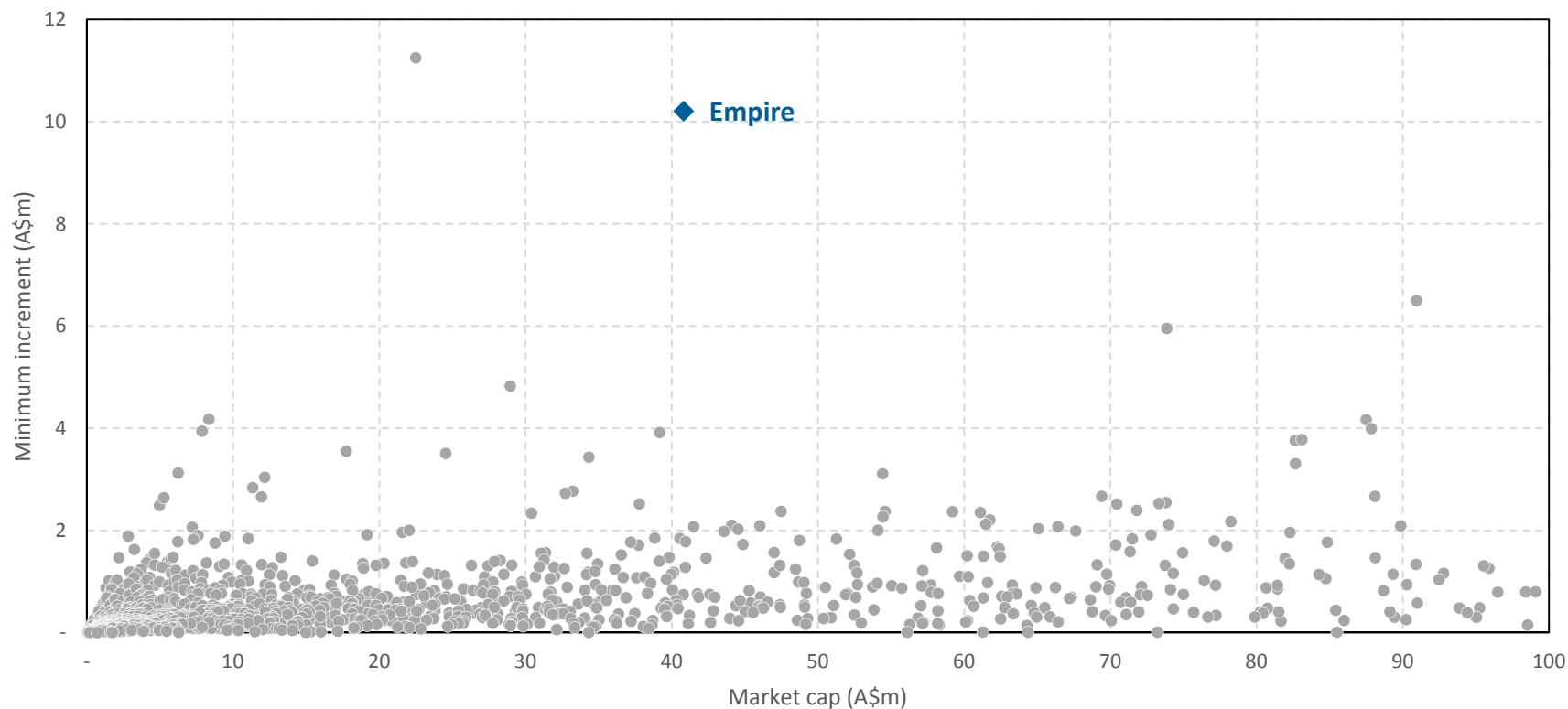
- Calculated as the total value traded divided by the total number of trades in the preceding 12 months
- The minimum price step depends on the market price. For companies with share prices up to 10 cents per share, it is 0.1 cents; for companies with share prices of 10 cents to \$2 it is 0.5 cents; for companies with share prices above \$2 it is 1 cent

Overview of current trading *cont.*

Empire's trading increment is disproportionately high relative to ASX-listed peers

- Based on current prices, Empire's minimum trading increment is c. \$10 million versus the median of A\$0.6m for other ASX-listed companies under a A\$100m market capitalisation

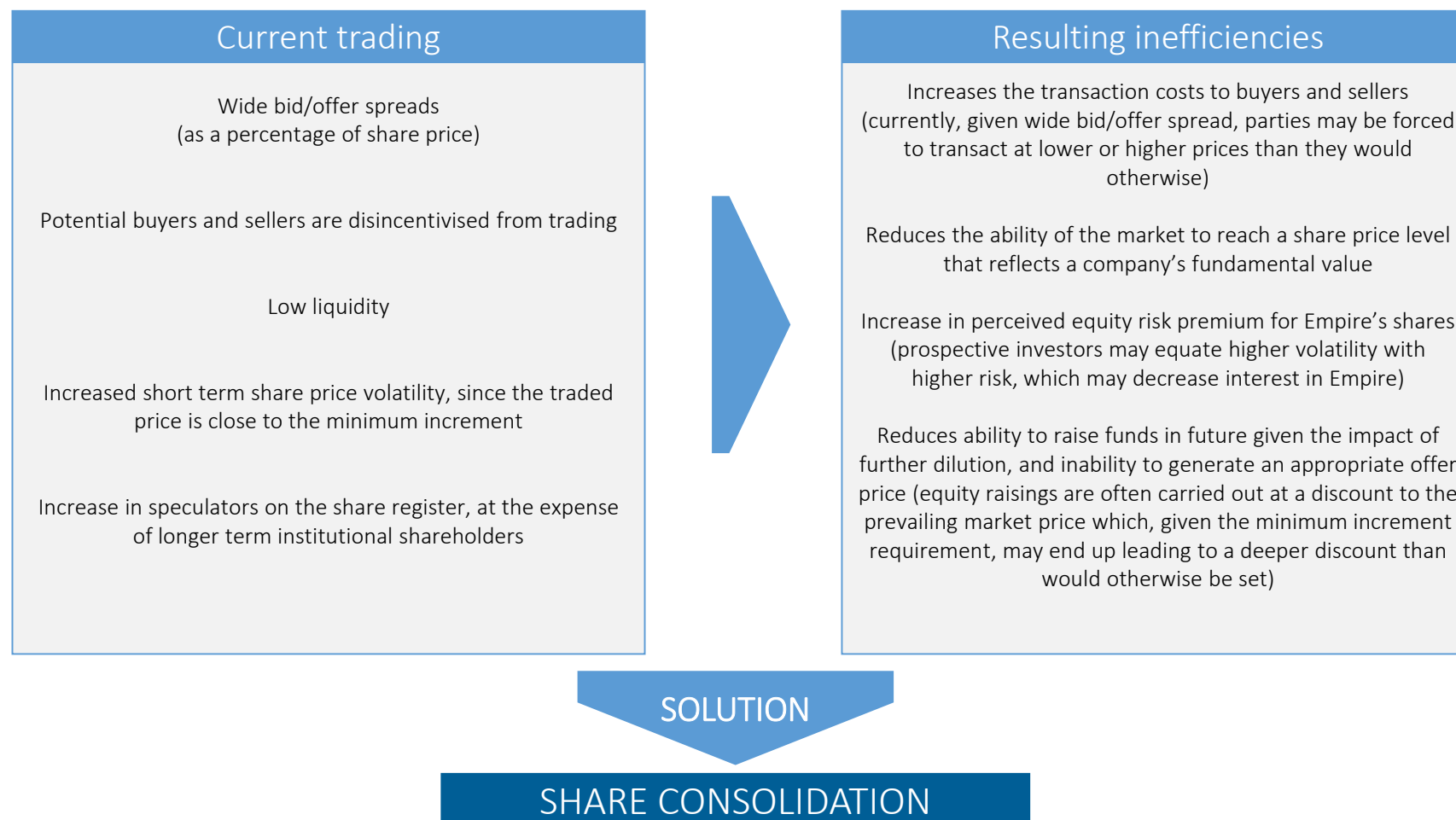
Minimum trading increment based on current share price for ASX-listed companies with market caps below A\$100m



Source: IRESS as at 15 October 2015

Trading inefficiencies

A share consolidation would contribute to solving a number of the trading inefficiencies currently being experienced in Empire's shares



Impact of a share consolidation

A share consolidation will normalise Empire's shares on issue and also reduce transaction costs

ASX listed companies ordered by shares on issue¹

Rank	Company	Shares on issue (billion)
1	Cockatoo Coal	67.0
2	Hutchison Telecommunications	13.6
3	Telstra Corporation	12.2
4	Lakes Oil	11.2
5	A1 Investments & Resources	10.3
6	Empire Oil & Gas (current)	10.2
7	AFT Corporation	8.5
8	Brockman Mining	8.4
9	Range Resources	7.6
10	Peninsula Energy	6.9
...
1,494	Empire Oil & Gas (post consolidation)	0.1

- ✓ Empire can substantially reduce its shares on issue relative to other listed companies (see next page for associated benefits)

Impact on trading

Current market for Empire shares

Last price (cents)	0.4	0.5
Minimum increment (cents)	0.1	0.1
Minimum increment as %	25%	20%



Pro-forma market post consolidation (illustrative only)

Last price (cents)	40	50
Minimum increment (cents)	0.5	0.5
Minimum increment as %	1.3%	1.0%

- ✓ Transaction costs reduced materially (to effect a trade, a buyer or a seller would only need to move the share price by c. 1%, rather than the 20-25% currently)

Benefits to shareholders



A share consolidation will benefit Empire shareholders

Impacts of a share consolidation on shareholders:

- ✓ Contribute to resolving the inefficiencies in trading Empire stock
- ✓ Applies equally to all shareholders, as such there is no effect on shareholder's percentage holding in Empire
- ✓ Analysis of precedent share consolidations suggests that a share consolidation has no discernible negative impact on share prices
- ✓ Any improvement in liquidity may reduce institutional fund restrictions on minimum liquidity requirements for new investments and thereby generate incremental demand for Empire stock

Disclaimer



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