



EMPIRE OIL & GAS NL

ASX RELEASE

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22 December 2015

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Empire Oil and Gas weekly drilling update: Red Gully North-1

Oil and gas producer Empire Oil and Gas (ASX: EGO) provides the following drilling update for the Red Gully North-1 (RGN-1) exploration well.

Progress

Since the last report on 15 December, the 8 1/2" hole conditions deteriorated, due to unstable shale formations, shortly after reaching the Target Depth of 4410m. Time was spent cleaning the hole and increasing the mud weight to stabilise the hole condition. Further log data has been acquired, and a preliminary log analysis of RGN-1 has been carried out.

Due to hole conditions, wireline logs could not be acquired over the target interval. Consequently LWD logging tools were run on drill-pipe to acquire the necessary data to assist in the determination of reservoir and fluid properties in the Cattamarra Coal Measure sequence.

Preliminary log analysis indicates that the well's primary objectives, the D and C sands of the Cattamarra Coal Measures, have lower interpreted porosity than expected. The extent of gas pay interpreted from logs, in what is predominately a low porosity sequence, is still being assessed. As previously reported elevated gas readings were recorded while drilling sections of the C & D sands and the significance of these will be evaluated with the final LWD log data when available.

Additional detailed log data will be obtained when the LWD tool is recovered from the hole later today.

At this stage log analysis has not been performed on the secondary targets in the lower Cattamarra Coal Measures.

The company will continue to update the market as and when additional technical data and interpretation is available.

Participants

Empire Oil & Gas 100%.

Forward Plan/Next Steps

Run 7" casing to total depth, cement and suspend RGN-1 over the next 72 hours. The Enerdrill Rig 3 will then be rigged down and released and demobilised from site.



Empire's Oil and Gas exploration team have begun the process of comparing the RGN-1 log results with Gingin-1 and Red Gully-1 to further assess the reservoir quality and determine future well options.

Location / Proposed Depth

RGN-1 was spudded on 17 November 2015 and is located in EP 389, approximately four kilometres to the north of the Company's Red Gully Processing Facility. The well's proximity to the Red Gully Processing facility will allow for a fast tie-back and commercialisation of the well if successful.

RGN-1 is being drilled by the Enerdrill Rig 3. Progress to date has been ahead of schedule and based on the well progress to date the well should be completed in line with the budget.

Yours sincerely

For Empire Oil & Gas NL

A handwritten signature in black ink, appearing to read 'Ken Aitken'.

Ken Aitken

Chief Executive Officer

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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.