



EMPIRE OIL & GAS NL

ASX RELEASE

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Chairman's Address – Annual General Meeting 2016

Dear Fellow Shareholders

Good afternoon. My name is Tony Iannello and I am the Chairman of Empire Oil & Gas NL (Empire).

Thank you for joining us today at Empire's 2016 Annual General Meeting. During the 2016 financial year, Empire completed several corporate and operational objectives while maintaining our impeccable safety record with no lost time incident for the third year running.

Our major operational successes of the year included:

- Record production of 3.0 PJ of domestic gas from the onshore Perth Basin with 97% plant uptime;
- Group revenues of A\$20 million and EBITDAX of A\$10 million (steady on FY2015);
- Refinancing of the A\$15 million ERM debt obligation and introduction of cornerstone investor Mineral Resources;
- Realising A\$1 million in operating and maintenance contract cost savings;
- Successful discovery of 53 m net gas pay at Red Gully North-1; and
- Completion of the Black Swan geophysical survey which defined several new leads across our basin leading tenement portfolio.

As a backdrop to these positive milestones, the 2016 financial year saw the continued depression across the global energy markets. The S&P/ASX 300 Energy index closed down 25% for the financial year, and US dollar Brent oil prices decreased 21% over the same period. The share prices of our small-mid cap ASX-listed energy peers also suffered significant declines in the 2016 financial year as outlined in the Chairman's Letter which accompanied the 2016 Notice of Meeting. Our exploration ambitions have been seriously impacted by the declining global oil market. Most oil and gas companies including potential farm-in partners have turned their attention to conserving existing capital and to cost-cutting within their own portfolios, rather than investing in any new exploration. Despite all of this negative market sentiment, your Company invested A\$15 million on exploration activities over the year, which led to the successful discovery of gas at Red Gully North, and the successful completion of the Black Swan geophysical survey.

The Empire Board and management team share the disappointment of fellow shareholders with the recent share price performance. However the team is focused on generating shareholder value. We can't control market sentiment but we can continue to operate efficiently, produce positive cashflows and execute an exciting exploration programme over the next 12 months. This exploration program will include the development of further drilling options around Red Gully - leads identified by the Black Swan geophysical survey; drilling one or more targets likely to be Raven and/or Lockyer Deep, dependent on securing acceptable funding arrangements. Ken Aitken, our Chief Executive Officer, will outline our exploration programme for the next 12 months in his presentation today. This exploration programme will leverage our platform as a reliable, high margin producer of gas and condensate in the Perth Basin.



With regards to our Red Gully Production Hub, the Empire Board and management team are focused on commercialising Red Gully North-1 as a priority. The shareholder value creation this would bring, through extension of the production life of the Red Gully Processing Facility, is highly significant. The remediation process is now underway.

On the corporate front, Empire has successfully attracted broader interest from the broker and investment community over the last 12 months, resulting in two publicly disclosed refinancing proposals and several additional funding proposals received. A consistent theme of the funding providers was the significant value attributed to our portfolio of exploration and production assets. There were a number of corporate initiatives that your Board of Directors, together with senior management, was actively engaged in during the FY2016 including farm-out discussions, prepayments, asset acquisitions as part of a consortium and several financing proposals from institutional and strategic investors. This is a key reason for the large number of board meetings during the FY2016 period (33) held via teleconference and in person.

The Board and management have a clear strategy to transform Empire into the pre-eminent mid-cap Perth Basin explorer and producer. We are proud of the progress made by the team over the last financial year. We now have:

- Reliable and high margin production of condensate and gas in the Perth Basin;
- An excellent portfolio of exploration assets;
- A well-run and efficient production facility;
- Tenements that are in good order; and
- A strengthened capital structure with supportive cornerstone shareholders.

The Board and management team remain committed to achieving this vision to continue maximising shareholder returns.

A handwritten signature in blue ink, appearing to read 'AM Iannello'.

AM (Tony) Iannello
Chairman

– ENDS –

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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 8,350 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 9,000 km², representing 48% 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 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 and, enabling Empire to attract quality farm-in partners to assist in accelerating growth plans.