



EMPIRE OIL & GAS NL

25 November 2015

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

ASX RELEASE

ABN 55 063 613 730
ASX Code EGO

Ground Floor
229 Stirling Highway
CLAREMONT 6010
WESTERN AUSTRALIA

Tel: + 61 8 9286 4600
Fax: + 61 8 9284 6588
Email: admin@empireoil.com.au
Web: www.empireoil.com.au

Chairman's Address – Annual General Meeting 2015

Dear Shareholders

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

Thank you for joining us today at Empire's 2015 Annual General Meeting. This has been a significant year for Empire. We have experienced a substantial turnaround, with several important achievements in terms of production, exploration, financial and organisational performance. Importantly, we have also maintained an excellent safety record, which I commend all of our employees for.

When I spoke to you last year, I spoke of a comprehensive review which had been undertaken to provide vital insights, identify opportunities and protect the interests of all shareholders. This exercise led to changes which have had an immediate and positive impact on our primary business this financial year.

Some of the highlights of the last 12 months include:

- The increase in the Red Gully B Sand 2P gas reserves by 78% over the year;
- The successful completion of the A\$15.7m capital raising in March;
- Portfolio rationalisation and exploration investment which means that all tenements are now in good standing, and importantly;
- The acquisition of ERM's West Australian gas interest assets which will allow Empire to unlock the full potential of our Perth Basin acreage.

Stable production led to substantial increases in gas and condensate revenues, which resulted in Empire delivering a maiden profit of \$7.6 million. This excellent result is attributable to efficiency gains at the plant as well as the successful perforation of the Red Gully 1-B Sands in May last year.

Empire's progress is commendable given the challenging market conditions faced by the oil and gas industry. Since speaking to you last year, oil prices have dropped to new lows, global equity markets have contracted and access to capital has tightened, making it more difficult for oil and gas companies to grow their businesses. More significantly, shareholder value has been eroded across the sector with the S&P/ASX300 Energy index down 35% over the last 12 months.

Despite difficult conditions facing all oil and gas companies, Empire's position has been strengthened with two significant transactions. Empire successfully acquired the joint venture assets of ERM utilising a vendor interest free facility. This transaction enabled Empire to progress exploration on tenements and conduct a comprehensive airborne gravity survey over Empire's Perth Basin permits, which was successfully completed in May 2015. Empire also completed a \$15.7 million capital raising through a successful equity placement and oversubscribed entitlement issue. The outcome was a strong endorsement from

For personal use only



shareholders which provided Empire with the financial strength to pursue our Red Gully North-1 (RGN-1) exploration well at 100% ownership. Empire commenced drilling the exciting RGN-1 prospect on 17 November and we look forward to providing updates over the coming weeks.

Last year I said the Board was committed to our three-pronged strategy for unlocking the full value of Empire's assets; through maximising revenue from our Red Gully operations; ensuring adequate funding to retain and advance our permits; and owning 100% of those permits in order to attract potential farm-in partners. We have substantially delivered against those commitments and are now in the process of negotiating farm-ins on some of our most attractive prospects.

Our key priorities for the next 12 months are to prove up reserves around our flagship asset at Red Gully, while further testing Empire's promising exploration potential. New gas discoveries will drive consideration of whether to extend or expand the Red Gully Processing Facility, or indeed build another stand-alone production hub.

The near future promises to be exciting on the exploration front. Plans are currently being made to drill two material prospects, namely Lockyer Deep in EP 368 and Raven in EP 432. Lockyer Deep is located on trend with AWE's Waitsia discovery which was flow tested from two zones at gas flow rates over 50mmscf/d in October 2015. This is an extremely large flow rate for an onshore well.

We also recognise the need to maintain a strong financial position and will be repaying the ERM debt in full as well as attracting farm-in partner(s) to help fund our exploration programme. It is an exciting time for Empire and we are committed to creating value for all shareholders, despite the difficult market conditions.

We have made great progress this past financial year. Operational and engineering excellence, financial discipline and cost management have placed us in a strong position for the coming 12 months.

Successfully executing our production and exploration strategy with prudent financial management has helped us attract broader interest from the broker and investment community. We are actively engaging with the capital markets and are regaining their confidence with four leading broking houses now providing research on Empire.

This year Empire successfully conducted a small parcel consolidation facility which reduced the number of shareholders by approximately 30%, thereby reducing administration costs. Despite completion of the small holder sale facility, Empire still has a very high 10.2 billion shares on issue, the fifth largest share count out of all trading ASX equities

After taking external advice, it is my, and the collective Board's recommendation that a 100:1 share consolidation be supported by all Empire shareholders. As outlined in material previously provided, the proposed share consolidation will benefit all shareholders by reducing the bid-ask spread, reducing share price volatility and thereby increasing Empire's appeal to a wider range of investors.

With Ken Aitken leading an experienced and agile management team, I am confident the future of Empire is in strong hands as we move through the next stage of exploration and development.

For personal use only



The Board and management have a clear strategy to transform Empire into a respected mid cap producer within 5 years. We are proud of the progress made by the team over the last financial year. We now have:

- A focused strategy;
- An excellent portfolio of assets;
- A well-run and efficient production facility;
- Tenements that are in good order; and
- We are profitable with a strong cash balance.

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

AM (Tony) Iannello
Chairman

For further information, please contact:

Cameron Morse
FTI Consulting
Telephone: +61 8 9485 8888

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.

For personal use only