



3 August 2015

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## ***Tranche 2 Gas Sales to Alcoa Underway***

Please find attached an Empire Oil & Gas NL (ASX: EGO) ASX announcement regarding the Tranche 2 gas sales to Alcoa.

Yours sincerely  
**For Empire Oil & Gas NL**

**Rachel Rees**  
Company Secretary



# Tranche 2 gas sales to Alcoa underway

## ***Cash receipts expected to triple in the current financial year; potential for additional sales following recent increase in reserves***

Empire Oil & Gas (ASX: EGO) is pleased to advise that it has started delivering gas under Tranche 2 of its contract with Alcoa of Australia (Alcoa), which will significantly increase Empire's cash receipts.

Gas deliveries under Tranche 2 began on Friday 31 July 2015. Empire had initially expected to start deliveries under Tranche 2 in September due to Alcoa's nominated average of 7TJ/d for the months of April and May associated with plant maintenance at their facilities. This reduction was offset by above forecast nominations for March and June. The budgeted production for the June Quarter was 697TJ, however during May Alcoa requested an increase in Red Gully production to 9.5TJ/d for the second half of the month. Due to the strong performance of the reservoir and the plant, this extra production was achieved resulting in 793TJ being produced for the June Quarter.

Tranche 2 deliveries will increase the cash received from gas sales by approximately \$14 million this financial year compared with FY14-15.

The full FY16 financial year gas and condensate revenue forecast is estimated to be approximately \$23 million. Empire's revenue forecasts under Tranche 2 are based on the fixed price contained in the Alcoa GSA, which is not affected by the current low oil price. However, the estimated condensate revenue is based on variable inputs (\$US Brent oil price & AUD FX rate) which are currently not hedged.

The significant increase in cash revenue to be received from Tranche 2 is due to the fact that Empire did not receive any cash from gas sales under Tranche 1, as Alcoa had pre-paid Empire to assist with the funding of the Red Gully gas and condensate facility. During the period of Tranche 1 production, Empire incurred all the costs for producing and supplying gas and condensate, but only generated cash revenue from the sale of the condensate.

Empire is currently supplying 8TJ/d to Alcoa which equates to 80% of the Red Gully Processing facility capacity of 10TJ/d.

The start of gas deliveries under Tranche 2 comes just days after Empire announced substantial increases in gas and condensate reserves at Red Gully. This increase means that Empire has sufficient proven gas reserves to cover all of Tranche 2 and the potential to generate additional cashflow from further sales. The increased reserves also have the potential to extend the life of the Red Gully project by approximately two years.

In light of the increased reserves, Empire will now explore the potential marketing of the additional available gas.

Empire Chief Executive Ken Aitken said the start of Tranche 2 marked a pivotal point in the Company's growth.

"This will have a major impact on our financial position," Mr Aitken said. "The sharp increase in cash receipts will allow us to meet our operating expenses and invest in the next phase of growth."



“We also have the prospect of further growth in cashflow from additional sales following the latest increase in reserves at the Red Gully project.

“Our exploration program is also continuing, with preparations for drilling the Red Gully North-1 well later this year and the evaluation of results of the recently-completed airborne geophysical survey over our tenements.

“This gives investors exposure to growing cashflow and the potential for exploration upside.”

**Media:**

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