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14 March 2011

The Manager
The Australian Securities Exchange
Level 4/20 Bridge Street
SYDNEY NSW 2000

Dear Sir

**RE: RED GULLY-1 WELL TESTS A NEW GAS DISCOVERY WELL VERY HIGH IN CONDENSATE IN EP 389,
ONSHORE PERTH BASIN, WESTERN AUSTRALIA**

Please find attached the details of the Production Test of the Red Gully-1 well.

EP 389 Participants

Empire Oil Company (WA) Limited (Operator) – 68.75%
ERM Power Limited (ERM Gas Pty Ltd) – 21.25%
Wharf Resources Plc – 10%

Yours faithfully

J L CRAIG MARSHALL
Managing Director
EMPIRE OIL & GAS N.L.

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STOCK EXCHANGE RELEASE

RED GULLY-1 WELL TESTS A NEW GAS DISCOVERY WELL VERY HIGH IN CONDENSATE IN EP 389, ONSHORE PERTH BASIN, WESTERN AUSTRALIA

Empire, as Operator of the EP 389 Joint Venture, announces that the Red Gully-1 production test of the 'D' Sand Cattamarra Formation commenced after firing the perforating guns, with gas coming to surface at 1930 hours on 13 March 2011. The maximum gas flow rate during the initial 10 hour flow period was on a 38/64" choke and was 11.748 million cubic feet of gas per day ("MMCFGD") with 888 barrels of condensate per day ("BCPD"), equating to 76 barrels of condensate per one million cubic feet of natural gas. Red Gully-1 is a very high condensate-rich gas discovery well.

Red Gully-1 is the highest flowing onshore gas well from a Jurassic reservoir in Western Australia with the Red Gully-1 well being the largest Jurassic gas and condensate discovery, onshore Western Australia. Red Gully-1, near Gingin, is located 100 kms on the doorstep to the City of Perth.

Managing Director, Mr Craig Marshall, stated *"The natural flow rates from both the Gingin West-1 gas discovery of 7.5 million cubic feet of gas per day and 375 barrels of condensate per day and now the Red Gully-1 discovery well flowing on clean up of up to 11.748 MMCFGD and 888 BCPD finally puts an end to the myth that the Jurassic Cattamarra Sandstones at Gingin are tight."*

"Further", Mr Marshall says, "with the Red Gully-1 discovery, there was now the opportunity to utilise the hard earned knowledge, to continue discovery successes by drilling the seismically defined prospects along the 60 km Gingin to Bullsbrook Trend. Additional 3D Seismic is key to the EP 389 Joint Venture becoming a more significant Perth Basin gas producer and supplier to a market continuing to seek a diversity of supply from NW Shelf gas. The high condensate yields of the gas at Red Gully-1 and Gingin West-1 is the "cream on the top" and will be trucked to the BP Refinery under a crude oil contract."

Ongoing work at the Red Gully-1 wellsite will be the Production Test consisting of well Flow Tests and Shut In periods normal for a production test. Samples of the gas and oil will be taken for analysis by Core Laboratories, Amdel and BP.

Competent Person's Statement

Information in this ASX Release relates to exploration results that are based on information compiled by Mr JL Craig Marshall who is a full time employee of Empire Oil & Gas NL. JL Craig Marshall is a Fellow of the Australian Institute of Mining and Metallurgy and is a Certified Practising Geologist BSc (Hons), F.Aus.IMM, CPGEO, and has more than 30 years experience relevant to oil and gas exploration and production.

For further information, please contact:

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Red Gully-1 flowing Gas and Condensate. SGS Gas Separator in foreground. The Gingin West-1 well, drilled in November 2009 and Production Tested in July 2010, on the right. Flare pit in the background.



Red Gully-1 Flaring gas and Condensate on "cleaning up" after perforating



Red Gully-1 FARO 11.748 MMCFGD and 88 BCPD in enlarged Flare Pit

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PROSPECT	GAS	OIL + CONDENSATE	STATUS
Gingin-1 Closure	87 BCF	1.0 million bbls	Needs 3D Seismic
Gingin-2 Deep	32 BCF	1.6 million bbls	Needs 3D Seismic
Bootine Deep	0 BCF	3.0 million bbls	Ready to drill
Wannamal Deep	28 BCF	1.4 million bbls	Needs 3D Seismic
Gingin South	100 BCF	1.2 million bbls	Needs 3D Seismic
Gingin Brook	600 BCF	7.2 million bbls	Needs 3D Seismic
Yeal	0 BCF	25.0 million bbls	Needs 3D Seismic
Eclipse	100 BCF	1.2 million bbls	Needs 3D Seismic
Eclipse West	225 BCF	2.7 million bbls	Needs 3D Seismic
TOTAL	1172 BCF	44.2 million bbls	

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