

Regulatory Announcement

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Empyrean Energy PLC
01 June 2006

EMPYREAN ENERGY PLC
("Empyrean" or the "Company"; Ticker: EME)

Final Results
For the period 10 March 2005 to 31 March 2006

- Portfolio expansion with the Company acquiring two additional energy exploration projects within politically stable regions;
- Net cash position over £3.2 million following successful placing with institutional investors in March 2006;
- Further testing of Glantal Gas Project (Germany), following initial drilling and gas shows;
- Encouraging oil shows have instigated flow testing of Eagle Oil Pool Development Project (California);
- Drilling planned at Sugarloaf Hosston Prospect (Texas) in Q3 2006.

Chairman's Statement

It is with pleasure that I am able to report on a very successful first year as a listed company.

Empyrean Energy Plc was admitted to AIM on 27 July 2005 having completed a successful IPO process based on our first project - the Glantal Gas Project in Germany.

Since listing on AIM we have acquired interests in two further projects that fulfil the overall strategy of investing in energy projects within politically stable regions, providing ready access to energy hungry markets. We have also undertaken an additional capital raising to assist the Company with the exploration and development of all three projects.

Our second project, the Eagle Oil Pool Development Project in California, is now at the production testing stage and we are eagerly awaiting the outcome of this testing to determine the production rates.

In keeping with our investment strategy, the Company recently acquired an interest in the Sugarloaf Hosston Prospect (Cretaceous) in Texas. This prospect is a 20,000 acre 4-way closure with multi trillion cubic feet ("TCF") gas potential in one of the most prolific hydrocarbon provinces in the world. An independent expert has estimated that the Sugarloaf Hosston Prospect could

contain a P50 (probability 50% unrisks) reserve of 0.97 TCF gas, with the P10 assessment estimated at 2.3 TCF gas.

In conclusion, I am pleased to report that in its first year of operation, the Company has successfully acquired a portfolio of three strong projects, all in regions free from political risk. Drilling has given strong encouragement with the first two projects gaining enough support from electric log data to necessitate further testing with the third project set to commence drilling in the second half of 2006. The three projects provide the Company with a good balance of risk versus reward, and the Board will continue to look actively for additional attractive opportunities which complement this portfolio and continue to deliver strong capital growth to shareholders.

Patrick Cross
Chairman
26 May 2006

Operations Report

Empyrean Energy Plc ("Empyrean") has been actively involved in two operations since it was admitted to AIM on the 27th July 2005. The first operation at the Glantal Gas Project located onshore southwest Germany has involved the drilling and appraisal of the Glantal-1 well. The second operation involves the drilling of Eagle North-1 well which is part of the Eagle Oil Pool Development Project located onshore in the prolific oil and gas producing San Joaquin Basin, California. Both operations are still in progress at the time of writing.

Glantal Gas Project

This is the first project entered into by Empyrean. It involves the drilling of the exploration well Glantal-1 in the Neues Bergland permit near Frankfurt in Germany and has the potential of discovering important accumulations of gas measuring in the trillions of c.ft. The operator is Pannonian International Ltd ("Pannonian") a wholly-owned subsidiary of the US-based Galaxy Energy Corporation. Empyrean has the opportunity to earn a 52% working interest.

The well was spudded on the 29th November 2005. The vertical well was slightly deviated after reaching 650m, as planned, and the angle gradually increased to 30 degrees with a northeast bearing. Electric logs were run prior to the setting of the 7 inch casing at 1022.5 metres in the "Dilsburger" seal.

After some delays due to weather and technical set backs, the Gottelborn Formation, the first of the proposed reservoirs, was intercepted at 1054 metres measured depth (MD).

A total depth of 1687 metres (MD) was reached on the 25th January 2006, 340 metres short of the proposed total depth of 2025 metres. This premature termination was due to the presence of a granitic type igneous rock intercepted at 1632 metres (MD) underlying the sedimentary section.

During drilling there were increases from time to time in gas readings. There was also a substantial fracture zone identified at 1450 metres when the drill string fell 20cm. The electric logs indicated the presence of at least 20 intervals of porosity and permeability which could be potential gas filled reservoirs.

It was unanimously decided to suspend the well to enable testing at a later date. A 5 inch liner was emplaced and a detailed analysis embarked upon of the various logs which included sophisticated fracture detection logs. These studies have resulted in the identification of four zones which will be tested separately for hydrocarbon content.

At present preparations are being made to carry out those tests with a local workover rig expected by the operator to arrive on site in June 2006.

Should these tests prove successful for hydrocarbon content the initial productivity of the reservoirs will be assessed and on the basis of such assessment the operational committee will consider undertaking artificial fracturing enhancement.

Eagle Oil Pool Development Project

The Eagle-North-1 well is an appraisal of an oil discovery made in the Mary Bellocchi-1 well in 1986. The present operator, Victoria Petroleum N.L., was a participant in the oil and gas discovery at the time and has farmed out part of its interest to Emyrean. The farmin agreement allows Emyrean to earn a 38.5% in the Eagle Oil Pool Development Project by contributing 55% to the total cost of Eagle North-1 which involves testing both a vertical and horizontal section of the well.

The well was spudded on the 11th January 2006 and, after several sidetrack operations, reached the TD of 4,219m on the 16th February 2006. Wireline evaluation of the target Gatchell sands indicated oil saturation over a 21 metre interval from 4,143 metres to 4,164 metres with interpreted net oil pay of 13.4 metres. The wireline log character of the pay was similar to that seen in the Gatchell sands that produced oil at Mary Bellocchi-1 366 metres to the southeast. Despite an increase in the gas and higher homologues while drilling the pay zone, no fluorescence or traces of oil were recorded. This was to be expected as the (oil based) mud was considerably overbalanced and the PDC drill bit used would have pulverised the sands. The 7 inch production casing was set at 4,217 metres and was perforated over intervals 4,142.8 to 4,152.3 and 4,158.3 to 4,163.0 metres. Testing gave only a small amount of oil (400cc of 29 degrees API) and no water. Inadequate penetration and reservoir damage during drilling were interpreted by the operator to have combined to produce this result, for the logs give a different perspective, and the decision was made to continue drilling the horizontal phase through the pay zone as planned.

Technical breakdowns and delays have severely impeded this phase of the operation. Good oil shows however have been encountered through the Gatchell sands. Poorly consolidated sandstones have prevented both the drilling of any further than 4,386 metres (measured depth) or setting the 2 3/8 inch slotted liner as originally planned. Instead, an adjusted testing programme is at present being prepared whereby 72 metres of Lower Bellocchi Gatchell oil sand cased behind the 4 1/2 inch liner and 105 metres of open hole (barefoot completion) out of the base of the 4 1/2 inch liner set at 4,386 metres will be production tested. This makes a total of 177 metres of pay to be tested in the horizontal part of the well bore.

Sugarloaf Hosston Deal

On the 6th April 2006, Emyrean announced that it had entered into a farmin agreement with operators, Texas Crude Energy Inc., to participate in the Sugarloaf Hosston Project located in South Texas, USA.

The prospect covers an area of four way closure of approximately 20,000 acres which could contain several trillion c.ft of gas. Emyrean is earning a 7.5% interest until payout where the interest reverts to a 6% working interest after payout (estimated cost \$US 750,000).

The potential main objective Cretaceous Hosston sands occur at approximately 17,000 feet although secondary targets could occur at shallower depths based on the results of wells in the vicinity. The well is designed to reach a TD of 21,000 feet.

FJ Brophy BSc (Hons)
 Technical Director
 26 May 2006

Income Statementb for the period ended 31 March 2006

	Note	2006 £'000
Administrative expenses		(760)
Operating loss	2	(760)
Interest receivable	3	71
Loss on ordinary activities before taxation		(689)
Taxation on loss on ordinary activities	4	-
Loss for the financial year	13	(689)
Loss per share expressed in pence per share		
- Basic	7	(2.5)p

A separate Statement of Recognised Income and Expense is not required.

Balance Sheet
 as at 31 March 2006

	Note	2006 £'000
Assets		
Non-current assets		
Intangible assets	8	3,860
Plant and equipment	9	7
Current assets		

Other receivables	10	239
Cash at bank		3,210

		3,449

Liabilities		
Current liabilities		
Other payables	11	(123)

		(123)

Net current assets		3,326

Net assets		7,193
		=====
Shareholders' equity		
Ordinary shares	12	70
Share premium	13	7,665
Other reserves	13	147
Retained loss	13	(689)

Total equity		7,193
		=====

Cash Flow Statement

for the period ended 31 March 2006

	Note	2006 £'000
Net cash outflow from operating activities	15	(769)
Return on Investments		
Interest received		71

Net cash inflow from returns on investments		71
Capital expenditure		
Purchase of tangible fixed assets		(12)
Purchase of intangible fixed assets		(3,854)

Net cash inflow for capital expenditure		(3,866)
Financing		
Issue of ordinary share capital		8,146
Expenses relating to share issues		(372)

Net cash inflow from financing		7,774

Increase in net cash	16	3,210
		=====

Notes to the Financial Statements
for the period ended 31 March 2006

1. Turnover and Segmental Analysis

The Company had no turnover during the period.

All the administration costs were incurred by the Company in the United Kingdom

Capitalised exploration, evaluation and development expenditure can be analysed by the following geographical segments:

	2006 £'000
Continental Europe	2,027
North America	1,833

	3,860
	=====

2. Operating Loss

The operating loss is stated after charging:

	2006 £'000
Auditors' remuneration	
- audit services	5
- other services	3
Depreciation (note 9)	3
Directors' emoluments (note 6)	88
	=====

Auditors' remuneration for non-audit services provided during the period amounting to £3,000 relates to the provision of general accounting services. A further charge of £15,000 relates to the provision of an accountant's report for the purpose of the Company's AIM Admission Document and was charged to the share premium account as part of share issue expenses.

3. Interest Receivable

	2006 £'000
Bank interest receivable	71
	=====

4. Taxation

	2006 £'000
Current year taxation	

UK corporation tax at 30% on profits for the period	-

Factors affecting the tax charge for the period	
Loss on ordinary activities before tax	(689)

Loss on ordinary activities at the UK standard rate of 30%	(207)
Effect of tax benefit of loss carried forward	207

Current period taxation	-
	=====

5. Staff Costs (including Directors)

The Company had no employees during the year.

	2006
	£'000
Equity-settled share-based payments	127
	=====

The Company's equity-settled share based payments comprise incentive options granted to the Company's Directors. The amount and details of share options subject to equity-settled share based payments are set out in note 12.

The fair value of these options has been fully expensed during the period, based on a Black-Scholes model, assuming a risk free rate of 4.7% and expected volatility of 60%. The value per option ranges from 8 pence to 9 pence. There are no performance measures attached to the options.

6. Directors' Emoluments

	Income statement	Intangible assets	2006 £'000 Total
Non-Executive Directors:			
Patrick Cross	24	-	24
Malcolm James	16	-	16
Executive Directors:			
Frank Brophy (1)	16	8	24
Christopher Lambert (2)	16	24	40
Thomas Kelly (3)	16	8	24
	-----	-----	-----
Total	88	40	128
	=====	=====	=====

- 1) Services provided by F J Brophy Pty Ltd
- 2) Services provided by Walkerton Plc
- 3) Services provided by Apnea Holdings Pty Ltd

No pension benefits are provided for any Director.

The Executive Directors are remunerated for consulting services provided to the Company in relation to its exploration operations as disclosed above. These payments are capitalised to licences and deferred exploration costs (note 8).

Directors' Share Options

On 2 November 2005, Patrick Cross was allocated options over 250,000 shares at an exercise price of 35 pence per share with an expiry date of 31 December 2008, and options over 250,000 shares at an exercise price of 40 pence per share with an expiry date of 31 December 2008.

On 2 November 2005, Frank Brophy was allocated options over 1,000,000 shares at an exercise price of 35 pence per share with an expiry date of 31 December 2008.

7. Loss Per Share

The basic loss per share is derived by dividing the loss for the period attributable to ordinary shareholders by the weighted average number of shares in issue.

Loss for the period	£(689,000)
Weighted average number of Ordinary shares of £0.002 in issue	27,310,455
Loss per share - basic	(2.5) pence

Weighted average number of Ordinary shares of £0.002 in issue inclusive of outstanding options	27,917,129
--	------------

As the inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be antidilutive and, as such, a diluted loss per share is not included.

8. Intangible Assets

Licences and deferred exploration costs	£'000
Cost	
Additions	3,860

At 31 March 2006	3,860

Amortisation	-

Net Book Value	
At 31 March 2006	3,860
	=====

At 31 March 2006 the Directors undertook an impairment review of the licences and deferred exploration costs, as a result of which, no provisions were deemed to be required.

9. Plant and Equipment

	Office Equipment £'000
Cost	
Additions	10

At 31 March 2006	10

Depreciation	
Charge for the period	3

At 31 March 2006	----- 3 -----
Net Book Value At 31 March 2006	7 =====
10. Other Receivables	
	2006 £'000
Other receivables	239 -----
	239 =====
11. Other Payables	
	2006 £'000
Accruals	123 -----
	123 =====
12. Called Up Share Capital	
The authorised share capital of the Company and the called up and fully paid amounts at 31 March 2006 were as follows:-	
	2006
Authorised 1,000,000,000 ordinary shares of 0.2p each	2,000,000 =====
Issued and fully paid 35,038,671 ordinary shares of 0.2p each	70,077 =====

The Company was incorporated on 10 March 2005 with an authorised share capital of £2,000,000 divided into 200,000,000 ordinary shares of 1p each, of which 2 shares were issued fully paid to the subscribers to the Memorandum of Association of the Company.

On 16 March 2005 the authorised share capital of the Company was subdivided into 1,000,000,000 ordinary shares of 0.2p each.

On 23 March 2005 a further 14,999,990 ordinary shares of 0.2p were allotted at par value, fully paid.

On 4 April 2005 a further 8,500,000 ordinary shares of 0.2p were issued and allotted at a price of 20p per share.

On 27 July 2005 on admission to AIM, 7,144,282 new ordinary shares of 0.2p were placed at a price of 35p per share.

On 24 February 2006 a further 778,568 shares were allotted on conversion of warrants held over ordinary shares of 0.2p at a price of 35p per share.

On 28 February 2006 a further 2,539,350 ordinary shares of 0.2p were placed at a price of £1.30 per share.

On 31 March 2006 a further 157,143 shares were allotted on conversion of warrants held over ordinary shares of 0.2p at a price of 35p per share.

On 31 March 2006 a further 686,828 shares were allotted on exercise of options over ordinary shares of 0.2p at a price of 35p per share.

On 31 March 2006 a further 232,500 shares were allotted on exercise of options over ordinary shares of 0.2p at a price of 20p per share.

Share Options and Warrants

The following equity instruments have been issued by the Company and have not been exercised at 31 March 2006:

	Number of ordinary shares	Exercise price	Expires
Incentive options	1,250,000	35 pence	31 December 2008
Incentive options	250,000	40 pence	31 December 2008
IPO Warrants	1,445,714	35 pence	27 July 2007

13. Reserves

The movements on reserves during the period were as follows:

	Share premium £'000	Other Reserves £'000	Retained Loss £'000
Premium on shares issued during the period	8,076	-	-
Share issue expenses	(411)	-	-
Equity-settled share-based payments	-	127	-
Equity-settled share issue expenses	-	20	-
Retained loss for the period	-	-	(689)
	-----	-----	-----
As at 31 March 2006	7,665	147	(689)
	=====	=====	=====

14. Movement on Equity Shareholders' Funds

	2006 £'000
Loss for the period	(689)
Proceeds from share issue	8,146
Share issue expenses	(411)
Equity-settled share-based payments	147

Closing equity shareholders' funds	7,193
	=====

15. Reconciliation of Operating Loss to Operating Cash Flows

	2006 £'000
Operating loss	(760)
Increase in debtors	(243)
Increase in accrued liabilities	104
Other non-cash charges	127
Depreciation	3

Net cash outflow from operating activities	(769) =====

16. Analysis and Reconciliation of Net Funds

	As at 10 March 2005 £'000	Cash flow for the period £'000	As at 31 March 2006 £'000
Cash in hand and at bank	-	3,210	3,210
	-----	-----	-----

17. Commitments

As at 31 March 2006, the Company had no material capital commitments.

18. Related Party Transactions

The Executive Directors are remunerated for consulting services provided to the Company in relation to its exploration operations as disclosed in note 6. These payments are capitalised to licences and deferred exploration costs

There were no other related party transactions during the period.

19. Post Balance Date Events

Acquisition of Sugarloaf Hosston

On 6 April 2006 the Company entered into a farm-in agreement with local Houston based operator/explorer Texas Crude Energy Inc to participate in the Sugarloaf Hosston Prospect located in South Texas, USA. Full details of the participation are contained in the Operations Report.

Empyrean Energy

Tel: +44(0) 207 932 2442

Angus Prentice

Conduit PR plc

Tel: +44 (0) 207 429 6666

Mob: +44 (0) 7974 982 512

Toby Howell/Imran Ahmad

HB Corporate

Tel: +44(0) 207 510 8600

Mob: +44 (0) 7775 895 579

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