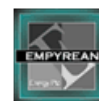


## Regulatory Story

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**Company** [Empyrean Energy PLC](#)  
**TIDM** EME  
**Headline** Interim Results  
**Released** 15:21 04-Dec-2009  
**Number** 6288D15



RNS Number : 6288D  
 Empyrean Energy PLC  
 04 December 2009

### 4 December 2009

#### **Empyrean Energy Plc** ("Empyrean" or the "Company"; Ticker: (EME))

#### **Interim Results for the six months ended 30 September 2009**

Empyrean today announces its unaudited interim results for the period ended 30 September 2009.

Please find below the Chairman's and Technical Director's statement and the interim accounts.

#### **Contact**

Tom Kelly            Empyrean Energy Plc      Tel: +61 8 93216988

Nominated Adviser and Broker:

Jerry Keen            Astaire Securities Plc      Tel: +44 (0) 20 7448 4400  
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### CHAIRMAN'S AND TECHNICAL DIRECTORS STATEMENT

#### **Chairman's Introduction**

I am pleased to be able to report that the first half of this year has again been a period of growth for Empyrean Energy Plc ("**Company**" or "**Empyrean**"). In an eventful six months the Company raised £2.44 million in three placings, one above the market price at the time. Half of the Company's holdings in Block B of the Sugarloaf project were successfully farmed out to Hilcorp Energy Company, a major US private company with extensive operating experience in the region. This move endorsed our view of the potential value of the asset, generated new development momentum and provided Empyrean with free carriage on the drilling of three new wells and the fracture stimulation of three existing wells.

The farmout of Block B has freed Empyrean to focus on other high impact projects, in particular and as reported at the AGM, enabled us to secure a 10% share of the Riverbend Project, which has enormous potential. In a separate exciting development, the Eagle Oil Pool Development Project has emerged from limbo with the purchase by R & M Oil and Gas Ltd of Victoria Petroleum USA Inc, the project's operator. The new operators have already prepared ambitious plans to move this project forward, and Empyrean Energy owns a 48.5% share.

The following technical report provides more detail on all six of the projects in which Empyrean is currently engaged.

### **Technical Overview**

Empyrean is at present involved in five projects, four of which are located onshore USA.

The focus of Empyrean's efforts continues to be directed towards the highly sought after Austin Chalk play, onshore Texas.

Empyrean had originally pursued the Austin Chalk play by farming into Blocks A and B through Texas Crude Energy Inc ("TCEI"). These blocks fall within the boundaries of the Sugarkane gas and condensate field. On 5 May 2009 Empyrean announced that it had entered into a further arrangement with TCEI to seek a farm-out of up to half of its 6% interest in Block B. This arrangement did not include or affect Empyrean's interest in the 5 wells it had participated in on Block A. On 21 September 2009 the farm-out was confirmed. The terms of the farm-out result in Empyrean being free carried for the drilling, completion and tie in of up to 3 new horizontal wells (the preferred option in these types of limestone reservoirs) and the stimulation of the 3 existing, horizontal Sugarloaf wells, namely Kennedy- 1H, Kowalik-1H and Weston -1H. The farmee, Hilcorp Energy Company, is the 4<sup>th</sup> largest private oil and gas exploration & production company in the USA and has an annual production of 15.8 million barrels of oil equivalent.

The farmout of Block B at Sugarloaf has not affected Empyrean's interest in the five wells that it has participated in on Block A.

On 1 June 2009 Empyrean announced its participation in an additional and entirely separate Austin Chalk project in the Tyler and Jasper counties onshore Texas. The project area lies south of the prolific Brookeland Field and southeast of the Woodbine Field. Empyrean will earn a 10% interest in the Riverbend Project from Krescent Energy Company LLC ("Krescent") by participating in the re-entry and horizontal drilling and testing of the Quinn 3-H well which had originally been suspended when higher than normal pressures were encountered while drilling.

The Quinn 3-H well was re-entered on 2 September 2009 and reached a total depth of 16,641 feet (measured depth on 13 November 09) with encouraging gas shows (100 feet flares) and fracture zones being encountered while drilling the horizontal section. The well is at present being prepared for production testing. A sales pipeline is already connected to the site.

This Participation Agreement with Krescent is particularly important as the Riverbend Project has an estimated recoverable reserve potential of 800 billion cubic feet of gas equivalent. Furthermore, Empyrean will then pay 13.33% of costs to earn a 10% interest in the second, third and optional fourth well before paying 10% on any further wells thereafter located within the AMI of approximately 50,000 acres.

Onshore California, the Eagle Oil Pool Development Project in which Empyrean has a 48.5% interest has had no further field work done since the drilling of Eagle North-1. On 18 September 2009 Empyrean announced that R&M Oil & Gas Ltd had acquired the interests of the previous operator, Victoria Petroleum USA Inc., and was in the process of re-vitalising the project.

Acquisition of 20 square miles of 3D seismic will evaluate the potential of two shallower zones of interest in addition to the primary target Gatchell Sands which have already tested oil.

Elsewhere the Glantal Gas Project in Germany has had no further work performed since the drilling of Glantal-1. Further seismic acquisition will be required before any drilling can be carried out on the Lautertal Prospect located to the northeast of Glantal.

### **Financials**

The unaudited results for the six months to 30 September 2009 reports oil and gas revenue of £182,000 (30 September 2007: £575,000) and a loss before tax of £518,000 (30 September 2008: £427,000).

Net exploration expenditure of £1,301,000 (30 September 2008: £1,538,000) during the six months has been capitalised, which predominately relates to participation in the Riverbend Project. Further expenditure was also incurred in relation to lease commitments and drilling programmes at the Sugarloaf Project.

During the six months, Empyrean completed three placements of 55,666,668 ordinary shares to institutions, raising £2,440,000 before expenses.

### **Outlook**

The enormous potential reserves in the Riverbend project, together with the very large flares encountered during drilling, provide the foundations for our confidence in continued rapid growth for the company. These prospects are further enhanced by the renewed development of the Eagle project which showed evidence of substantial oil reserves when first drilled in 2006.

With a portfolio of additional projects already identified and being evaluated, the Company's expansion will continue to be pursued with vigour, and as rapidly as the global economic conditions will permit.

<b>Dr Patrick Cross</b>	<b>FJ Brophy BSc (Hons)</b>
<b>Chairman</b>	<b>Technical Director</b>
<b>4 December 2009</b>	<b>4 December 2009</b>

*The technical information contained in this report was completed and reviewed by the Technical Director of Empyrean Energy Plc, Mr Frank Brophy BSc (Hons) who has over 40 years experience as a petroleum geologist.*

## **INDEPENDENT REVIEW REPORT TO EMPYREAN ENERGY PLC**

### **Introduction**

We have been engaged by Empyrean Energy Plc (the Company) to review the interim financial statements for the six months ended 30 September 2009 comprising the statement of comprehensive income, statement of financial position, cash flow statement, statement of changes in equity and the related notes. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the interim financial statements.

This report is made solely to the Company in accordance with guidance contained in ISRE 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim financial report in accordance with the rules of the London Stock Exchange Plc for companies trading securities on the AIM Market.

As disclosed in Note 1, the accounting policies are consistent with those that the directors intend to use in the next financial statements. The interim financial statements included in this interim financial report have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

### **Our Responsibility**

Our responsibility is to express to the Company a conclusion on the interim financial statements in the interim financial report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review we are not aware of any material modifications that should be made to the financial information as presented in the interim financial statements for the six months ended 30 September 2009.

**CHAPMAN DAVIS LLP**  
**Chartered Accountants**  
**2 Chapel Court**  
**London SE1 1HH**

**4 December 2009**

**EMPYREAN ENERGY PLC**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

	6 months to 30 September 2009 (unaudited) £'000	6 months to 30 September 2008 (unaudited) £'000	Year ended 31 March 2009 (audited) £'000
<b>Revenue</b>	182	575	724
<b>Cost of sales</b>			
Production costs	(17)	-	(35)
Amortisation - oil and gas properties	(394)	(267)	(611)
<b>Gross (loss)/profit</b>	(229)	308	78
Administrative expenses	(289)	(597)	(1,158)
Exploration expenditure (impairment/ write off)	-	(188)	(468)
<b>Operating loss</b>	(518)	(477)	(1,548)
Interest receivable	-	50	54
<b>Loss on ordinary activities before taxation</b>	(518)	(427)	(1,494)
Taxation credit on ordinary activities	-	-	-
<b>Loss for the financial period</b>	(518)	(427)	(1,494)
Basic loss per share expressed in pence (please refer to Note 3)	(0.46)p	(0.76)p	(2.53)p

**EMPYREAN ENERGY PLC**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

6 months to                      6 months to                      Year ended

	30 September 2009 (unaudited) £'000	30 September 2008 (unaudited) £'000	31 March 2009 (audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	8,931	9,847	7,630
Oil and gas properties	6,632	1,305	6,436
Plant and equipment	-	1	1
	<u>15,563</u>	<u>11,153</u>	<u>14,067</u>
<b>Current assets</b>			
Trade and other receivables	100	2,703	413
Cash and cash equivalents	906	1,321	291
	<u>1,006</u>	<u>4,024</u>	<u>704</u>
<b>Total Assets</b>	<u>16,569</u>	<u>15,177</u>	<u>14,771</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	(43)	(28)	(43)
	<u>963</u>	<u>3,996</u>	<u>661</u>
<b>Net current assets</b>			
	<u>16,526</u>	<u>15,149</u>	<u>14,728</u>
<b>Shareholders' equity</b>			
Called up share capital	244	119	132
Share premium account	19,825	17,036	17,621
Other reserves	975	1,054	975
Retained loss	(4,518)	(3,060)	(4,000)
<b>Total equity</b>	<u>16,526</u>	<u>15,149</u>	<u>14,728</u>

**EMPYREAN ENERGY PLC**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

	6 months to 30 September 2009 (unaudited) £'000	6 months to 30 September 2008 (unaudited) £'000	Year ended 31 March 2009 (audited) £'000
Cash received/(used) in operating activities	(94)	(202)	122
Other Receivables	43	(2,037)	-
<b>Net cash inflow / (outflow) from operating activities</b>	<u>(51)</u>	<u>(2,239)</u>	<u>122</u>
Interest received	-	50	54
<b>Net cash inflow from returns on investments</b>	<u>-</u>	<u>50</u>	<u>54</u>
Purchase of tangible assets	-	-	(1)
Purchase of intangible assets	(1,650)	(2,238)	(6,072)
<b>Net cash outflow from capital expenditure</b>	<u>(1,650)</u>	<u>(2,238)</u>	<u>(6,073)</u>
<b>Net cash outflow before financing</b>	<u>(1,744)</u>	<u>(4,427)</u>	<u>(5,897)</u>
Issue of ordinary share capital	2,444	4,485	4,985
Share issue costs	(128)	(247)	(307)
<b>Net cash inflow from financing</b>	<u>2,316</u>	<u>4,238</u>	<u>4,678</u>
<b>Increase/(decrease) in cash</b>	<u>615</u>	<u>(189)</u>	<u>(1,219)</u>

**EMPYREAN ENERGY PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2009**

	Called up Share Capital	Share Premium	Other Reserves	Retained Loss	Total Shareholders Equity
	£'000	£'000	£'000	£'000	£'000
<b>6 months ended 30 September 2009</b>					
As at 1 April 2009	132	17,621	975	(4,000)	14,728
Shares issued during the period	112	2,332	-	-	2,444
Share issue expense	-	(128)	-	-	(128)
Equity-settled share-based payments	-	-	-	-	-
Loss for the period	-	-	-	(518)	(518)
<b>Balance as at 30 September 2009</b>	<b>244</b>	<b>19,825</b>	<b>975</b>	<b>(4,518)</b>	<b>16,526</b>
<b>6 months ended 30 September 2008</b>					
As at 1 April 2008	101	12,816	770	(2,633)	11,054
Shares issued during the period	18	4,467	-	-	4,485
Share issue expense	-	(247)	-	-	(247)
Equity-settled share-based payments	-	-	284	-	284
Loss for the period	-	-	-	(427)	(427)
<b>Balance as at 30 September 2008</b>	<b>119</b>	<b>17,036</b>	<b>1,054</b>	<b>(3,060)</b>	<b>15,149</b>
<b>Year ending 31 March 2009</b>					
As at 1 April 2008	101	12,816	770	(2,633)	11,054
Shares issued during the period	30	5,040	-	-	5,070
Share issue expense	-	(306)	-	-	(306)
Equity-settled share-based payments	1	71	205	127	404
Loss for the period	-	-	-	(1,494)	(1,494)
<b>Balance as at 31 March 2009</b>	<b>132</b>	<b>17,621</b>	<b>975</b>	<b>(4,000)</b>	<b>14,728</b>

**1. Basis of preparation**

The interim report has been prepared in accordance with the AIM rules and the basis of accounting policies set out in the accounts for the year to 31 March 2009 and on the basis of all International Financial Reporting Standards (IFRS) that are expected to be applicable to the company's statutory accounts for the year ended 31 March 2010, except as disclosed below. If any amendments, new standards or new interpretations are issued these may require the financial information provided in the interim report to be changed. The interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The interim financial statements have been prepared on a going concern basis in accordance with IFRS and comply with IAS 34.

These financial statements are the first produced under the amended requirements of IAS 1 (Revised) "Presentation of Financial Statements" and the updated presentation has been applied to current year and comparative figures. The changes are only in presentation and disclosure and have had no impact on the reported financial results in any period.

The amounts in the interim report for the periods ended 30 September 2009 and comparative 30 September 2008 are unaudited. The amounts in this report for the year ended 31 March 2009 are extracted from the audited statutory accounts for that period and as such are not the company's statutory accounts for that financial year. The 31 March 2009 accounts have been reported on by the company's auditors and delivered to the Registrar of Companies and received an unqualified audit report and did not

contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim report of Empyrean Energy Plc was authorised for issue by the Board on 3 December 2009.

### Going concern

The directors have a reasonable expectation that Empyrean Energy Plc have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the interim accounts.

## 2. Segmental Analysis

There are three geographical segments being Continental Europe and North America, which are involved in exploration and production, and the United Kingdom which is where the corporate office is located.

During the period the Company continued to receive revenue from oil and gas sales in North America, from one well at the Margarita prospect and seven wells at the Sugarloaf Hosston prospect. The Company also incurred direct expenditure on generating this revenue which is shown as direct cost of goods sold.

The Company's headquarters remains in the United Kingdom where all interest revenue is generated and corporate expenditure incurred.

There has been no significant seasonal or cyclical variation in revenue or operating results during the period.

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

### 2. Segmental Analysis continued

	6 months to 30 September 2009 (unaudited)	6 months to 30 September 2008 (unaudited)	Year ended 31 March 2009 (audited)
	£'000	£'000	£'000
<b><u>LOSS ON ORDINARY ACTIVITIES</u></b>			
<b>UNITED KINGDOM</b>			
Interest Received	-	50	54
General and administrative expenses	(289)	(313)	(754)
Share Based Payments	-	(284)	(404)
<b>Total Expense</b>	<b>(289)</b>	<b>(597)</b>	<b>(1,158)</b>
<b>Loss on Administrative Activities</b>	<b>(289)</b>	<b>(547)</b>	<b>(1,104)</b>
<b>NORTH AMERICA</b>			
Oil and Gas Revenue	182	575	724
Cost of Sales	(411)	(267)	(646)
Exploration Expenditure (impairment/ write off)	-	(188)	(468)
	<b>(229)</b>	<b>120</b>	<b>(390)</b>
<b>Loss on Ordinary Activities (before tax)</b>	<b>(518)</b>	<b>(427)</b>	<b>(1,494)</b>

**INTANGIBLE ASSETS****CONTINENTAL EUROPE**

Exploration Expenditure	2,793	2,789	2,793
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**NORTH AMERICA**

Exploration Expenditure	6,138	7,058	4,837
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**Total Intangible Assets**

	8,931	9,847	7,630
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**OIL AND GAS PROPERTIES****NORTH AMERICA**

Oil and Gas Properties	6,632	1,305	6,436
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**Total Oil and Gas Properties**

	6,632	1,305	6,436
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**3. Loss per share**

The calculation of loss per share is based on the loss after taxation divided by the weighted average number of shares in issue during the period:

	6 months to 30 September 2009 (unaudited) £'000	6 months to 30 September 2008 (unaudited) £'000	Year ended 31 March 2009 (audited) £'000
Net loss after taxation (£'000)	(518)	(427)	(1,494)
Weighted average number of ordinary shares used in calculating basic earnings per share	111,806,427	55,938,080	58,847,344
Basic loss per share (expressed in pence)	(0.46)p	(0.76)p	(2.53)p
Weighted average number of Ordinary shares of £0.002 in issue inclusive of outstanding options	122,506,427	64,012,397	65,650,213

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.

**4. Called Up Share Capital**

The authorised share capital of the Company and the called up and fully paid amounts at 30 September 2009 were as follows:

**£'000**

**Authorised**

1,000,000,000 ordinary shares of 0.2p each	<u>2,000,000</u>
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**Issued and fully paid**

121,924,460 ordinary shares of 0.2p each 243.849

**Share options**

The following equity instruments have been issued by the Company and have not been exercised at 30 September 2009:

Equity	Number of options	Exercise Price	Expires
Incentive options	2,200,000	50 pence	20 October 2009
Incentive options	2,450,000	50 pence	28 June 2010
Incentive options	1,225,000	25 pence	27 February 2011
Incentive options	1,225,000	25 pence	27 February 2011
Incentive options	3,600,000	4 pence	31 March 2012

**5. Dividend**

The Directors do not recommend the payment of a dividend.

**6. Directors' responsibility statement**

The Directors confirm that, to the best of their knowledge the condensed set of financial statements for the six months ended 30 September 2009 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The Directors of Empeyrean Energy plc and their functions are: Dr Patrick Cross (Chairman), Mr Thomas Kelly (Commercial Director), Mr Frank Brophy (Technical Director) and Mr John Laycock (Finance Director).

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