

Regulatory Story

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Empyrean Energy PLC - EME Award of Permit
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Empyrean Energy PLC ('Empyrean' or 'the Company')

AWARD OF PERMIT

Empyrean Energy plc is pleased to announce that it has been awarded a permit for 100% of the exploration rights for Block 29/11 ('Block 29/11' or 'the Permit'), located in the Pearl River Mouth Basin, offshore China, following a successful application to the China National Offshore Oil Corporation ('CNOOC'). Empyrean will be the operator of the Permit during the exploration phase of the Permit.

Highlights

- Excellent location - offshore permit located approximately 200km South East from Hong Kong in seabed depths ranging from 340-600m and directly South of a large producing field
- On trend with additional recent discoveries immediately to the West and South
- Two existing exploration prospects, Jade and Topaz, mapped with multi-vintage 2D seismic
- Upside potential - a further ten leads have also been mapped that require follow up exploration work
- Extensive permit area - approximately 1,800 km²
- Work programme required for the first 24 months is anticipated to be funded by existing cash resources
- Empyrean will acquire and complete processing and technical evaluation of 500 km² of 3D seismic data

Empyrean CEO Tom Kelly said, *"To have been granted a permit of this size and located on trend to existing large discoveries is a real coup for the Company which follows hot on the heels of our sale of the Sugarloaf AMI Project and subsequent return of value to shareholders. The Permit represents a fantastic opportunity for Empyrean, given its significant resource potential and the presence of two large and relatively mature drilling prospects, Jade and Topaz. Therefore, we look forward to advancing these, as well as additional targets identified, alongside Gaz Bisht, who has a very thorough understanding of the region via his previous extensive work in the region."*

"We also acknowledge and thank the CNOOC team for the consideration of our bid proposal and we look forward to working with CNOOC to unlock potential value within the Permit area."

Further information on the Permit

Block 29/11 is an offshore permit that is located approximately 200km South East from Hong Kong in seabed depths ranging from 340-600m. The Permit is directly South of a large producing field. The Permit is approximately 1800km² in area. Two key exploration prospects named Jade and Topaz have been mapped within the Permit area with multi-vintage 2D seismic shot in 1979, 1986 and 1989. The Company intends to acquire this historical data to allow it to establish the resources attributable to these prospects. In addition, a further ten leads have been mapped on the Permit area that require follow up exploration work in order to mature. Recent discoveries immediately to the West and South of the Permit are also on trend and enhance the prospectivity of the Permit.

As previously stated, the Board has continued to look for suitable opportunities to increase shareholder value following the sale of its interest in the Sugarloaf AMI Project in January 2016. The opportunity to evaluate and formally bid for the Permit has been introduced to Empyrean by Topaz Energy, a company wholly-owned by Gaz Bisht. Mr. Bisht is a petroleum Geologist/ Geoscientist who has worked closely with CNOOC over the last 10 years in roles with other companies including Roc Oil Company Limited ('ROC') and AWE Limited ('AWE'). Mr. Bisht is now an independent consultant and, in addition to introducing the opportunity to Empyrean, he will provide services in relation to the application and implementation of the work program to Empyrean. In relation to the introduction of the opportunity and successful award of the Permit to Empyrean, the Company has agreed, subject only to binding documentation being entered into and the subsequent approval of shareholders (as required, and as further set out below), that Topaz Energy Pty Ltd will receive consideration of either 70,000,000 ordinary shares of 0.2p each in Empyrean (the 'Consideration Shares') or £1,391,390 in cash, (the 'Cash Consideration') which is equivalent to the value of the Consideration Shares at the volume weighted average price in the 5 days leading up to the date of award of the Permit (1.9877p). As outlined below, the issue of the Consideration Shares requires the approval of Empyrean shareholders. Should shareholder approval be obtained to issue the Consideration Shares, Topaz Energy may elect to receive either the Consideration Shares or the Cash Consideration. However, if shareholder approval is not obtained for the issue of the Consideration Shares then the Cash Consideration will be paid. It has also been agreed that Topaz Energy will be

entitled to a 3% net profit royalty from Empyrean's share of any future production.

Empyrean is also in the process of negotiations to secure the technical services of Mr. Bisht in an ongoing role to oversee the implementation of the work program and assist Empyrean as operator of the Permit. Mr. Bisht has been involved in a number of successful evaluations and successful bid proposals for Chinese permits, including the Wei 6-12 South discovery for Roc Oil Company Limited in 2006 when he was Senior Geologist and Project Leader for ROC. He was also involved in the drilling and discovery of the largest gas field the onshore Perth Basin, Western Australia, as Exploration Manager of Onshore Perth for AWE.

The successful bid proposal has been structured in two separate parts, initially a Geophysical Service Agreement, which requires the Company to acquire and complete processing and technical evaluation of 500km² of 3D seismic data on the Permit area, and, subsequently, the Company having an option to enter into a pre-negotiated Production Sharing Contract. The work programme required for the first 24 months is anticipated to be funded by the Company's existing cash resources.

The Permit marks a new era for reshaping Empyrean's strategy following the successful sale of its Sugarloaf AMI Project and subsequent return of capital to shareholders. Empyrean anticipates that the Permit will become the priority focus in order to re-position the Company for growth. Accordingly, the Company will seek to farm-out or sell its remaining US assets.

The cost of 3D seismic has been dropping in recent years because of the downturn in the oil price and the Company anticipates that it will fund its commitments under the GSA segment of the work programme from its existing cash resources. Following completion of this phase of the Permit the Company will then decide on the best alternative to enter the PSC in order to drill the most attractive prospects on the Permit. Such options may include farming-out the drilling of exploration wells to a capable partner or, subject to market conditions, raising additional financing to allow the Company itself to undertake this process.

Shareholder Meeting

The Company intends to call an Extraordinary General Meeting in order to approve the potential issue of shares to Topaz Energy Pty Ltd, as described above.

The Company also intends to take the opportunity to seek new authorities that will provide it with the necessary flexibility to raise capital should the market allow and the Company decides that it is in its best interest.

A Circular will be issued to shareholders shortly in respect of these matters and further announcements will be made in due course.

**** ENDS ****

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The information contained in this announcement 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.

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Award of Permit - RNS