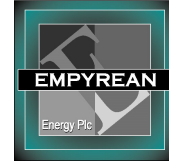


EMPYREAN ENERGY PLC
Registered Number 05387837

Interim Results 30 September 2016



Highlights

- Key event during the period was the successful application for Withholding Tax Certificate filed and accepted by the Internal Revenue Service in the US allowing the Company to offset its existing US tax losses and pay anticipated US tax obligations on amounts already received from sale of the Sugarloaf AMI Project
 - Withholding Tax Certificate also stipulated that future receipts from the sale are to have 15% withholding tax applied
 - The second tranche of the escrowed funds, which is due for release on or about 19 February 2017, being one year after closing of the transaction on 19 February 2016, of US\$3.075m is expected to be subject to withholding tax of 15 per cent. and may be subject to further adjustments

- Shareholder and Court approval was gained for the implementation of a 7.9p return of capital to shareholders that was completed post period-end

- Award of a permit for 100% of the exploration rights for Block 29/11, located in the Pearl River Mouth Basin, offshore China in December 2016, following a successful application to the China National Offshore Oil Corporation
 - Significant resource potential and located on trend to significant oil and gas assets offshore China
 - Empyrean will acquire and complete processing and technical evaluation of 500 km² of 3D seismic data over the next 24 months or sooner if possible

- The Company expects Block 29/11 to become the Company's primary focus in order to re-position the Company for growth and will look to farm-out or sell its remaining US assets.

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Chairman's Statement

2016 marked a new era for Empyrean. With the sale of our core Sugarloaf asset completed in February, our activities during the period under review were largely focused on post-completion refinancing and restructuring necessary to enable the Company to deliver on our promise to return value to shareholders. We also successfully invested our time into evaluating new projects, which culminated in December 2016 in our entry into an exciting new oil and gas prospect post period end. We look ahead to 2017 with an exciting new project in tow having been granted the exploration rights for Block 29/11, which is located offshore China in the Pearl River Mouth Basin. Given its significant resource potential, and its location on trend to world class oil and gas projects, to have been granted this licence represents a real coup for Empyrean and offers us the opportunity to add real value, subject to the usual risks involved in resource exploration, using our current cash resources. We look forward to providing further updates as we move forward with this project in 2017.

Block 29/11

Block 29/11 (the 'Permit') covers approximately 1,800km², around 200km southeast of Hong Kong. Two prospects, Jade and Topaz, and multiple leads have been identified via vintage 2D seismic. We will acquire some of the vintage data and plan to acquire new 3D seismic data in order to progress these prospects and leads towards drill ready status. Once the 3D seismic has been acquired and processed, Empyrean has the option to enter into a pre-negotiated Production Sharing Contract ('PSC') for the Block.

The Permit lies close to a producing field and on trend with recent discoveries, thus enhancing the suggestion that the block may offer significant prospective resource potential. Topaz Energy introduced the opportunity to Empyrean and its principal, Mr Gaz Bisht, will work alongside the Company to implement the work programme. In return, the Company has agreed that Topaz will receive approximately £1.4m in cash or 70m EME shares at c.2p. This arrangement is subject to binding documentation being put in place and the issue of these shares will be subject to shareholder approval at an Extraordinary General Meeting (the 'EGM').

Option Variation

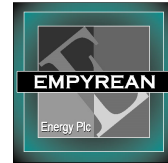
Empyrean also announced on 15 December 2016 that it has amended the terms of 60m options that had been acquired by a third party from (former lender) Macquarie Bank. The option exercise prices have been reworked as per the terms of the options to reflect the recent cash distribution to shareholders and now range from 0.1p – 4.1p/share. There will also be a resolution relating to a tranche of these options at the EGM if the Optionholder has not already exercised them.

Return of Value

In February 2016, we were delighted to successfully complete the sale of the Sugarloaf AMI Project located onshore Texas for up to US\$71.5 million. Subsequently, when the first tranche of funds held in escrow was released, the Board declared an intention to retain only the funds needed to meet working capital requirements and the maintenance and development of the remaining assets.

On 3 October 2016 we announced the plans for a return of value, having repaid the Macquarie Bank loan facility and the Company having met its US tax obligations to date. The Company returned 7.9p for each ordinary share held at 5pm on 19 October 2016 after shareholder and court approval, in the week commencing 14 November 2016.

The process involved the issuing of one "B" share of 7.9p for each ordinary share held, followed by the Company cancelling the "B" shares in return for a capital payment of 7.9p for each share cancelled. Shareholder approval was given at a General Meeting on 19 October 2016 and court hearings on 27 October 2016 approved the plans. Shareholders received the capital repayment in the week of 14 November 2016.



Chairman's Statement (Continued)

Financial Review

Our cash at the end of the period was bolstered significantly by the sale of Sugarloaf AMI and was reported as US\$27,053,000.

Outlook

With a new project in hand, we have a highly active period ahead. I hope shareholders share in our excitement for this opportunity, which sits in a prospective address and has substantial resource potential. In respect of our US assets, we intend to evaluate divestment opportunities and will engage with the market regarding our efforts here at the appropriate time.

Patrick Cross

Non-Executive Chairman

21 December 2016



Operational Review

Until the sale of its 3% working interest ('WI'), Empyrean's operational activities had been almost solely focused on development drilling in the Sugarloaf AMI Project. The sale of its WI in the Sugarloaf AMI Project to Carrier Energy Partners 11, LLC ('CEPII') completed on 22 February 2016 with the transaction having an effective date of 1 October 2015.

Empyrean retains an interest in the Riverbend Project (10 % WI) located in the Tyler and Jasper counties, onshore Texas and a 58.084% WI in the Eagle Oil Pool Development Project, located in the prolific San Joaquin Basin onshore, southern California and operated by Strata-X Energy.

Riverbend Project (10%)

The Cartwright No1 re-entry well produces gas and condensate from the arenaceous Wilcox Formation.

Production commenced on 13 May 2013, and well head rates rapidly decreased to a monthly production in June 2014 of 2,687 msc.ft of gas and 83 barrels of condensate. Thereafter Cartwright No1 re-entry has been shut in intermittently. The well is now virtually suspended producing only nominal amounts of gas condensate. In the last 6 months only 794 msc.ft of gas has been produced with virtually no condensate. Full production will recommence once the economic environment improves.

Eagle Oil Pool Development Project (58.084% WI)

Located in the prolific San Joaquin Basin onshore, southern California this development project has received little attention in the last 6 months due again to the economic climate.

No appraisal operations were carried out during this period. It is anticipated that a vertical well test of the primary objective, the Gatchell sands, followed by a horizontal appraisal well, would be the most likely scenario.

Definitions

MMBOE Million barrels of oil equivalent

Production Production available for sale

WTI West Texas intermediate crude, type of oil used as a benchmark in oil pricing

Frank Brophy BSc (Hons)

Technical Director

21 December 2016



**Statement of Comprehensive Income
For the Period Ended 30 September 2016**

		6 months to 30 September 2016 (unaudited) US\$'000	6 months to 30 September 2015 (unaudited) US\$'000	Year ended 31 March 2016 (audited) US\$'000
Revenue		1	21	10
Cost of sales				
Operating costs		2	(1)	(28)
Impairment of oil and gas properties	4, 5	(3)	(2)	(6)
Amortisation	5	(6)	(5)	(12)
Total cost of sales		(7)	(8)	(46)
Gross (loss)/profit		(6)	13	(36)
Administrative expenditure				
Administrative expenses		(110)	(109)	(289)
Directors' remuneration		(443)	(378)	(577)
Compliance fees		(162)	(195)	(518)
Foreign exchange differences		(1,777)	(5)	243
Total administrative expenditure		(2,492)	(687)	(1,141)
Operating (loss)/profit		(2,498)	(674)	(1,177)
Finance income/(expense)		60	(1,132)	(3,836)
(Loss)/profit from continuing operations before taxation		(2,438)	(1,806)	(5,013)
Deferred tax credit/(tax expense)		709	-	(709)
(Loss)/profit from continuing operations after taxation		(1,729)	(1,806)	(5,722)
Profit on discontinued operations net of tax		-	3,636	6,635
(Loss)/profit after taxation		(1,729)	1,830	913
Total comprehensive (loss)/profit for the year		(1,729)	1,830	913
Attributable to:				
Equity shareholders of the Company		(1,729)	1,830	913
Earnings per share from continuing operations (expressed in cents)				
- Basic	2	(1.70)c	(0.81)c	(2.58)c
- Diluted		(1.70)c	(0.76)c	(2.58)c
Earnings per share from discontinued operations (expressed in cents)				
- Basic	2	-	1.64c	2.99c
- Diluted		-	1.54c	2.99c



**Statement of Financial Position
As at 30 September 2016**

	Notes	6 months to 30 September 2016 (unaudited) US\$'000	6 months to 30 September 2015 (unaudited) US\$'000	Year ended 31 March 2016 (audited) US\$'000
Assets				
Non-current assets				
Derivative financial asset	3	623	-	371
Oil and gas properties: exploration and evaluation	4	6,859	11,689	6,842
Oil and gas properties: development and production	5	152	54,813	156
Total non-current assets		7,634	66,502	7,369
Current assets				
Trade and other receivables		3,271	1,457	17,055
Cash and cash equivalents		27,053	73	17,473
Total current assets		30,324	1,530	34,528
Liabilities				
Current liabilities				
Trade and other payables		520	7,810	648
Provisions		9	88	42
Provision for corporation tax		1,302	-	2,848
Borrowings		-	3,433	-
Derivative financial liabilities		401	359	195
Total current liabilities		2,232	11,690	3,733
Net current assets / (liabilities)		28,092	(10,160)	30,795
Non-current liabilities				
Provisions		-	417	-
Provision for corporation tax		750	-	750
Borrowings		-	15,398	-
Deferred tax liability		-	3,375	709
Total non-current liabilities		750	19,190	1,459
Net assets		34,976	37,152	36,705
Shareholders' equity				
Share capital	6	710	710	710
Share premium		40,250	40,250	40,250
Share based payment reserve		2,357	2,476	2,946
Retained losses		(8,341)	(6,284)	(7,201)
Total equity		34,976	37,152	36,705



Statement of Cash Flows
For the Period Ended 30 September 2016

	6 months to 30 September 2016 (unaudited) US\$'000	6 months to 30 September 2015 (unaudited) US\$'000	Year ended 31 March 2016 (audited) US\$'000
Notes			
Cash generated from operating activities – continuing operations	(795)	(825)	(1,253)
Cash generated from operating activities – discontinued operations	(116)	5,634	6,804
Payment corporation tax	(1,545)	-	-
Net cash inflow from operating activities	(2,456)	4,809	5,551
Net proceeds from disposal of discontinued operations	-	-	60,474
Amounts held in escrow	13,800	-	(16,875)
Purchase of oil and gas properties : exploration and evaluation – continuing operations	(17)	-	-
Purchase of oil and gas properties : exploration and evaluation – discontinued operations	-	(1,807)	(3,212)
Purchase of oil and gas properties: development and production – continuing operations	-	(21)	-
Purchase of oil and gas properties: development and production – discontinued operations	-	(3,920)	(8,909)
Net cash inflow / (outflow) for investing activities	13,783	(5,748)	31,478
Issue of ordinary share capital	-	-	-
Proceeds from borrowings	-	-	3,038
Proceeds from hedging	-	-	1,582
Repayment of borrowings	-	(2,000)	(25,435)
Finance income received/(expenses paid)	19	(943)	(2,944)
Net cash inflow / (outflow) from financing activities	19	(2,943)	(23,759)
Net increase/(decrease) in cash and cash equivalents	11,346	(3,882)	13,270
Cash and cash equivalents at the start of the year	17,473	3,955	3,955
Forex on cash held	(1,766)	-	248
Cash and cash equivalents at the end of the year	27,053	73	17,473



**Statement of Changes in Equity
For the Year Period 30 September 2016**

	Share capital US\$'000	Share premium reserve US\$'000	Share based payment reserve US\$'000	Cashflow hedge reserve US\$'000	Retained losses US\$'000	Total equity US\$'000
Balance at 31 March 2015	710	40,250	2,946	-	(8,114)	35,792
Hedge transactions	-	-	-	(470)	-	(470)
Profit after tax for the year	-	-	-	-	1,830	1,830
Total comprehensive income for the year	-	-	-	-	1,830	1,830
Balance at 30 September 2015	710	40,250	2,946	(470)	(6,284)	37,152
Balance at 31 March 2015	710	40,250	2,946	-	(8,114)	35,792
Profit after tax for the year	-	-	-	-	913	913
Total comprehensive loss for the year	-	-	-	-	913	913
Balance at 31 March 2016	710	40,250	2,946	-	(7,201)	36,705
Reversal of prior period equity-settled share-based payments	-	-	(589)	-	589	-
Loss after tax for the period	-	-	-	-	(1,729)	(1,729)
Total comprehensive loss for the period	-	-	-	-	(1,729)	(1,729)
Balance at 30 September 2016	710	40,250	2,357	-	(8,341)	34,976

The accompanying accounting policies and notes form an integral part of these financial statements.



Statement of Accounting Policies For the Period Ended 30 September 2016

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Companies Act 2006. The principal accounting policies are summarised below. The financial report is presented in the functional currency, US dollars and all values are shown in thousands of US dollars (US\$'000). The financial statements have been prepared on a historical cost basis and fair value for certain assets and liabilities. These condensed interim financial statements of the Group for the six months ended 30 September 2016 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Group's latest audited financial statements for the year ended 31 March 2016.

The financial information for the period ended 30 September 2016 does not constitute the full statutory accounts for that period. They have not been audited by the Group's auditor. The Annual Report and Financial statements for the year ended 31 March 2016 have been filed with the Registrar of Companies. The independent auditor's report on the Annual Report and Financial statements was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

Going concern

The Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future and that it is therefore appropriate to adopt the going concern basis in preparing its financial statements. The Company had a cash balance of US\$27.053m at 30 September 2016 (US\$17.473m: 31 March 2016).



Notes to the Financial Statements For the Period Ended 30 September 2016

1. Segmental analysis

The primary segmental reporting format is determined to be the geographical segment according to the location of the asset. The Directors consider the Company to have the business segment of exploration for, development and production of oil and gas properties. There is one geographical trading segment being North America which is involved in the exploration for, development and production of oil and gas properties. The Company's registered office is located in the United Kingdom.

Details	Oil and Gas Properties: Exploration and Evaluation			Oil and Gas Properties: Development and Production			Total		
	30 Sep 16 US\$'000	30 Sep 15 US\$'000	31 Mar 16 US\$'000	30 Sep 16 US\$'000	30 Sep 15 US\$'000	31 Mar 16 US\$'000	30 Sep 16 US\$'000	30 Sep 15 US\$'000	31 Mar 16 US\$'000
Revenue from continued operations	-	-	-	1	21	10	1	21	10
Revenue from discontinued operations	-	-	-	-	6,011	6,205	-	6,011	6,205
Profit/(loss) on sale of discontinued operations	-	-	246	-	-	1,329	-	-	1,575
Cost of sales of continued operations	(3)	(2)	(6)	(4)	(7)	(40)	(7)	(9)	(46)
Cost of sales of discontinued operations	-	(18)	(141)	-	(2,358)	(780)	-	(2,376)	(921)
Tax expense on discontinued operations	-	-	(18)	-	-	(205)	-	-	(223)
Segment result	(3)	(20)	81	(3)	3,667	6,519	(6)	3,647	6,600
Unallocated corporate expenses							(2,492)	(685)	(1,142)
Operating (loss)/profit							(2,498)	2,962	5,458
Finance income and expense							60	(1,132)	(3,836)
(Loss)/profit before taxation							(2,438)	1,830	1,622
Deferred tax revenue/(tax expense)							709	-	(709)
(Loss)/profit after taxation							(1,729)	1,830	913
Total comprehensive profit/(loss) for the financial year							(1,729)	1,830	913
Segment assets	7,020	11,850	7,003	3,850	56,084	17,407	10,870	67,934	24,410
Unallocated corporate assets							27,088	98	17,487
Total assets							37,958	68,032	41,897
Segment liabilities	133	3,418	130	188	4,114	303	321	7,532	433
Unallocated corporate liabilities							3,373	23,348	4,759
Total liabilities							3,694	30,880	5,192



**Notes to the Financial Statements (Continued)
For the Year Ended 30 September 2016**

	6 months to 30 September 2016 (unaudited)	6 months to 30 September 2015 (unaudited)	Year ended 31 March 2016 (audited)
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2. Earnings per share

The basic earnings per share is derived by dividing the profit/(loss) after taxation for the year attributable to ordinary shareholders by the weighted average number of shares in issue being 221,833,853 (2015: 221,833,853).

Earnings per share from continuing operations

(Loss)/profit after taxation from continuing operations	(US\$1,729,000)	(US\$1,806,000)	(US\$5,722,000)
(Loss)/earnings per share – basic	(0.78)c	(0.81)c	(2.58)c

(Loss)/profit after taxation from continuing operations adjusted for dilutive effects	(US\$1,729,000)	(US\$1,806,000)	(US\$5,722,000)
(Loss)/earnings per share – diluted	(0.78)c	(0.76)c	(2.58)c

Earnings per share from discontinued operations

(Loss)/profit after taxation from discontinued operations	-	US\$3,636,000	US\$6,635,000
(Loss)/earnings per share – basic	-	1.64c	2.99c

(Loss)/profit after taxation from discontinued operations adjusted for dilutive effects	-	US\$3,636,000	US\$6,635,000
(Loss)/earnings per share – diluted	-	1.54c	2.99c

For the current financial year, the average price of the Company's shares has been lower than the exercise price of the options and warrants in issue and therefore the exercise of such instruments would be anti-dilutive. As such the diluted earnings per share is the same as the basic loss per share. In the prior year, these options and warrants were dilutive and the weighted average number of dilutive shares were 281,396,593. Details of the potentially issuable shares that could dilute earnings per share in future periods is set out in Note 6.

	6 months to 30 September 2016 (unaudited)	6 months to 30 September 2015 (unaudited)	Year ended 31 March 2016 (audited)
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3. Derivative financial asset

Derivative associated with sale of Sugarloaf AMI:

Balance brought forward	371	-	-
Additions	-	-	139
Revaluation of derivative financial asset	252	-	232
	623	-	371



**Notes to the Financial Statements (Continued)
For the Year Ended 30 September 2016**

3. Derivative financial asset (continued)

Derivative financial assets consist of the fair value of contingent consideration amounts attached to the sale of Sugarloaf AMI during the prior year. The fair value of the options was initially measured at the effective date of the sale, being 19 February 2016 and were subsequently remeasured at 31 March 2016 and 30 September 2016. The fair value is measured using a Black Average (Asian) Model with the following inputs:

Fair value assumptions	At 30 September 2016	At 19 February 2016	At 31 March 2016
Spot price	US\$48.24	US\$29.64	US\$38.34
Expected volatility	720-day historical	720-day historical	720-day historical
Risk-free interest rate	0.415% to 0.579%	0.385% to 0.538%	0.385% to 0.538%
	6 months to 30 September 2016 (unaudited)	6 months to 30 September 2015 (unaudited)	Year ended 31 March 2016 (audited)

4. Oil and gas properties: exploration and evaluation

Balance brought forward	6,842	11,132	11,132
Additions	20	3,092	3,067
Reclassified to oil and gas properties: development and production (Note 5)	-	(2,526)	(2,526)
Impairment	(3)	(9)	(47)
Discontinued operations	-	-	(4,784)
Net book value	6,859	11,689	6,842

5. Oil and gas properties: development and production

Balance brought forward	156	47,788	47,788
Additions	2	6,243	6,263
Reclassified from oil and gas properties: exploration and evaluation (Note 4)	-	2,526	2,526
Movement in Oil and gas decommissioning asset	-	(60)	(469)
Impairment	-	-	-
Amortisation	(6)	(1,684)	(1,698)
Discontinued operations	-	-	(54,254)
Net book value	152	54,813	156



**Notes to the Financial Statements (Continued)
For the Year Ended 30 September 2016**

6. Called up share capital

Issued and fully paid

221,833,853 (2015: 221,833,853) ordinary shares of 0.2p each	US\$710	US\$710	US\$710
Opening balance	710	710	710
Closing balance	710	710	710

The Companies Act 2006 (as amended) abolishes the requirement for a company to have an authorised share capital. Therefore the Company has taken advantage of these provisions and has an unlimited authorised share capital.

Share options and warrants

The following equity instruments have been issued by the Company and have not been exercised at 30 September 2016:

Option Class	Financier options	Financier options	Financier options	Financier options ⁽²⁾
Grant Date	19 July 2012	19 July 2012	25 March 2013	27 July 2015
Options / warrants held 31 March 2015	15,000,000	15,000,000	15,000,000	-
Options / warrants granted during year	-	-	-	15,000,000
Options / warrants held 31 March 2016	15,000,000	15,000,000	15,000,000	15,000,000
Exercise price (£)	£0.08	£0.10	£0.12	£0.10
Expiry date	19 July 2017	19 July 2017	25 March 2018	26 July 2019
Value per security	£0.018 ⁽¹⁾	£0.014 ⁽¹⁾	£0.016 ⁽¹⁾	£0.018 ⁽¹⁾

⁽¹⁾The value of these options is being expensed over a period of 4 years.

The options outstanding at 31 March 2016 had a weighted average remaining contractual life of 0.47 years and a weighted average exercise price of £0.095.

⁽²⁾These options have been excluded from the weighted average remaining contractual life calculation above as they do not fall under the scope of IFRS 2.

7. Events after the reporting date

There were no significant events post reporting date other than the following:

On 3 October 2016 the Company announced that it proposed to return 7.9 pence to Shareholders in respect of each Ordinary Share held. At the General Meeting held on 19 October 2016 the shareholders passed the resolution to approve the return of value.



Notes to the Financial Statements (Continued) For the Year Ended 30 September 2016

7. Events after the reporting date (continued)

On 18 October 2016 the Company announced that it had been informed by Macquarie Bank Limited of the sale of its interest in options in respect of 60,000,000 ordinary shares of 0.2p each in the Company, to a third party (the 'Optionholder') not connected with the Company. On 15 December 2016 the Company announced that it had reached an agreement with the Optionholder on terms to vary the exercise price of the Options in order to reflect the amount of the Capital Return, being 7.9p that the Company implemented in November 2016. All other terms of the Options, including expiry dates, will remain unchanged other than as set out below in relation to the 15,000,000 options with a new exercise price of 0.1p. The new exercise price of the Options is proposed to be as follows:

<i>Number of Options</i>	<i>Exercise Price</i>	<i>Expiry Date</i>
15,000,000	0.1 pence	19 th July 2017
15,000,000	2.1 pence	19 th July 2017
15,000,000	4.1 pence	25 th March 2018
15,000,000	2.1 pence	26 th July 2019

In relation to the 15,000,000 Options which it is proposed will be exercisable at 0.1p, the Company is required to seek shareholder approval to effect this variation as the new exercise price of 0.1p is below the nominal value of shares in the Company of 0.2p. The Company therefore intends to seek shareholder approval to capitalise the difference between the nominal value and the new exercise price (£15,000) from reserves. The Optionholder is unable to exercise this tranche of Options on the revised terms in advance of shareholder approval being granted or in the event that shareholders do not approve the required capitalisation from reserves. In order to satisfy the Optionholder in this regard, the Company has agreed that, if the Optionholder wishes to exercise this tranche of Options prior to shareholder approval being granted for the capitalisation from reserves or should shareholder approval not be given, then this tranche of Options will convert at 0.2p into a greater number of 18,000,000 Ordinary Shares.

On 9 November 2016 the Company announced that the High Court of Justice in England and Wales had made an order approving the reduction of capital indicating that the return of value was effective as of 9 November 2016.

On 15 December 2016 the Company announced that it had been awarded a permit for 100% of the exploration rights for Block 29/11, located in the Pearl River Mouth Basin, offshore China, following a successful application to the China National Offshore Oil Corporation and that the Company would be the operator of the permit during the exploration phase of the permit.