



Empyrean Energy PLC - EME Operations and COVID-19 Update
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Operations and COVID-19 Update

Empyrean Energy ('Empyrean' or 'the Company'), the oil and gas development company with interests in China, Indonesia and the United States, provides an update on its ongoing operations as global markets react to the rapidly-evolving circumstances around the spread of COVID-19.

Indonesia

Following the highly-successful appraisal drilling campaign on the Mako gas field in Q4 2019, which saw the Tambak-1 and Tambak-2 wells demonstrate the presence of well-developed, high quality reservoir sandstones with a common gas water contact across the Mako structure, The operator, Conrad Petroleum, has been working alongside external consultants to update an internal view of resources at the Mako gas field. Subsequently, Gaffney Cline and Associates ('GCA') was commissioned to update its view of the Mako gas field, which lies in the Duyung PSC in the West Natuna basin, offshore Indonesia (the 'Duyung PSC').

The work required to arrive at an internal assessment of resources at the Mako gas field is very close to being completed and Empyrean anticipates being in a position to release these numbers shortly.

The operator has advised that despite the movement and travel restrictions affecting all parties involved, all efforts are being made to ensure that GCA delivers their report in a timely fashion. The revised competent persons report by GCA will use new data acquired from the Q4 2019 appraisal drilling programme, including the drill stem test at Tambak-1, which flowed at 11.4 MMscf/d.

GCA previously ascribed 2C resources of 276 Bcf and 3C resources of 396 Bcf to the Mako field and the Duyung PSC partners are now awaiting the publication of this new independent resource assessment. The Company is confident of a significant upgrade in the resource size as a result of the drilling campaign and the Company looks forward to updating shareholders on the results of the updated GCA resource assessment in due course.

The Mako gas field is located close to the West Natuna pipeline system and gas from the field can be marketed to buyers in both Indonesia and in Singapore, where a heads of agreement with a gas buyer is already in place. With a Plan of Development approved by the Indonesian Authorities, the conclusion of a gas sales agreement will mark an important step toward the final investment decision to develop and commercialise the field.

China

Empyrean has continued work on its Block 29/11 offshore China with seismic inversion work being undertaken in conjunction with COSL to better define the reservoir rocks at the Company's two primary prospects, Jade and Topaz. This work is currently on track and has not been delayed as a result of the COVID-19 outbreak. The Company anticipates that this work will be completed during April 2020. This work is also anticipated to be the final pre-drill technical work that the Company will complete before making a decision on whether the Jade or Topaz prospect will be prioritised for drilling first.

The Company is closely monitoring the impact and response to COVID-19 in relation to the further planning and permitting work required in order for the Company to drill its first exploration well on Block 29/11. Currently, the travel restrictions for foreigners into and out of China, and out of and back into Australia represents a significant impediment to the necessary on-the-ground planning and permitting processes to safely prepare for and drill a well. This is not a challenge limited to operations in China, given the spread of COVID-19 and its impact across the world. Whilst Empyrean is still working towards drilling taking place between Dec 2020 and May 2021, which is the best weather window for drilling in the Pearl River Mouth Basin, these dates will be revised as necessary.

California

COVID-19 travel restrictions and the uncertainty of being able to execute a drilling campaign safely and without interruption have caused the Company and its joint venture partners to place drilling of the Borba well on hold until a sensible level of normalcy returns.

Corporate

In December 2019, the Company announced that it had entered into a £10 million equity placement facility with Long State Investment Limited (the 'Long State Facility'), a Hong Kong-based energy and resource focused investment company. The Long State Facility provides Empyrean with a fully flexible funding facility and enables it to access capital, if required.

Subsequently, in January 2020, the Company announced that it had raised gross proceeds of £420,000 through a placing of new ordinary shares at 9p (a premium of 8.36% to the 20 day volume weighted average price) to meet the Company's contributions to the drilling campaign at the Duyung PSC, and for general working capital purposes. Approximately half of this amount was subscribed for by Tom Kelly, CEO.

At that time the Company stated that it continued to pursue various funding alternatives to finance its ongoing activities and working capital requirements. These options included the potential divestment of all or part of the Company's interest in the Duyung PSC or a farm-out of part of the Company's interest in Block 29/11 in China.

Whilst discussions on these transactions with a variety of counterparties have been highly-encouraging and are continuing, these processes, and the ability of those counterparties to make significant investment decisions within the previously-expected timeframe, may be adversely impacted by the significant volatility in the financial markets as a result of the COVID-19 outbreak and the recent oil price war and resulting slump in the oil price.

In response to the prevailing market conditions and the potential for challenges to concluding either of the processes referred to above as previously envisaged, the Company has taken a number of measures to defer discretionary expenditure. The Company currently has sufficient working capital to the end of April 2020 though will require to secure additional funding to enable it to satisfy its share of final costs in relation to the drilling of the Tambak-1 and Tambak-2 wells in Q4 2019, including post drilling resource updates, and to provide sufficient working capital beyond that date. To this end, the board is currently reviewing a number of funding alternatives, including (but not limited to) drawing a portion of the Longstate Facility, an equity placement or undertaking an Open Offer to existing shareholders.

The Board is cognisant that the Company's share price is currently trading at a significant discount to recent levels and to the price of the January placing owing to wider market conditions, and will consider the dilutive impact of all funding alternatives on existing Shareholders in reaching a conclusion as to the most appropriate path forward, particularly having regard to the potential near term price catalysts from the Indonesian project.

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