

RNS Half-year/Interim Report

Interim Results

EMPYREAN ENERGY PLC

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23 December 2021

Empyrean Energy PLC ("Empyrean" or the "Company")

Interim Results

Empyrean Energy (EME: AIM), the oil and gas development company with interests in China, Indonesia and the United States, is pleased to provide its Interim Report for the six months ended 30 September 2021.

Highlights

- ***Block 29/11, Pearl River Mouth Basin, China (EME 100%)***
 - Well design completed, Integrated Drill Contract signed with China Oilfield Services Limited, drill rig confirmed and drill preparation activities on track for drilling of Jade Prospect;
 - IDC confirmed significantly reduced drilling cost estimate of US\$12.3 million (previous estimate US\$18.5 million), plus a success-based testing cost estimate of US\$7.4 million; and
 - Internal Geological Chance of Success Assessment has been upgraded for Jade and Topaz prospects. Jade is now 41% and Topaz 35%.
- ***Duyung PSC Project, Indonesia (EME 8.5%)***
 - Gas sale agreement negotiations continue with several interested parties.
- ***Corporate***
 - July 2021 Placement raises US\$6.92 million (£5.02 million) for China drill preparation activities; and
 - December 2021 Convertible Note and Placement raises US\$10.14 million (£7.62 million) to fully fund Jade prospect drilling.

Empyrean Energy plc

Tom Kelly

Tel: +61 8 6146 5325

Cenkos Securities plc (Nominated Advisor and Broker)

Neil McDonald

Tel: +44 (0) 131 220 9771

Pete Lynch

Tel: +44 (0) 131 220 9772

First Equity Limited (Joint Broker)

Jason Robertson

Tel: +44 (0) 20 7330 1883

Chairman's Statement

Empyrean's focus during the half year period to 30 September 2021 has predominantly been on preparing for and funding the drilling of the Jade Prospect at our 100% owned Block 29/11, offshore China.

At the time of writing, it is most pleasing to advise that drill preparation activities have progressed well throughout the latter part of the year, culminating in the signing of an Integrated Drilling Contract in November, at a significantly reduced cost to initial estimates. With the drill rig confirmed, the well will spud following the completion of the well site survey and final permits are in hand. Needless to say this is a very exciting time for the Company.

At Duyung, gas sale agreement ("GSA") negotiations continue with several interested parties and we hope that these will be successfully concluded in early 2022. Earlier in 2021 an independent assessment confirmed a significant resource upgrade and in the process confirmed the Mako field as one of the largest gas fields ever discovered in the West Natuna Basin and one of the largest undeveloped gas resources in the immediate region.

On the corporate front, the Company successfully conducted a US\$6.92 million placement in July and earlier this month secured funding totalling US\$10.14 million through an equity placing and convertible loan note issue, the proceeds of which completed the Company's funding requirements (on a dry hole basis) for Jade. I'd like to extend special thanks on behalf of Tom and the Board to the lender, whom we welcomed as a note holder and future shareholder, and to all new and existing shareholders who supported these raisings.

I would also like to thank the Board and staff for their efforts during the year as it has been a particularly busy time, and of course to our partner, China National Offshore Oil Company, for their cooperation throughout the period as we progress towards the safe drilling of the Jade Prospect. The coming months have the potential to be transformational for Empyrean.

Patrick Cross

Non-Executive Chairman

23 December 2021

Operational Review

China Block 29/11 Project (100% WI)

Background

Block 29/11 is located in the prolific Pearl River Mouth Basin, offshore China approximately 200km Southeast of Hong Kong. The acquisition of this block heralded a new phase for Empyrean when it became an operator with 100% of the exploration rights of the permit during the exploration phase of the project. In the event of a commercial discovery, China National Offshore Oil Corporation Limited ("CNOOC") will have a back in right to 51% of the permit.

Following the completion and interpretation of the 3D seismic data acquired on Block 29/11, the prospective resources (un-risked) of all three prospects on the Block (Jade, Topaz and Pearl) were independently validated, by Gaffney, Cline and Associates, who completed an audit of the Company's oil in place estimates in November 2018. Total mean oil in place estimates on the three prospects are now 884 MMbbl on an un-risked basis.

Oil in place (MMbbl) audited by Gaffney, Cline and Associates

Prospect	P90	P50	P10	Mean	GCoS
Jade	93	187	395	225	32%
Topaz	211	434	891	506	30%
Pearl	38	121	302	153	15%

In addition, it is particularly pleasing that Gaffney, Cline and Associates estimated close to a 1 in 3 chance of geological success at Jade and Topaz. Exploration risk has been further mitigated by the completion of an oil migration study during June 2018 which established oil migration pathways into all three prospects. In May 2019, the Company further solidified the technical merits of the project by confirming the presence of well-defined gas clouds over the Jade and Topaz prospects.

Drilling Preparation Activities - The Jade Prospect

During the six-month interim report period the Company's focus was predominantly on completing all necessary activities to ensure the safe drilling of the Jade Prospect.

In May 2021, following analysis completed of nearby offset wells drilling data including four CNOOC owned wells, a robust well design for the Jade Prospect was finalised, after considering two casing design options. The well design and engineering project, completed by AGR, recommended the four-string design as it provides a more robust well design with reduced exposure to potential unplanned events and associated costs. In addition, the AGR report has provided a comprehensive design recommendation for drilling fluids, cement and abandonment for the well.

In November 2021, the Company announced that it has signed the Integrated Drilling Contract ("IDC") with China Oilfield Services Limited ("COSL"). In September 2021, the Company and COSL agreed all technical, commercial and contractual terms after which the Geological Program was incorporated into the final IDC. CNOOC approval was sought and provided ahead of the award of the IDC and again prior to signing of the IDC and all parties are aligned in the targeted timing to drill the Jade Prospect in December.

The signed IDC confirms the substantially reduced turnkey quote for the drilling of the Jade Prospect of US\$12.3 million on a dry hole basis, an approximate 34% saving on the initial quote. On a success basis, testing of any oil column has been quoted at US\$7.4 million.

COSL has currently assigned the NH8 drill rig to drill the Jade prospect. The Company engaged COSL in October 2021 to complete a required well site survey over the Jade drill location. The well site survey requires 5 days of suitable sea conditions and the Company hopes to complete this survey very soon once sea conditions allow. The survey vessel is fully equipped and on standby to mobilise immediately. The well site survey is critical to 2 of 8 essential permits required to drill. A total of 5 permit applications have already been made and are expected to be granted in the coming weeks. The last permit relates to the oil spill response plan which is

currently nearing completion and expected to be lodged within the coming week. As these permits are granted, the Company will provide updates by way of announcement.

It is expected that the Jade prospect will take approximately 26 days to reach total depth, with the testing of any oil column encountered expected to take a further 14 days. The Jade prospect is targeting a potentially world class conventional carbonate reservoir, with discoveries nearby producing sweet light oil in the 38-41 api range. Four recent nearby discoveries exhibit gas clouds on 3D seismic in the overburden rocks above the reservoir and seal. This feature is not exhibited in nearby dry wells. Empyrean's Jade and Topaz prospects both exhibit gas clouds on 3D seismic similar to nearby discoveries. Any discovery at the Jade prospect will significantly further de-risk the 'double the size of Jade' target at the Topaz prospect.

Cautionary Statement: The volumes presented in this announcement are STOIIIP estimates only. A recovery factor needs to be applied to the undiscovered STOIIIP estimates based on the application of a future development project. The subsequent estimates, post the application of a recovery factor, will have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.

Duyung PSC, Indonesia (8.5% WI)

Background

In April 2017, Empyrean acquired from Conrad Petroleum a 10% shareholding in West Natuna Exploration Limited ("WNEL"), which held a 100% Participating Interest in the Duyung Production Sharing Contract ("Duyung PSC") in offshore Indonesia and is the operator of the Duyung PSC.

The Duyung PSC covers an offshore permit of approximately 1,100km² in the prolific West Natuna Basin. The main asset in the permit is the Mako shallow gas discovery with 23 feet of gas bearing excellent reservoir quality rock with high permeability sands in the multi Darcy range. The gas is of high-quality being close to 100% methane.

In early 2019, both the operator, Conrad Petroleum, and Empyrean divested part of their interest in the Duyung PSC to AIM-listed Coro Energy Plc ("Coro"). Following the transaction, Empyrean's interest reduced from 10% to 8.5% interest in May 2020, having received cash and shares from Coro. As part of this transaction Coro funded US\$10.5 million of the costs of the successful 2019 drilling programme. Empyrean also received cash consideration of US\$295,000 and consideration shares in Coro with a value of US\$185,000 for the transfer to Coro of 1.5% of its at the time 10% interest in the Duyung PSC. In May 2020, the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly.

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. The operator continues to make progress towards the securing a GSA, and the conclusion of GSA negotiations will mark a further important step toward the FID to develop and commercialise the field.

Multi Project Farm-in in Sacramento Basin, California (25%-30% WI)

Background

In May 2017, Empyrean agreed to farm-in to a package of opportunities including the Dempsey and Alvares prospects in the Northern Sacramento Basin, onshore California. The rationale for participating in this potentially significant gas opportunity was a chance to discover large quantities of gas in a relatively 'gas hungry' market. Another attractive component of the deal was the ability to commercialise a potential gas discovery using existing gas facilities that are owned by the operator.

Following on from the Dempsey drilling campaign in 2018, the joint venture integrated the subsurface data with regional geology and seismic data to evaluate additional more attractive targets in thicker reservoir units for future drilling along the Dempsey trend, in which Empyrean will earn a 30% interest.

The drilling application for the Borba Prospect had previously been approved by both the County and from California Department of Geological and Geothermal Resources, however with the outbreak of COVID-19 the travel restrictions and the uncertainty of being able to execute a drilling campaign safely and without interruption caused the commencement of any planned drilling at Borba to be placed on hold.

In late 2020, Empyrean advised the operator Sargasco Limited (ASX: SGC) ("Sargasco") that it would not be participating in the drilling of the Borba Prospect, which occurred in early 2021. There have been no further material updates during the reporting period.

The information contained in this report was completed and reviewed by the Company's Executive Director (Technical), Mr Gajendra (Gaz) Bisht, who has over 30 years' experience as a petroleum geoscientist.

Definitions

2C: Contingent resources are quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable. The range of uncertainty is expressed as 1C (low), 2C (best) and 3C (high).

Bcf: Billions of cubic feet

MMbbl: Million Barrels of Oil

**Cautionary Statement: The estimated quantities of oil that may potentially be recovered by the application of a future development project relates to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially movable hydrocarbons.*

Gajendra (GAZ) Bisht M.Sc. (Tech) in Applied Geology

Executive Director (Technical)

Statement of Comprehensive Income

For the Period Ended 30 September 2021

		6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
		2021	2020	2021
	Notes	US\$'000	US\$'000	US\$'000
Revenue		-	-	-
Administrative expenditure				
Administrative expenses		(179)	(146)	(338)
Compliance fees		(42)	(89)	(225)
Directors' remuneration		(179)	(197)	(400)
Foreign exchange differences		(28)	(9)	20
Total administrative expenditure		(428)	(441)	(943)
Operating loss		(428)	(441)	(943)
Finance expense		(23)	(4)	(7)
Impairment of oil and gas properties	3	(1)	(2)	(3)
Loss from continuing operations before taxation		(452)	(447)	(953)
Tax expense in current period		(1)	-	-
Loss from continuing operations after taxation		(453)	(447)	(953)
Total comprehensive loss for the year		(453)	(447)	(953)
Loss per share from continuing operations (expressed in cents)				
- Basic	2	(0.09)c	(0.10)c	(0.20)c
- Diluted	2	(0.09)c	(0.10)c	(0.20)c

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

Statement of Financial Position

As at 30 September 2021

		6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
		2021	2020	2021
	Notes	US\$'000	US\$'000	US\$'000
Assets				
Non-Current Assets				
Oil and gas properties: exploration and evaluation	3	14,869	14,184	14,643
Investments	4	-	-	-
Total non-current assets		14,869	14,184	14,643
Current Assets				
Trade and other receivables		38	39	36
Corporation tax receivable		-	358	358
Cash and cash equivalents		6,098	833	150
Total current assets		6,136	1,230	544
Liabilities				
Current Liabilities				
Trade and other payables		237	470	667
Provisions		135	78	111
Total current liabilities		372	548	778
Net Current Assets/(Liabilities)		5,764	682	(234)
Net Assets		20,633	14,866	14,409
Shareholders' Equity				
Share capital	5	1,627	1,398	1,398
Share premium reserve		35,303	29,408	29,408
Warrant and share based payment reserve		1,040	438	488
Retained losses		(17,337)	(16,378)	(16,885)
Total Equity		20,633	14,866	14,409

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

Statement of Cash Flows

For the Period Ended 30 September 2021

		6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	Notes	2021 US\$'000	2020 US\$'000	2021 US\$'000
Operating Activities				
Payments for operating activities		(394)	(422)	(831)
Receipt of corporation tax		358	-	-
Net cash outflow from operating activities		(36)	(422)	(831)
Investing Activities				
Payments for exploration and evaluation		(599)	(857)	(1,159)
Net cash outflow from investing activities		(599)	(857)	(1,159)
Financing Activities				
Issue of ordinary share capital and warrants		6,920	2,094	2,094
Payment of equity issue costs		(309)	(163)	(163)
Net cash inflow from financing activities		6,611	1,932	1,931
Net decrease in cash and cash equivalents		5,976	653	(59)
Cash and cash equivalents at the start of the year		150	189	189
Forex loss on cash held		(28)	(9)	20
Cash and cash equivalents at the end of the period		6,098	833	150

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

Statement of Changes in Equity

For the Period Ended 30 September 2021

	Share Capital US\$'000	Share Premium Reserve US\$'000	Warrant and SBP Reserve US\$'000	Retained Loss US\$'000	Total Equity US\$'000
Balance at 1 April 2020	1,291	27,811	153	(15,931)	13,324
Loss after tax for the period	-	-	-	(447)	(447)
Total comprehensive loss for the period	-	-	-	(447)	(447)
Contributions by and distributions to owners					
Shares issued in the period	107	1,760	227	-	2,094
Share-based payment expense	-	(163)	-	-	(163)
Derivative settlement	-	-	58	-	58
Total contributions by and distributions to owners	107	1,597	285	-	1,989
Balance at 30 September 2020	1,398	29,408	438	(16,378)	14,866
Balance at 1 April 2020	1,291	27,811	153	(15,931)	13,324
Loss after tax for the year	-	-	-	(953)	(953)
Total comprehensive loss for the year	-	-	-	(953)	(953)
Contributions by and distributions to owners					
Shares issued in the period	107	1,760	227	-	2,094
Equity issue costs	-	(163)	-	-	(163)
Share-based payment expense	-	-	100	-	100
Finance expense (share-based)	-	-	7	-	7
Total contributions by and distributions to owners	107	1,597	334	-	2,038
Balance at 1 April 2021	1,398	29,408	487	(16,884)	14,409
Loss after tax for the period	-	-	-	(453)	(453)
Total comprehensive loss for the period	-	-	-	(453)	(453)
Contributions by and distributions to owners					
Shares and warrants issued	229	6,204	487	-	6,920
Equity issue costs	-	(309)	-	-	(309)
Share-based payment expense	-	-	43	-	43
Finance expense (share-based)	-	-	23	-	23
Total contributions by and distributions to owners	229	5,895	553	-	6,677

Balance at 30 September 2021	1,627	35,303	1,040	(17,337)	20,633
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The accompanying accounting policies and notes form an integral part of these financial statements.

Notes to the Financial Statements

For the Period Ended 30 September 2021

Basis of preparation

The Company's condensed interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom 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. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Company's latest audited financial statements for the year ended 31 March 2021.

The financial information for the period ended 30 September 2021 does not constitute the full statutory accounts for that period. They have not been reviewed by the Company's auditor. The Annual Report and financial statements for the year ended 31 March 2021 have been filed with the Registrar of Companies. The independent auditor's report on the Annual Report and financial statements was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006, but did draw attention to a material uncertainty relating to going concern.

Nature of business

The Company is a public limited company incorporated and domiciled in England and Wales. The address of the registered office is 200 Strand, London, WC2R 1DJ. The Company is in the business of financing the exploration, development and production of energy resource projects in regions with energy hungry markets close to existing infrastructure. The Company has typically focused on non-operating working interest positions in projects that have drill ready targets that substantially short cut the life-cycle of hydrocarbon projects by entering the project after exploration concept, initial exploration and drill target identification work has largely been completed.

Going concern

The Company's principal activity during the period has been the development of its exploration projects. The Company had a cash balance of US\$6.10 million at 30 September 2021 (31 March 2021: US\$0.15 million) and made a loss after income tax of US\$0.45 million (31 March 2021: loss of US\$0.95 million).

The Directors have prepared cash flow forecasts for the Company covering the period to 31 December 2022 and these demonstrate that the Company will require further funding within the next 12 months. Principally the Company has a commitment to drill an exploration well on the Jade prospect in China, by 12 June 2022. In December 2021, US\$10.14 million was raised through an equity placement and convertible loan note issue, the proceeds of which completed the Company's funding requirements (on a dry hole basis) for Jade. The Directors also note that the equity facility agreement with Long State Investment Limited will also provide a funding facility to support future working capital requirements alongside the drill commitment funding.

The Directors have therefore concluded that it is appropriate to prepare the Company's financial statements on a going concern basis.

Note 1. Segmental Analysis

The Directors consider the Company to have three geographical segments, being China (Block 29/11 project), Indonesia (Duyung PSC project) and North America (Sacramento Basin project), which are all currently in the exploration and evaluation phase. Corporate costs relate to the administration and financing costs of the Company and are not directly attributable to the individual projects. The Company's registered office is located in the United Kingdom.

Details	China US\$'000	Indonesia US\$'000	USA US\$'000	Corporate US\$'000	Total US\$'000
30 September 2021					
Revenue from continued operations	-	-	-	-	-
Segment result					
Unallocated corporate expenses	-	-	-	(428)	(428)
Operating loss	-	-	-	(428)	(428)
Finance expense	-	-	-	(23)	(23)
Impairment of oil and gas properties	-	-	(1)	-	(1)
Loss before taxation	-	-	(1)	(451)	(452)
Tax expense in current period	-	-	-	(1)	(1)
Loss after taxation	-	-	(1)	(452)	(453)
Total comprehensive loss for the financial period	-	-	(1)	(452)	(453)
 Segment assets	6,690	4,121	4,058	-	14,869
Unallocated corporate assets	-	-	-	6,136	6,136
Total assets	6,690	4,121	4,058	6,136	21,005
 Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities	-	-	-	372	372
Total liabilities	-	-	-	372	372
 Details	China US\$'000	Indonesia US\$'000	USA US\$'000	Corporate US\$'000	Total US\$'000
30 September 2020					
Revenue from continued operations	-	-	-	-	-
Segment result					
Unallocated corporate expenses	-	-	-	(441)	(441)
Operating loss	-	-	-	(441)	(441)
Finance expense	-	-	-	(4)	(4)

Impairment of oil and gas properties	-	-	(2)	-	(2)
Loss before taxation	-	-	(2)	(445)	(447)
Tax benefit in current period	-	-	-	-	-
Loss after taxation	-	-	(2)	(445)	(447)
Total comprehensive loss for the financial period	-	-	(2)	(445)	(447)
Segment assets	6,202	3,969	4,013	-	14,184
Unallocated corporate assets	-	-	-	1,230	1,230
Total assets	6,202	3,969	4,013	1,230	15,414
Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities	-	-	-	548	548
Total liabilities	-	-	-	548	548

Details	China US\$'000	Indonesia US\$'000	USA US\$'000	Corporate US\$'000	Total US\$'000
31 March 2021					
Revenue from continued operations	-	-	-	-	-
Segment result	-	-	-	-	-
Unallocated corporate expenses				(943)	(943)
Operating loss	-	-	-	(943)	(943)
Finance expense	-	-	-	(7)	(7)
Impairment of oil and gas properties	-	-	(3)	-	(3)
Loss before taxation	-	-	(3)	(950)	(953)
Tax benefit in current year	-	-	-	-	-
Loss after taxation	-	-	(3)	(950)	(953)
Total comprehensive loss for the financial year	-	-	(3)	(950)	(953)
Segment assets	6,537	4,052	4,054	-	14,643
Unallocated corporate assets	-	-	-	544	544
Total assets	6,537	4,052	4,054	544	15,187
Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities	-	-	-	778	778
Total liabilities	-	-	-	778	778

Note 2. Loss Per Share

The basic loss per share is derived by dividing the loss after taxation for the period attributable to ordinary shareholders by the weighted average number of shares on issue being 521,903,803 (2020: 469,699,133).

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2021	2020	2021
Loss per share from continuing operations			
Loss after taxation from continuing operations	US\$(453,000)	US\$(447,000)	US\$(953,000)
Loss per share - basic	(0.09)c	(0.10)c	(0.20)c
Loss after taxation from continuing operations adjusted for dilutive effects	US\$(453,000)	US\$(447,000)	US\$(953,000)
Loss per share - diluted	(0.09)c	(0.10)c	(0.20)c

For the current and prior financial periods the exercise of the options is anti-dilutive and as such the diluted loss per share is the same as the basic loss per share. Details of the potentially issuable shares that could dilute earnings per share in future periods are set out in Note 5.

Note 3. Oil and Gas Properties: Exploration and Evaluation

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2021 US\$'000	2020 US\$'000	2021 US\$'000
Balance brought forward	14,184	9,586	9,850
Additions ^(a)	686	651	847
Transfers ^(b)	-	3,949	3,949
Impairment ^(c)	(1)	(2)	(3)
Net book value	14,869	14,184	14,643

(a) The Company was awarded its permit in China in December 2016. Block 29/11 is located in the Pearl River Mouth Basin, offshore China. Empryan is operator with 100% of the exploration right of the Permit during the exploration phase of the project. In May 2017, the Company acquired a working interest in the Sacramento Basin, California. Empryan entered into a joint project with ASX-listed Sacgasco Limited, to test a group of projects in the Sacramento Basin, California, including two mature, multi-TcF gas prospects in Dempsey (EME 30%) and Alvares (EME 25%) and also further identified follow up prospects along the Dempsey trend (EME 30%). Please refer to the Operational Review for further information on exploration and evaluation performed during the period.

(b) In February 2019, Empryan announced that it had entered into a binding, conditional purchase agreement (the Agreement) pursuant to which AIM listed Coro would acquire a 15% interest in the Duyung PSC from WNEL for aggregate consideration in

cash and Coro shares of US\$4.8 million (of which Empyrean received US\$295,000 in cash and 6,090,504 Coro shares) and the contribution of US\$10.5 million by Coro toward the 2019 drilling campaign at the Mako gas field. The cash and share component of the consideration was paid pro rata to the existing owners of WNEL, being Empyrean, which currently had a 10% effective interest in the Duyung PSC, and Conrad Petroleum Ltd, which currently had a 90% effective interest in the Duyung PSC, each through shareholding in WNEL.

- (c) The consideration paid comprised US\$2.95 million in cash and US\$1.85 million in the form of 60,905,037 new ordinary shares in Coro. Empyrean received cash consideration of US\$295,000 and Consideration Shares with a value of US\$185,000 for the transfer to Coro of 1.5% of its current 10% interest in the Duyung PSC, reducing its interest to 8.5%.
- (d) In May 2020, the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company's interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources). The carrying value post-disposal of US\$3.95 million at May 2020 has been transferred to Note 3 - Oil and Gas Properties: Exploration and Evaluation. Please refer to Note 4 - Investments for details on the fair value assessment of the project at transfer date.
- (e) In light of current market conditions, little or no work has been completed on the Riverbend or Eagle Oil projects in the period and no substantial project work is forecast for either project in 2021/22 whilst the Company focuses on other projects. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 30 September 2021.

Project	Operator	Working Interest	2021 Carrying Value US\$'000	2020 Carrying Value US\$'000
<i>Exploration and evaluation</i>				
China Block 29/11	Empyrean Energy	100%*	6,690	6,202
Sacramento Basin	Sacgasco	25-30%	4,058	4,013
Duyung PSC	Conrad Petroleum	8.5%	4,121	3,969
Riverbend	Huff Energy	10%	-	-
Eagle Oil Pool Development	Strata-X	58.084%	-	-
			14,869	14,184

*In the event of a commercial discovery, and subject to the Company entering PSC, CNOOC Limited will have a back in right to 51% of the permit. As at the date of these financial statements no commercial discovery has been made.

Note 4. Investments

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2021 US\$'000	2020 US\$'000	2021 US\$'000
Balance brought forward	-	4,404	4,404
Additions ^(a)	-	25	25
Disposals ^(b)	-	(480)	(480)
Transfers ^(b)	-	(3,949)	(3,949)
Total investments	-	-	-

- (a) For further information on additional work performed on the Duyung PSC during the period, please refer to the Operational Review.
- (b) In February 2019, Empyrean announced that it had entered into a binding, conditional purchase agreement (the Agreement) pursuant to which AIM listed Coro would acquire a 15% interest in the Duyung PSC from WNEL for aggregate consideration in cash and Coro shares of US\$4.8 million (of which Empyrean received US\$295,000 in cash and 6,090,504 Coro shares) and the contribution of US\$10.5 million by Coro toward the 2019 drilling campaign at the Mako gas field. The cash and share component of the consideration was paid pro rata to the existing owners of WNEL, being Empyrean, which currently had a 10% effective interest in the Duyung PSC, and Conrad Petroleum Ltd, which currently had a 90% effective interest in the Duyung PSC, each through shareholding in WNEL.
- (c) The consideration paid comprised US\$2.95 million in cash and US\$1.85 million in the form of 60,905,037 new ordinary shares in Coro. Empyrean received cash consideration of US\$295,000 and Consideration Shares with a value of US\$185,000 for the transfer to Coro of 1.5% of its current 10% interest in the Duyung PSC, reducing its interest to 8.5%.
- (d) In May 2020, the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company's interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources).
- (e) The carrying value post-disposal of US\$3.95 million at May 2020 has been transferred to Note 3 - Oil and Gas Properties: Exploration and Evaluation. The fair value of the project has been assessed at transfer date and there has been no change from the assessment made at 31 March 2020, when the carrying value pre-disposal of US\$4.4 million was deemed to approximate fair value based on the purchase agreement detailed above, including costs capitalised since the agreement was entered into. While the successful appraisal drilling program conducted during 2019/20 resulted in a substantial increase in the contingent resources of Mako gas field, there are, in the Board's opinion, several milestones required to be achieved before an updated fair value of the project can be reliably and objectively assessed. These include steps required for contingent resources to be converted to reserves at final investment decision (FID) and also the steps required to finalise a gas sales agreement, which has been delayed by the current COVID-19 pandemic and resultant disruptions. Given COVID-19 and the current uncertainty and volatility in the energy markets, attempting to model fair value at this point in time would be intrinsically difficult and subject to a number of contingencies.

Note 5. Share Capital

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2021	2020	2021
	US\$'000	US\$'000	US\$'000
Issued and fully paid			
573,129,113 (2020: 489,430,615) ordinary shares of 0.2p each	1,627	1,398	1,398
Opening balance (2021 number: 489,430,615)	1,398	1,291	1,291
Placement - 22 July 2021 (number: 83,698,498)	229	-	-
Placements/Subscriptions - prior year (number: 41,833,038)	-	107	107
Closing balance (2021 number: 573,129,113)	1,627	1,398	1,398

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.

Each of the ordinary shares carries equal rights and entitles the holder to voting and dividend rights and rights to participate in the profits of the Company and in the event of a return of capital equal rights to participate in any sum being returned to the holders of the ordinary shares. There is no restriction, imposed by the Company, on the ability of the holder of any ordinary share to transfer the ownership, or any of the benefits of ownership, to any other party.

Share options and warrants

The number and weighted average exercise prices of share options and warrants are as follows:

	Weighted Average Exercise Price	Number of Options and Warrants	Weighted Average Exercise Price	Number Of Options and Warrants
	2021	2021	2020	2020
Outstanding at the beginning of the period	£0.094	20,233,334	£0.145	5,500,000
Issued during the period ^(a)	£0.120	41,849,249	£0.088	17,233,334
Cancelled during the period	-	-	£0.175	(2,500,000)
Outstanding at the end of the period	£0.114	62,082,583	£0.094	20,233,334

(a) 41,849,249 warrants were issued to subscribers of the Placement announced on 9 July 2021. The warrants have an exercise price of £0.12 and expire on 22 July 2022. The warrants have been valued using a Black-Scholes model and the fair value of US\$487,000 is recorded in the warrant and share based payment reserve.

Valuation and assumptions of options and warrants at 30 September 2021

	Employee Options	Employee Options	Equity Facility Options	Equity Facility Options	Subscriber Warrants	Placement Warrants
Number of Options	2,500,000	2,500,000	500,000	500,000	14,233,334	41,849,249
Grant date	17 Sep 2019	15 Sep 2020	24 Dec 2019	11 Sep 2020	11 Sep 2020	9 July 2021
Expiry date	30 Sep 2022	10 Sep 2023	24 Dec 2022	17 Sep 2023	25 Sep 2022	22 July 2022
Share price	£0.098	£0.05	£0.084	£0.047	£0.047	£0.063
Exercise price	£0.125	£0.075	£0.123	£0.1014	£0.09	£0.12
Volatility	79%	81%	79%	81%	81%	82%
Option life	3.00	3.00	3.00	3.00	2.00	1.00
Expected dividends	-	-	-	-	-	-
Risk-free interest rate (based on national government bonds)	0.49%	0.14%	0.52%	0.14%	0.14%	0.08%

The options and warrants outstanding at 30 September 2021 have an exercise price in the range of £0.075 to £0.125 (2020: £0.075 to £0.125) and a weighted average remaining contractual life of 1.07 years (2020: 2.14 years). None of the outstanding options and warrants at 30 September are exercisable at period end.

Note 6. Events After the Reporting Date

Significant events post reporting date were as follows:

On 16 December 2021, the Company advised that it has secured funding totalling US\$10.14 million (£7.623 million) through an equity placing and convertible loan note issue, the proceeds of which will complete the Company's funding requirements (on a dry hole basis) for the drilling of the Jade prospect at the Company's 100% owned Block 29/11 permit.

Pursuant to an equity placing, the Company has issued 60,383,334 new ordinary shares at a price of 6.0p per Share to raise £3.623 million (before costs). The Placing is being completed under the Company's existing authorities and is not subject to the approval of shareholders.

In conjunction with the Placing, the Company entered into a Convertible Loan Note Agreement with a Melbourne-based investment fund pursuant to which the Company has issued a convertible loan note to the Lender and has received gross proceeds of £4.0 million. The Convertible Note has a maturity date of 16 December 2022 and the Lender can elect to convert all or part of the principal amount of the Convertible Note into fully paid ordinary shares in the Company at any time prior to maturity at a conversion price of 8.0p per share. The Convertible Note bears interest at a rate of 10% per annum and is secured by a senior first ranking charge over the Company, including its 8.5% interest in the Duyung PSC and Mako Gas Field.

In November 2021, the Company announced that it has signed the IDC with COSL. The signed IDC confirmed a substantially reduced turnkey quote for the drilling of the Jade Prospect of US\$12.3 million on a dry hole basis, an approximate 34% saving on the initial quote. On a success basis, testing of any oil column has been quoted at US\$7.4 million.

In December 2021, the Company announced a payment totalling US\$1.98 million to COSL, representing a 10% deposit on the dry hole cost component of the IDC signed with COSL plus mobilisation costs; had been redirected to an unknown third party as a result of a sophisticated cyber fraud perpetrated against COSL and the Company.

The Company is currently working with its bank, the recipient bank and the police authorities in three jurisdictions and can confirm that the recipient bank account has been frozen and that recovery actions have commenced. It is not known at the time of this report whether the full funds will be recovered. The Company has notified and opened case files with the police in the UK, Singapore and the Federal Police in Australia and criminal investigations have duly commenced. The Company has notified its insurers and has also taken action to ensure the integrity of its own IT systems.

While these investigations take their course, the Company has held proactive discussions with COSL with both parties agreeing in good faith to continue with drilling preparation activities without delay and to come to an arrangement over the misappropriated funds (should all or part not be recovered) once the outcome of police enquiries are known.

Despite this incident, Empryan is fully funded to drill the Jade Prospect and, due to the co-operative negotiations with COSL detailed above, activities remain on track. Further updates will be provided as the criminal investigations progress. It is anticipated that this will take several months to complete.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or could significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

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