

RNS Miscellaneous

## Capital raising, drill analysis & debt restructure

### EMPYREAN ENERGY PLC

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#### **Empyrean Energy plc**

#### **Capital raising, further post drill analysis, Mako gas and debt restructure**

Empyrean Energy plc ("**Empyrean**" or the "**Company**"), the oil and gas development company with interests in China, Indonesia and the United States, is pleased to provide the following update on capital raising, debt restructure and preliminary regional oil charge analysis and its implication for Topaz prospect at its 100% owned Block 29/11 permit, offshore China.

Empyrean is the operator of Block 29/11 in China and has 100% working interest during the exploration phase. In the event of a commercial discovery, its partner, China National Offshore Oil Company ("**CNOOC**"), may assume a 51% participating interest in the development and production phase.

#### **HIGHLIGHTS**

- **£1.83m raised at a price of 1.5p per share**
- **Convertible Loan Note debt restructured**
- **Regional oil charge and migration analysis being conducted with CNOOC assistance following the results from the Jade well**
- **Main focus of the migration work is to assess viability of the Topaz prospect receiving oil charge**
- **Preliminary analysis indicates the Topaz prospect is located in a better location for potentially receiving oil charge from the proven source rock - Baiyun East Sag via the CNOOC LH-16 oil field - as well as from the Baiyun North Sag source rock that lies in between Jade and Topaz identified on Empyrean's 3D seismic**

#### **Issue of Shares**

Empyrean is pleased to advise that it has entered into binding subscription agreements to issue 121,750,001 new ordinary Shares in the Company (the "**New Ordinary Shares**") at a price of 1.5p per New Ordinary Share, raising £1.83m (before costs) (the "**Subscription**").

The funds raised from the Subscription will be used to complete further post well analysis of the Jade well, satisfy any further costs associated with the Jade drill, conduct a comprehensive oil migration study in conjunction with CNOOC for potential oil charge to the Topaz prospect, and for the Company's general working capital requirements.

The Subscription is being completed under the Company's existing authorities and is not subject to the approval of shareholders. Following the Subscription, the Company's enlarged issued share capital will comprise 788,431,892 ordinary shares of 0.2p each (the "**Shares**"). This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, securities of the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

Application will be made for the New Ordinary Shares to be admitted to trading on AIM. Admission is expected to take place on 19 May 2022. The New Ordinary Shares will rank pari passu with existing Shares in issue.

#### **Regional Oil Charge Analysis - Preliminary assessment**

Geoscientists from the Shenzhen branch of Empyrean's partner in the project, China National Offshore Oil Corporation ("**CNOOC**") are providing assistance in regional oil charge analysis in and around Block 29/11. Whilst comprehensive analysis is currently underway, initial conclusions are encouraging for the Topaz prospect.

The CNOOC four light oil discoveries along the western boundary of the block clearly demonstrate a working petroleum system and light oil charge to these nearby oil discoveries. All successful wells have been drilled on traps that were in place at the time of oil migration. The dry wells drilled during the 1990s by Amoco were drilled into traps that came into existence

after the time of oil generation and migration in the basin and therefore could not trap that oil. However, weak oil fluid inclusion fluorescence (in the core) at both Amoco wells to the east of Topaz suggests these wells are located on paleo migration pathways that received oil migration. Topaz lies along these paleo migration pathways in between the CNOOC discovery LH 16-2 to the west and the Amoco wells to the east.

In addition, regional oil geochemical evaluation conducted by CNOOC indicates oil is migrating updip from **Baiyun East Sag** and charging the LH 23-1d and LH 16-2 oil discoveries. This analysis, in conjunction with regional 3D data, also indicates oil to most likely be migrating east from LH 16-2 towards the Topaz prospect because the geological setup doesn't allow the oil to migrate either to the south, west or to the north of the LH 16-2 discovery because those directions are downdip or have a downdip component or they are in a migration shadow.

At the same time, thermal maturity modelling completed by CNOOC indicates the **Baiyun Sag North** has been generating and expelling oil around 5 million years ago when the Topaz prospect was optimally located to receive oil charge.

#### **Current plan**

EME is working closely with CNOOC geoscientists on this migration analysis and aims to complete the study around the end of May. At that stage, a final decision to enter the second phase of exploration is likely to be made and further announcements will be made in due course.

#### **Mako Gas Field ("Mako")**

Empyrean is pleased to report that regional gas prices in Europe and South East Asia remain strong and that the macro environment is creating incentive for the negotiations of the current Heads of Agreements for gas offtake at Mako to be negotiated to a binding Gas Sales Agreement ("**GSA**"). Mako is one of the largest gas discoveries in the West Natuna Sea and the largest undeveloped resource in the area. Pipeline quality methane gas has become a critical component of the energy mix that sees Singapore as a major gas hub in the region. Empyrean also notes that Conrad Asia Energy Ltd, the operator and owner of 76.5% of the Duyung PSC within which Mako sits, has an IPO in Australia as a key milestone for delivery. This planned IPO may present, at the least, a useful benchmark for valuation of the Mako Gas Field.

#### **Debt Restructuring**

In December 2021, the Company announced that it had entered into a Convertible Loan Note Agreement with a Melbourne-based investment fund (the "**Lender**"), pursuant to which the Company issued a convertible loan note to the Lender and received gross proceeds of £4.0 million (the "**Convertible Note**"). 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.

As subsequently announced, in March 2022 the Company received conversion notices from the Lender to issue a total of 27,500,000 Shares at a conversion price of 8p, reducing the principal owing on the Convertible Note to £2.2 million, including upfront capitalised interest.

Following the announcement regarding the Jade well on 27 April 2022, the Company and the Lender proactively entered discussions to amend the key repayment terms of the Convertible Note, which included the right by the Lender to redeem the Convertible Note within five business days of the announcement of the results of the Jade well.

The parties have now agreed the following key amendments to the terms of the Convertible Note:

1. The face value of the Convertible Note is increased to £3.3 million;
2. The Company may, at its sole and absolute discretion, redeem the Convertible Note at any time;
3. The Lender will not redeem the Notes prior to 31 July 2022;
4. If a binding GSA is entered into with regard to the Mako Gas Discovery in Indonesia on or before 31 July 2022, the Lender will not redeem the Convertible Note prior to 1 December 2022, with interest accruing thereafter at a rate of £330,000 per calendar month;
5. If a binding GSA is *not* entered into with regard to the Mako Gas Discovery in Indonesia on or before 31 July 2022, the Lender may redeem the Convertible Note at any time thereafter, in which circumstances the face value of the Convertible Note will be reduced to £2.67 million;
6. If the Company completes a sale of its interest in the Mako Gas Discovery, it will redeem the Convertible Note contemporaneously with that agreement; and
7. The Company will not execute any agreement in respect of a sale of its interest in the Mako Gas Discovery if the proceeds are less than the expected value of the Convertible Note on the date of completion of that agreement.

The technical information contained in this announcement has been reviewed by Empyrean's Executive Technical director, Gaz Bisht, who has over 32 years' experience as a hydrocarbon geologist and geoscientist.

#### **Empyrean CEO, Tom Kelly, stated:**

*"CNOOC assistance is proving a defining step in better understanding the oil migration pathways in the area, and Empyrean is appreciative of CNOOC's ongoing support.*

*We are aiming to complete the current post-drill analysis and comprehensive oil migration studies with a deep focus on oil migration pathways from CNOOC oil discovery LH16-2 towards Topaz in short order to enhance the prospectivity of Topaz as a world class large exploration target for the second phase of exploration in Block 29/11. This capital raising and debt restructuring will allow Empyrean to move forward with its plans to maximise the value at the Mako Gas field whilst completing a comprehensive analysis of all pre-drill and post-drill technical data to ensure that we proceed with the drill preparations at Topaz with due diligence and confidence."*

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