Final Results

EMPYREAN ENERGY PLC

Released 07:08:59 16 September 2022

RNS Number : 7329Z
Empyrean Energy PLC
16 September 2022

This announcement contains inside information

Empyrean Energy PLC / Index: AIM / Epic: EME / Sector: Oil & Gas

16 September 2022

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

Final Results

Empyrean Energy is pleased to announce its final results for the year ended 31 March 2022 ("**Report and Accounts**"). The full Report and Accounts will be made available on the Company's website in the coming days.

As announced on 2 September 2022, the Company was unable to publish the Company's 2022 Report and Accounts together with the Notice of Annual General Meeting ("**AGM**"). Given that the Company is required to hold an AGM each year within six months of its financial year end, the Company's 2022 AGM will be held on 27 September 2022.

An announcement confirming the posting of the Report and Accounts and Notice of General Meeting to approve the Report and Accounts will be made in due course.

Highlights

Block 29/11, Pearl River Mouth Basin, China (EME 100% reverting to 49% upon commercial discovery)

Reporting period

- Empyrean and its partner China National Offshore Oil Corporation ("**CNOOC**"), along with its technical service providers CNOOC Enertech and China Oilfield Services Limited ("**COSL**") completed significant pre-drilling operational, technical and permitting work throughout the year to enable the safe drilling of the Jade prospect post reporting year end.

Post-Reporting period

- LH 17-2-1 Jade well spudded and reached final total depth of 2,849 metres Measured Depth ("MD") during April 2022. No oil pay was encountered in the target reservoir and demobilisation operations were completed.

- Post-well analysis at Jade confirmed reservoir quality better than pre-drill estimate with regional seal confirmed and depth conversion approach validated. Based on post-drill technical evaluation, and CNOOC-assisted migration pathways assessment, Empyrean decided to enter the second phase of exploration with the aim to drill the larger Topaz prospect.

- Topaz Drill Program targeted to commence in 2023.

Duyung PSC Project, Indonesia (EME 8.5%)

Reporting period

- Prevailing strong gas prices have enabled the operator Conrad Petroleum Ltd ("Conrad") to advance Gas Sales Agreement ("GSA") negotiations with multiple interested parties.

- Conrad has also been working with SKK Migas to enable an upgrade to the Plan of Development ("POD") that was approved following the discovery of Mako. Following the successful appraisal of Mako, Gaffney Cline and Associates

("GCA") upgraded its resource assessment for Mako and the new POD is expected to be finalised once Ministerial approval is obtained.

- Mako is one of the largest gas discoveries in the West Natuna Sea and the largest undeveloped resource in the area.

Sacramento Basin, California USA (EME 25-30%)

- Evaluation on the project is ongoing and the Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities in Sacramento, particularly in light of strong gas prices.

Corporate

Reporting period

- Placement and Convertible Note funding of US$10.14 million (£7.62 million) secured in December 2021 to partially fund Jade Prospect drilling.

- Placement to raise US$6.92 million (£5.02 million) completed in July 2021.

Post-Reporting period

- Placement to raise US$2.25 million (£1.83 million) completed in May 2022.

Empyrean CEO Tom Kelly said, "Empyrean's key focus during the year was completing the necessary activities required in preparation for the drilling of the initial exploration well at Jade under the PSC terms.

While the end result was not the one we had hoped for at Jade, the achievement of safely drilling the well on time and on budget was a credit to Empyrean's team and a great reflection of the excellent teamwork, expertise, professionalism and cooperation between the Company, its partner CNOOC, and its technical service providers CNOOC Enertech and COSL.

Importantly, post the drilling at Jade, Empyrean has been able to combine our excellent quality 3D seismic data with the confirmed well data from Jade resulting in post well analysis that has improved the validity of the Topaz prospect as a robust and large drilling target of approximately 891 million barrels in place (P10). We have therefore made the decision to enter into an agreement for the second phase of exploration on Block 29/11 with the aim to drill Topaz before June 2024.

In Indonesia, Empyrean looks forward to maximising the value from its interest in the Mako Gas Field which would strengthen the Company's balance sheet and help fund the drilling of Topaz.

In California, while activity and expenditure was limited during the year, the operator Sacgasco continues to evaluate the project and Empyrean will review and assess any further technical and commercial opportunities as they come to hand, particularly in light of strong gas prices for gas sales in the Sacramento Basin.

As always, the Company continually assesses other financing and strategic alternatives to provide it with additional working capital as and when required, including through the sale or partial sale of existing assets, through joint ventures of existing assets or through further equity or debt funding. The Company has also successfully restructured its convertible note.

In addition to its existing projects, Empyrean continues to assess a number of additional oil and gas projects that it believes may enhance a balanced portfolio of opportunity and will update shareholders as required.

While the Board and management share the disappointment of the Jade well result with its shareholders, it moves forward with renewed optimism, with good news due from Indonesia and the learnings from Jade further de-risking Topaz which standalone has the potential to be a Company changer."

Chairman's Statement

It was another busy year for Empyrean on its portfolio of exploration projects during the year, primarily in China.

After an enormous amount of hard work preparing for the drilling of the Jade prospect in China, the Company was clearly disappointed that the drilling program post year end did not result in the discovery of commercial hydrocarbons at the Jade Prospect. Unfortunately, this is the nature of exploration and we take the good with the bad.

Nevertheless, post-well evaluation in conjunction with CNOOC has provided invaluable further interpretation of the critical elements of effective regional oil migration pathways, with positive implications for the second target on Block 29/11, the Topaz prospect.

We also expect good news in the near term from Indonesia with GSA negotiations advanced and the prospect of Empyrean realising significant value from its interest there to follow the conclusion of the GSA process.

As always, I would like to thank the Board, management and staff for their efforts during the year. Empyrean retains a positive outlook for the future and is setting its sights on value creation from Indonesia and the further de-risked drill opportunity in China.

Patrick Cross
Non-Executive Chairman
15 September 2022

Extract from Strategic Report

Business Overview and Likely Future Developments

The Company and its partners continued to progress exploration and development activities at its projects during the year. Empyrean and its partner CNOOC, along with its technical service providers CNOOC Enertech and COSL, completed significant pre-drilling operational, technical and permitting work throughout the reporting period to enable to safe drilling, although ultimately unsuccessful drilling of the Jade prospect post reporting year end.

Post-well analysis at Jade however has confirmed reservoir quality is better than pre-drill estimates with regional seal confirmed and the depth conversion approach validated. As a part of post-well evaluation, CNOOC geochemical and basin modelling experts together with Empyrean have interpreted the critical elements of effective regional oil migration pathways leading to positive implications for the Topaz prospect, and ultimately the decision to proceed with the second phase of exploration at Block 29/11, being the drilling of the Topaz Prospect before June 2024.

Following the exploration success that was achieved in Indonesia and the significant resource upgrade of the Mako gas field, the operator is in the process of negotiating a gas sales agreement which would enable Empyrean to maximise shareholder value from its interest in the project. Recent strong gas prices and a solid demand forecast in the south-east Asian region provides additional momentum and urgency.

In California operator Sacgasco continues to evaluate the project(s) in light of strong gas prices for gas sales in the Sacramento Basin. Empyrean is content to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they are presented, while keeping expenditures to a minimum, currently consisting mainly of meeting cash calls for joint venture overheads.

Further details on these activities are provided in the Operations and Outlook section below.

The Company raised funds through a series of placements during the year and post year end, and also through the entering of a Convertible Note Agreement pursuant to which the Company received gross proceeds of US$5.4 million (£4.0 million) (the "**Convertible Note**"). The funds raised were to support the current exploration programs and for working capital purposes.

The Board and management recognise that exploration for hydrocarbons is a risky venture and there will be failures and challenges along with successes. As a result, the Company's strategy is to continue to add value for shareholders by building a diverse portfolio of drilling opportunities in commercially attractive jurisdictions. The Company has a team with a proven track record of finding hydrocarbons and advancing projects through exploration, appraisal and into production. Oil and Gas prices have steadily risen since the negative impact of the COVID-19 outbreak and the current business strategy of the Company remains sound and value accretive.

Management continually evaluate project opportunities that meet strict investment guidelines with an aim of adding value for all shareholders.

Operations and Outlook

As at 31 March 2022 the Company has the following interests:

The Company has an interest in Block 29/11 offshore China (100% during exploration and 49% upon any commercial discovery). Empyrean is the operator with 100% of the exploration rights of the 1800km^2 permit during the exploration phase of the project. Empyrean completed a 608km^2 3D seismic acquisition survey in August 2017 and comprehensive processing and interpretation of the 3D seismic data, in addition to further geological work, has confirmed the structural viability and substantial prospective (un-risked) resources at the three key prospects (**"Jade, Topaz and Pearl"**). These internal estimates were subsequently independently audited and revised upwards. Migration studies, seismic inversion work and the identification of well-defined gas clouds over the three prospects further enhanced the technical merits of the Jade and Topaz prospects in 2019 and during the current year the Company, along with CNOOC and its service providers, completed the substantial pre-drilling operational, technical and permitting work to enable to safe drilling of the Jade prospect post reporting year end.

Post the financial year end, the Company completed drilling at the Jade prospect, which reached final total depth of 2,849 metres MD on 27 April 2022. The interpretation from logging while drilling ("**LWD**") and mud logging equipment indicated no oil pay in the target reservoir and the demobilization activities were then completed.

Post Jade well evaluation work confirmed reservoir quality and the regional seal and following a CNOOC assisted oil migration pathways assessment, the Company has committed to enter this second phase of exploration with the aim to drill Topaz.

Topaz remains a world class conventional oil target in the Jade prospect, to which GCA assigned a Geological Chance of Success (**"GCoS"**) of 30%. The Topaz prospect has a GCA audited mean in place potential of 506 MMbbl and a P10 in place upside of 891 MMbbl. Following the Jade prospect, Topaz prospect is the second of the three identified prospects within Block 29/11, which also contains the Pearl prospect. The combined 2018 audited mean in place potential of the Topaz and Pearl prospects is 659 MMbbl and a P10 in place upside of 1,193 MMbbl.

The Company holds a 8.5% direct interest in the 1,100km^2 Duyung PSC, offshore Indonesia, operated by Conrad.
The main asset in the permit is the Mako shallow gas discovery, which has Gross 2C (contingent) resources of 495 Bcf (87.5 MMboe) of recoverable dry gas and 3C resources of 817 Bcf (144.4 MMboe), as upgraded by an independent audit conducted during 2020. The appraisal well, Mako South-1, was spudded in June 2017 with results exceeding expectations encountering excellent reservoir quality rock with high permeability sands. Following approval from the Indonesian regulator of a detailed Plan of Development the JV partners conducted a successful drilling campaign comprising two wells, Tambak-1 and Tambak-2 wells, which demonstrated the presence of well developed, high quality reservoir sandstones with a common gas water contact across the Mako structure. Following the successful drilling campaign the operator engaged GCA to complete an independent resource audit for the Mako Gas Field, which resulted in a significant resource upgrade in May 2020 and confirmed Mako as one of the largest gas fields ever discovered in West Natuna Basin.

An updated Plan of Development has been approved by SKK Migas and is awaiting Ministerial Approval, and includes uplifted GIIP estimates. The expected conclusion of GSA negotiations will mark a further important step toward the final investment decision to develop and commercialise the field, and for Empyrean to maximise value from its interest.
In 2017 the Company entered into an agreement with ASX-listed Sacgasco Limited (**"Sacgasco"**), a Sacramento Basin focused natural gas developer and producer, 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 up to 25%) and further identified follow up prospects along the Dempsey trend (EME up to 30%).

Following completion of an appraisal and exploration well, Dempsey 1-15, the operator tested multiple gas zones with comprehensive testing of selected zones failing to sustain gas flow. Following the Demspey drilling campaign, the joint venture integrated the subsurface data with regional geology and seismic data to evaluate additional targets with thicker reservoir units for future drilling along the "Dempsey trend", in which Empyrean could earn a 30% interest.

The operator matured Borba prospect was the next drilling opportunity at the project. In October 2020 Empyrean notified Sacgasco that it would not be participating in the proposed drilling of the Borba prospect under the timeframes and terms proposed by Sacgasco.

The Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the project, particularly in light of strong gas prices for gas sales in the Sacramento Basin.

The Company also has a 58.084% working interest in the Eagle Oil Pool Development Project asset in California and a 10% working interest in the Riverbend Project in Texas. Further detailed analysis on all projects is provided in the Operational Review on page 15.

Cyber Fraud Incident

As announced to the market, in December 2021 the Company made a payment totalling US$1.98 million to COSL, representing a 10% deposit on the dry hole cost component of the Integrated Drilling Contract ("**IDC**") signed with COSL; however, the Company was subsequently informed that this payment was not received by COSL and had been paid to a fraudulent third party as a result of an impersonation fraud perpetrated against the Company.

The Company then worked with its bank, the recipient bank and the police authorities in three jurisdictions to initiate actions including the freezing of the recipient bank account and the commencement of recovery actions.

Empyrean commenced legal proceedings in the Singapore courts against the company believed to have committed the fraud and obtained an injunction order on 21 January 2022 to freeze its assets and obtain further banking information. Empyrean will continue to take the necessary steps and is taking legal advice for the purpose of pursuing recovery of the funds involved in the fraud. Empyrean continues to cooperate with the Singapore Police investigation into the fraud. Empyrean has taken the steps above, upon legal advice, in order to escalate the recovery process.

Empyrean has also reviewed its internal control policies including overseas and domestic payment processes and has added further authority approvals and procedures for all material payments.

Operational Review

For much of the 2022 financial year Empyrean was focused on completing the necessary technical, operational and permitting work required for the commencement of drilling operations at the first of its targets at Block 29/11, offshore China, being the Jade Prospect. The drilling of the Jade Prospect followed several years of methodical, targeted technical evaluation and de-risking activities. However disappointingly, the Jade well proved to be unsuccessful with no oil pay encountered.

The Company's corporate objective remains to build a significant asset portfolio across the Asian region and with the Jade well evaluation work confirming reservoir quality and the regional seal and following a CNOOC assisted oil migration pathways assessment, the Company has committed to the second phase of exploration in China with the aim to drill the large-scale Topaz prospect.

Empyrean is excited about the significant value potential of its interest in Indonesia. Following the discovery of high quality gas in the first exploration well and successful appraisal program, the project has been further supported by increasingly strong gas prices in the Asian region. As a result, the Company anticipates that the operator will conclude the current negotiations of the GSA in the near term. Execution of the GSA would enable Empyrean to maximise shareholder value from its interest in the project.

Empyrean also has a 25-30% working interest in a package of gas projects in the Sacramento Basin, onshore California. The Company remains an active joint venture partner and will assess the technical and commercial merits of other prospects or proposals as they are presented.

Empyrean has retained 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. No technical work has been undertaken on these projects during the year.

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, 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 GCA, who completed an audit of the Company's oil in place estimates in November 2018. Prior to the drilling of the Jade Prospect in April 2022, the total mean oil in place estimates on the three prospects was 884 MMbbl on an un-risked basis.

Jade Prospect Drill Program

Subsequent to year end, the Company commenced the drilling of the LH 17-2-1 well to test the first of the three prospects noted above, the Jade Prospect in Block 29/11, offshore China.

On 10 April 2022 LH 17-2-1 spudded and on 27 April 2022 reached final total depth of 2,849 metres in Zhuhai Sandstone formation. The interpretation from LWD and mud logging data indicated no oil pay in the target reservoir. The wireline logs confirmed the initial interpretation of no oil pay seen on LWD.

Post Well Jade Well Analysis and Implications for Topaz Prospect

Following the Jade drilling program, comprehensive post well analysis by Empyrean and CNOOC confirmed the Jade well intersected carbonate reservoir as prognosed with better parameters than pre-drill estimates with total thickness of 292m and porosity in the range of 25 to 27%. In addition, the Jade well penetrated thick and effective regional seal facies and the reservoir top was encountered within the depth conversion range. These parameters can now be more confidently mapped across Empyrean's 3D data set. Jade well failed due to access to effective migration pathways.

As a result, reservoir, seal and trap validity of the Topaz prospect has been enhanced by the Jade well data.

As a part of post-well evaluation, CNOOC geochemical and basin modelling experts provided excellent assistance in assessing the critical elements of effective regional oil migration pathways, leading to positive implications for the Topaz prospect. Based on several oil discoveries in the area, CNOOC has identified the following three key elements for effective regional oil migration.

1. Presence of a deep sag for oil generation
2. Presence of a deep fault for efficient vertical migration that has reactivated at the peak time of oil expulsion (10Ma)
3. Presence of a carrier bed for lateral migration to the prospect

Implications for the Topaz Prospect

Post-well evaluation indicates the Topaz prospect has the potential for oil charge from two kitchen/source rocks, the Baiyun North and Baiyun East sags.

Topaz prospect has an additional oil migration pathway from Baiyun East Sag. This sag has been bio-marked as the proven source rock for all four CNOOC light oil discoveries to the immediate West of Block 29/11.

Baiyun North Sag was mapped by the 2017 3D seismic data and is located within Block 29/11 immediately south and down dip of the Topaz prospect and it has all three key elements required for successful oil migration. It is a deep sag that is in the timing and depth window for oil generation, and Empyrean has identified a suitable deep fault for efficient vertical migration that reactivated at the peak time of oil expulsion approximately 10 million years ago (10Ma). Finally, a thick carrier bed exists for lateral migration to the Topaz prospect. This carrier bed has been confirmed during the drilling of the Jade well and is mapped on Empyrean's 3D data set.

The Topaz prospect has an additional oil migration pathway from Baiyun East Sag. This sag has been bio-marked as the proven source rock for all four CNOOC light oil discoveries to the immediate West of Block 29/11.

Post well analysis indicates that the gas shows within the "gas cloud" zone in the overburden at the Jade well are now interpreted have migrated from Baiyun North Sag via reactivation of a nearby fault, approximately 800m away rather than coming from basinal faults extending into Baiyun East Sag which is approximately 20km away. The identification of this nearby fault that extends into the Baiyun North Sag is now the most likely explanation for the gas shows in the Jade well.

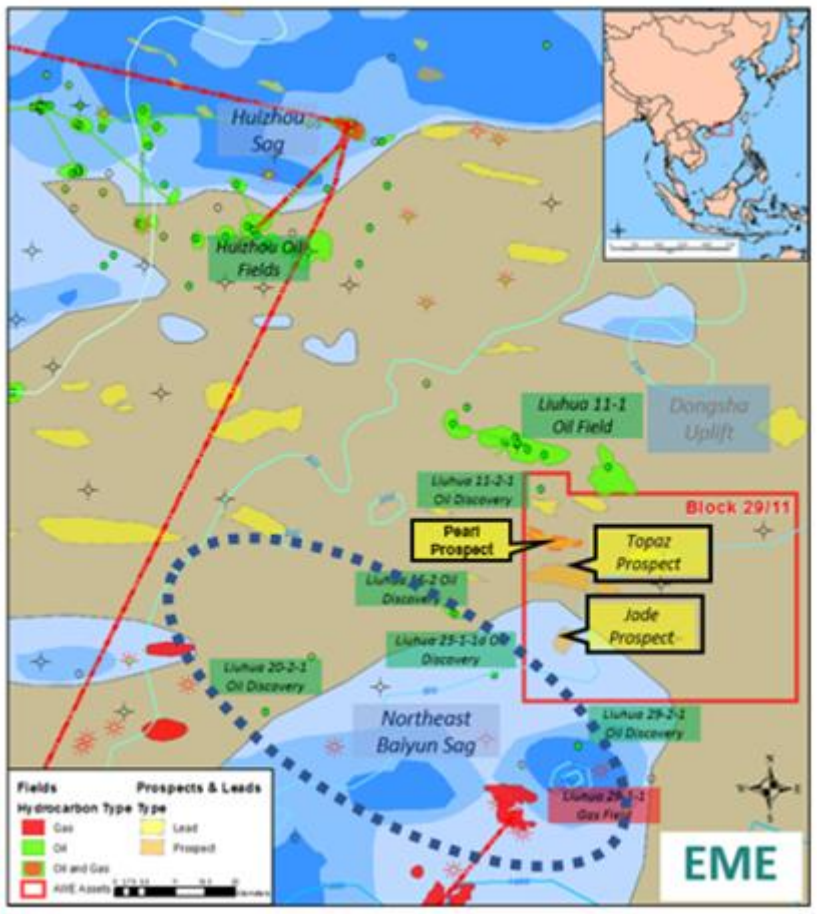
This interpretation enhances the prospects of Baiyun North Sag as a potentially valid additional source rock and, in turn, the likelihood of the Topaz prospect having access to two mature source rocks/kitchens.

Conclusions and the Entering of Second Phase of Exploration

Being able to combine excellent quality 3D seismic data with the confirmed well data and post well analysis has resulted in the improved validity of the Topaz prospect as a robust and large drilling target (approximately 891 million barrels in place (P10) per below table). Based on post drill technical evaluation, and CNOOC-assisted migration pathways assessment, Empyrean decided to enter the second phase of exploration and drill the larger Topaz prospect, estimated to occur in 2023.

Block 29/11 Oil in place (MMbbl) audited by GCA

Prospect	P90	P50	P10	Mean	GCoS
Topaz	211	434	891	506	30%
Pearl	38	121	302	153	15%



CNOOC discoveries since 2010

Figure 1: Block 29/11, Pearl River Basin, Offshore China

Cautionary Statement: The volumes presented in this announcement are STOIIP estimates only. A recovery factor needs to be applied to the undiscovered STOIIP 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 a 10% shareholding in WNEL from Conrad Petroleum, 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.

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. 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 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 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 field that was discovered in 2017, and comprehensively appraised in 2019.

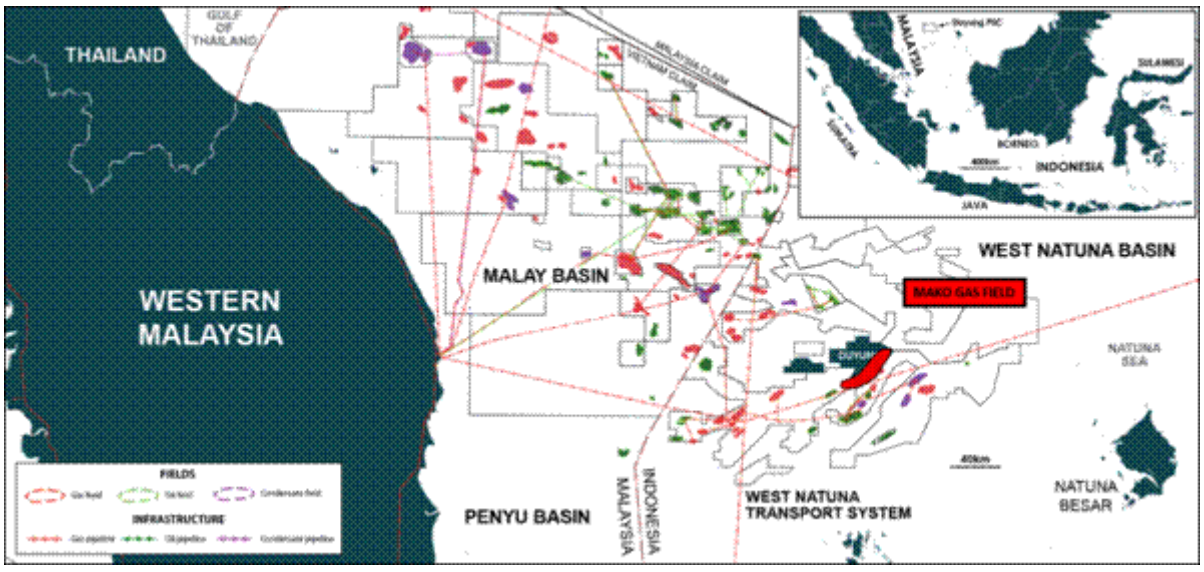


Figure 2: Mako Gas field, Duyung PSC, Indonesia

During October and November 2019, a highly successful appraisal drilling campaign was conducted in the Duyung PSC. The appraisal wells confirmed the field-wide presence of excellent quality gas in the intra-Muda reservoir sands of the Mako Gas Field. However, testing of the deeper Tambak prospect in the Lower Gabus interval found these sandstones to have low gas saturations and attempts to collect fluid samples and pressure data demonstrated low permeabilities.

Following on from the highly successful appraisal drilling campaign, Conrad engaged GCA to complete an independent resource audit for the Mako Gas Field which confirmed a significant resource upgrade for the Mako Gas Field and confirmed Mako to be one of the largest undeveloped gas fields in the West Natuna Basin and is currently by far the largest undeveloped resource in the immediate area.

The GCA estimates of gross (full field) recoverable dry gas audited in the 2020 GCA Audit are:

Contingent Resource Estimates	2020 GCA Audit
	Bcf
1C (Low Case)	287
2C (Mid Case)	495
3C (High Case)	817

The full field resources above are classified in the 2020 GCA Audit as contingent. Gas volumes are expected to be upgraded to reserves when certain commercial milestones are achieved, including execution of a Gas Sale Agreement (**"GSA"**) and a final investment decision (**"FID"**).

SKK Migas (the Indonesian regulator) accepted the significantly uplifted estimates of GIIP, which are broadly in line with the independent resource audit by GCA.

The SKK Migas Accepted Mako Gas in Place estimates are:

	GROSS (100%) GIIP (BSCF) Updated		
Reservoir	Low	Best	High
Upper Sand	358	525	687
Lower Sand	26	41	78
Total	**384**	**566**	**766**
3C (High Case)	392	817	108

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.

Current Status

During the current year regional gas prices in Europe and South East Asia have remained strong and that 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 GSA.

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.

The first prospect that was drilled in 2018 was the Dempsey Prospect. Whilst several potentially gas bearing zones were intersected in the well, comprehensive testing of selected zones failed to sustain gas flow. Following the Dempsey drilling campaign, the joint venture integrated the subsurface data with regional geology and seismic data to evaluate additional targets with thicker reservoir units for future drilling along the "Dempsey trend", in which Empyrean could earn a 30% interest.

The operator matured Borba prospect was the next prospect drilled however in 2020 Empyrean notified Sacgasco that it would not be participating in this drilling campaign.

The Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the project but given the current status and presence of impairment indicators

the Company took the conservative measure of fully impairing expenditure incurred at the project as at the reporting date.

Riverbend Project (10%)

Located in Jasper County, Texas, USA, the Cartwright No.1 re-entry well produces gas and condensate from the arenaceous Wilcox Formation.

The Cartwright No.1 well is currently virtually suspended producing only nominal amounts of gas condensate.

Little or no work has been completed on the project in the year and no budget has been prepared for 2022/23 whilst the Company focuses on other projects. The Company previously fully impaired the carrying value of the asset and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

Eagle Oil Pool Development Project (58.084% WI)

The Eagle Oil Pool Development Projects is located in the prolific San Joaquin Basin onshore, southern California.

No appraisal operations were carried out during this period. It is anticipated that, should there be a sustained improvement in the oil price, a vertical well test of the primary objective, the Eocene Gatchell Sand, followed by a horizontal appraisal well, would be the most likely scenario.

Little or no work has been completed on the project in the year and no budget has been prepared for 2022/23 whilst the Company focuses on other projects. The Company previously fully impaired the carrying value of the asset and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

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.*

Extract from Director's Report

Going Concern

The Company's principal activity during the year has been the acquisition and development of its exploration projects. At the year end the Company had a cash balance of US$19,000 (2021: US$150,000) and made a loss after income tax of US$8.11 million (2021: loss of US$ 0.95 million).

The Directors have prepared cash flow forecasts for the Company covering the period to 31 December 2023 and these demonstrate that the Company will require further funding within the next 12 months. In June 2022, the Company entered into an agreement with CNOOC to drill an exploration well on the Topaz prospect in China, by 12 June 2024, which includes a payment of US$250,000 to CNOOC. It is estimated that the cost of drilling this well would be approximately US$12 million. In addition, the Company is required to repay the principal owing on the Convertible Note prior to 1 December 2022, being £3.3 million as at the date of this report, in accordance with the restructured terms announced to the market on 10 May 2022. The Convertible Note is secured by a senior first ranking charge over the Company, including it's 8.5% interest in the Duyung PSC and Mako Gas Field.

In May 2022 US$2.25 million was raised through an equity placement 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. However, in order to meet the well commitment at Topaz and also to meet the repayment terms of the Convertible Note, the Company is required to raise further funding either through equity or the sale of assets and as at the date of this report the necessary funds are not in place.

The Directors are however optimistic that the full funding commitments for the Topaz well and the Convertible Note will be met, having a successful track record of equity (and debt) funding including funding the recently drilled Jade well.

It is the belief of the Board that there are likely value catalysts throughout the next 12 months leading up to drilling - including maximising the value of its interest at the Mako Gas field and activities leading into the intended drilling of the Topaz Prospect. There are a number of key milestones for the Project, each of which brings the Project closer to production. Each milestone reduces risk and increases the value of the Project. The major milestones are approval by the Indonesian Government of a revised Plan of Development that is currently before them, signing of the GSA(s), completion of front-end engineering design, final investment decision and production. Empyrean's interest can be sold at any stage but with two of these major milestones due imminently without any further funding required, it is the Board's current intention to at least achieve those milestones before considering a sale versus funding through to production.

The Directors note that if the well commitment is not met in the timeframe advised then either a renegotiation of the commitment timing will be required or the licence could be relinquished.
The Directors have therefore concluded that it is appropriate to prepare the Company's financial statements on a going concern basis; however, in the absence of additional funding being in place at the date of this report, these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Post Balance Sheet Events

Significant events post reporting date were as follows:

On 1 April 2022, the Company issued 18,750,000 Ordinary Shares at a conversion price of 8.0p per share under the existing Convertible Loan Note Agreement, as announced on 28 March 2022. The partial conversion reduced the amount owing on the Convertible Note by US$1.97 million (£1.5 million).

In April 2022, Empyrean announced that the Jade well had reached a final total depth of 2,849 metres MD and the interpretation from logging while drilling (LWD) and mud logging equipment indicated no oil pay in the target reservoir. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, written off all historical expenditure incurred on Block 29/11 and also the dry hole costs associated with the Jade drilling program subsequent to year end, together being US$22.04 million.

In May 2022, Empyrean completed a Placing to raise US$2.25 million (£1.83 million) with funds raised under this Placing to primarily be used to complete further post well analysis of the Jade well, satisfy any further costs associated with the Jade drilling, 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.

In May 2022, 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 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.

In June 2022, Empyrean announced that following the completion of post well analysis at Jade it would be entering the second phase of exploration with the aim to drill the Topaz prospect at its 100% owned Block 29/11 permit, offshore China. The second phase of exploration requires the payment to CNOOC of US$250,000 and the work obligation is the drilling of an exploration well within 2 years.

In September 2022, the Company announced that the partners in the Duyung PSC had approved the updated POD and have secured alignment with SKK Migas on the plan. The POD has been submitted to the Indonesian Ministry of Energy and Mineral Resources for approval and an Operator commissioned Competent Persons Report has been prepared by GCA for the Mako development.

No other matters or circumstances have arisen since the end of the financial year 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.

Statement of Comprehensive Income

For the Year Ended 31 March 2022

	Notes	2022 US$'000	2021 US$'000
Revenue		**-**	-
Expenses			
Administrative expenses		**(377)**	(351)
Compliance fees		**(302)**	(225)
Directors' remuneration	*4*	**(402)**	(387)
Foreign exchange differences	*3*	**(518)**	20
Impairment - exploration and evaluation assets	*8*	**(4,127)**	(3)
Cyber fraud loss	*3*	**(1,981)**	-
Total expenses		**(7,707)**	(946)
Operating loss	*3*	**(7,707)**	(946)
Finance expense	*5*	**(402)**	(7)
Loss from continuing operations before taxation		**(8,109)**	(953)
Tax expense in current year	*6*	**(1)**	-
Loss from continuing operations after taxation		**(8,110)**	(953)
Total comprehensive loss for the year		**(8,110)**	(953)

Loss per share from continuing operations (expressed in cents)			
- Basic	*7*	**(1.43)c**	(0.20)c
- Diluted		**(1.43)c**	(0.20)c

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

Statement of Financial Position

As at 31 March 2022

Company Number: 05387837		**2022**	**2021**
	Notes	**US$'000**	**US$'000**
Assets			
Non-Current Assets			
Exploration and evaluation assets	*8*	**24,907**	14,643
Total non-current assets		**24,907**	14,643
Current Assets			
Trade and other receivables	*9*	**36**	36
Corporation tax receivable	*6*	**-**	358
Cash and cash equivalents		**19**	150
Total current assets		**55**	544
Liabilities			
Current Liabilities			
Trade and other payables	*10*	**1,299**	667
Provisions		**140**	111
Convertible loan notes	*11*	**4,125**	-
Derivative financial liabilities	*12*	**722**	-
Total current liabilities		**6,286**	778
Net Current Liabilities		**(6,231)**	(234)
Net Assets		**18,676**	14,409
Shareholders' Equity			
Share capital	*14*	**1,809**	1,398
Share premium reserve		**41,285**	29,408
Warrant and share-based payment reserve		**576**	487
Retained losses		**(24,994)**	(16,884)
Total Equity		**18,676**	14,409

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

Statement of Cash Flows

For the Year Ended 31 March 2022

		2022	**2021**
	Notes	**US$'000**	**US$'000**
Operating Activities			
Payments for operating activities		**(1,240)**	(831)
Receipt of corporation tax		**358**	-
Net cash outflow for operating activities	*13*	**(882)**	(831)
Investing Activities			
Payments for exploration and evaluation	*8*	**(14,391)**	(1,159)

Payments due to cyber fraud		**(1,981)**	-
Net cash outflow for investing activities		**(16,372)**	(1,159)
Financing Activities			
Issue of ordinary share capital		**11,805**	2,094
Proceeds from exercise of warrants		**623**	-
Proceeds from borrowings	*11*	**5,412**	-
Payment of finance costs		**(271)**	-
Payment of equity issue costs		**(463)**	(163)
Net cash inflow from financing activities		**17,106**	1,931
Net decrease in cash and cash equivalents		**(148)**	(59)
Cash and cash equivalents at the start of the year		**150**	189
Forex gain/(loss) on cash held		**17**	20
Cash and Cash Equivalents at the End of the Year		**19**	150

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

Statement of Changes in Equity

For the Year Ended 31 March 2022

	Notes	Share Capital	Share Premium Reserve	Warrant & Share- Based Payment Reserve	Retained Losses	Total Equity
		US$'000	US$'000	US$'000	US$'000	US$'000
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	*14*	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 year		-	-	-	(8,110)	(8,110)
Total comprehensive loss for the year		-	-	-	(8,110)	(8,110)
Contributions by and distributions to owners						
Shares issued in the period	*14*	378	11,427	-	-	11,805
Partial conversion of convertible note		23	896	-	-	919
Exercise of warrants		10	613	-	-	623
Equity issue costs		-	(463)	-	-	(463)
Issue of placement warrants		-	(596)	-	-	(596)
Share-based payment expense		-	-	66	-	66
Finance expense (share-based)		-	-	23	-	23

Total contributions by and distributions to owners	**411**	**11,877**	**89**	**-**	**12,377**
Balance at 31 March 2022	**1,809**	**41,285**	**576**	**(24,994)**	**18,676**

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

Notes to the Financial Statements

For the Year Ended 31 March 2022

Note 1. Statement of Significant Accounting Policies

Basis of preparation

The Company's financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards ("UK adopted IAS") 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), unless otherwise stated.

The preparation of financial statements in compliance with UK adopted IAS requires the use of certain critical accounting estimates. It also requires Company management to exercise judgment in applying the Company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed below.

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for derivative financial instruments, which are measured at fair value through profit or loss.

Nature of business

The Company is a public limited company incorporated and domiciled in England and Wales. The address of the registered office is 2nd Floor, 38-43 Lincoln's Inn Fields London, WC2A 3PE. 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 year has been the acquisition and development of its exploration projects. At the year end the Company had a cash balance of US$19,000 (2021: US$150,000) and made a loss after income tax of US$8.11 million (2021: loss of US$0.95 million).

The Directors have prepared cash flow forecasts for the Company covering the period to 31 December 2023 and these demonstrate that the Company will require further funding within the next 12 months. In June 2022, the Company entered into an agreement with CNOOC to drill an exploration well on the Topaz prospect in China, by 12 June 2024, which includes a payment of US$250,000 to CNOOC. It is estimated that the cost of drilling this well would be approximately US$12 million. In addition, the Company is required to repay the principal owing on the Convertible Note prior to 1 December 2022, being £3.3 million as at the date of this report, in accordance with the restructured terms announced to the market on 10 May 2022. The Convertible Note is secured by a senior first ranking charge over the Company, including it's 8.5% interest in the Duyung PSC and Mako Gas Field.

In May 2022 US$2.25 million was raised through an equity placement 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. However in order to meet the well commitment at Topaz and also to meet the repayment terms of the Convertible Note, the Company is required to raise further funding either through equity or the sale of assets and as at the date of this report the necessary funds are not in place.

The Directors are however optimistic that the full funding commitments for the Topaz well and the Convertible Note will be met, having a successful track record of equity (and debt) funding including funding the recently drilled Jade well.

It is the belief of the Board that there are likely share price catalysts throughout the next 12 months leading up to drilling - including maximising the value of its interest at the Mako Gas field and activities leading into the intended drilling of the Topaz Prospect. There are a number of key milestones for the Project, each of which brings the Project closer to production. Each milestone reduces risk and increases the value of the Project. The major milestones are approval by the Indonesian Government of a revised Plan of Development that is currently before them, signing of the GSA(s), completion of front-end engineering design, final investment decision and production. Empyrean's interest can be sold at any stage but with two of these major milestones due imminently without any further funding required, it is the Board's current intention to at least achieve those milestones before considering a sale versus funding through to production.

The Directors note that if the well commitment is not met in the timeframe advised then either a renegotiation of the commitment timing will be required or the licence could be relinquished.

The Directors have therefore concluded that it is appropriate to prepare the Company's financial statements on a going concern basis, however, in the absence of additional funding being in place at the date of this report, these conditions indicate the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Adoption of new and revised standards

(a) New and amended standards adopted by the Company:

There were no new standards effective for the first time for periods beginning on or after 1 April 2021 that have had a significant effect on the Company's financial statements.

(b) Standards, amendments and interpretations that are not yet effective and have not been early adopted:

Any standards and interpretations that have been issued but are not yet effective, and that are available for early application, have not been applied by the Company in these financial statements. International Financial Reporting Standards that have recently been issued or amended but are not yet effective have been assessed by the Company and are not considered to have a significant effect on the Company's financial statements.

Tax
The major components of tax on profit or loss include current and deferred tax.

(a) Current tax
Tax is recognised in the income statement. The current tax charge is calculated on the basis of the tax laws enacted at the statement of financial position date in the countries where the Company operates.

(b) Deferred tax
Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available, against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). The Company has considered whether to recognise a deferred tax asset in relation to carried-forward losses and has determined that this is not appropriate in line with *IAS 12* as the conditions for recognition are not satisfied.

Foreign currency translation
Transactions denominated in foreign currencies are translated into US dollars at contracted rates or, where no contract exists, at average monthly rates. Monetary assets and liabilities denominated in foreign currencies which are held at the year-end are translated into US dollars at year-end exchange rates. Exchange differences on monetary items are taken to the Statement of Comprehensive Income. Items included in the financial statements are measured using the currency of the primary economic environment in which the Company operates (the functional currency).

Oil and gas assets: exploration and evaluation
The Company applies the full cost method of accounting for Exploration and Evaluation (**"E&E"**) costs, having regard to the requirements of *IFRS 6 Exploration for and Evaluation of Mineral Resources.* Under the full cost method of accounting, costs of exploring for and evaluating oil and gas properties are accumulated and capitalised by reference to appropriate cash generating units (**"CGUs"**). Such CGUs are based on geographic areas such as a concession and are not larger than a segment. E&E costs are initially capitalised within oil and gas properties: exploration and evaluation. Such E&E costs may include costs of license acquisition, third party technical services and studies, seismic acquisition, exploration drilling and testing, but do not include costs incurred prior to having obtained the legal rights to explore an area, which are expensed directly to the income statement as they are incurred, or costs incurred after the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, which are reclassified as development and production assets.
Property, Plant and Equipment (**"PPE"**) acquired for use in E&E activities are classified as property, plant and equipment. However, to the extent that such PPE is consumed in developing an intangible E&E asset, the amount reflecting that consumption is recorded as part of the cost of the intangible E&E asset. Intangible E&E assets related to exploration licenses are not depreciated and are carried forward until the existence (or otherwise) of commercial reserves has been determined. The Company's definition of commercial reserves for such purpose is proven and probable reserves on an entitlement basis.

The ultimate recoupment of the value of exploration and evaluation assets is dependent on the successful development and commercial exploitation, or alternatively, sale, of the exploration and evaluation asset.

Impairment tests are carried out on a regular basis to identify whether the asset carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts.

The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements; and
- Fundamental economic factors that have an impact on the planned operations and carrying values of assets and liabilities.

Financial instruments

Financial assets and liabilities are recognised in the statement of financial position when the Company becomes party to the contractual provision of the instrument.

(a) Financial assets
The Company's financial assets consist of financial assets at amortised cost (trade and other receivables, excluding prepayments, and cash and cash equivalents) and financial assets classified as fair value through profit or loss. Financial assets at amortised cost are initially measured at fair value and subsequently at amortised cost and attributable transaction costs are included in the initial carrying value. Financial assets designated as fair value through the profit or loss are measured at fair value through the profit or loss at the point of initial recognition and subsequently revalued at each reporting date. Attributable transactions costs are recognised in profit or loss as incurred. Movements in the fair value of derivative financial assets are recognised in the profit or loss in the period in which they occur.

(b) Financial liabilities
All financial liabilities are classified as fair value through the profit and loss or financial liabilities at amortised cost. The Company's financial liabilities at amortised cost include trade and other payables and its financial liabilities at fair value through the profit or loss include the derivative financial liabilities. Financial liabilities at amortised cost, are initially stated at their fair value and subsequently at amortised cost. Interest and other borrowing costs are recognised on a time-proportion basis using the effective interest method and expensed as part of financing costs in the statement of comprehensive income.
Derivative financial liabilities are initially recognised at fair value of the date a derivative contract is entered into and subsequently re-measured at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has not designated any derivatives as hedges as at 31 March 2021 or 31 March 2022.

(c) Impairment for financial instruments measured at amortised cost
Impairment provisions for financial instruments are recognised based on a forward looking expected credit loss model in accordance with IFRS 9. The methodology used to determine the amount of the provision is based on whether there has

been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Convertible loan notes ("CLNs")
The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument, where material.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. Where material, this is recognised and included as a financial derivative where the convertible loan notes are issued in a currency other than the functional currency of the Company because they fail the fixed for fixed criteria in *IAS 32*. The conversion option is recorded as a financial liability at fair value through profit or loss and revalued at each reporting date.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Share-based payments
The Company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the Company's estimate of shares that will eventually vest. The fair value of options is ascertained using a Black-Scholes pricing model which incorporates all market vesting conditions. Where equity instruments are granted to persons other than employees, the income statement is charged with the fair value of goods and services received.

The Company has also issued warrants on placements which form part of a unit. These warrants do not fall into the scope of *IFRS 2 Share Based Payments* because there is no service being provided and are assessed as either a financial liability or equity. If they fail the fixed for fixed criteria in *IAS 32 Financial Instruments: Presentation*, they are classified as financial liability and measured in accordance with *IFRS 9 Financial Instruments*.

Critical accounting estimates and judgements
The Company makes judgements and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgements and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are discussed below.

Critical estimates and judgements
The following are the critical estimates and judgements that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Carrying value of exploration and evaluation assets (judgement)
The Company monitors internal and external indicators of impairment relating to its exploration and evaluation assets. Management has considered whether any indicators of impairment have arisen over certain assets relating to the Company's exploration licenses. Management consider the exploration results to date and assess whether, with the information available, there is any suggestion that a commercial operation is unlikely to proceed. In addition, management have considered the likely success of renewing the licences, the impact of any instances of non-compliance with license terms and are continuing with the exploration and evaluation of the sites. After considering all relevant factors, management were of the opinion that no impairment was required in relation to the costs capitalised to exploration and evaluation assets except for the below:

i) Empyrean and its China Block 29/11 partner CNOOC, along with its technical service providers CNOOC Enertech and COSL, completed significant pre-drilling operational, technical and permitting work throughout the reporting period to enable to safe drilling, although ultimately unsuccessful drilling of the Jade prospect post reporting year end. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, written off all historical expenditure incurred on Block 29/11 and also the dry hole costs associated with the Jade drilling program subsequent to year end, together being US$22.04 million. At 31 March 2022, there were no conditions, facts or circumstances present which lead the Company to believe the Jade well would be dry, therefore it does not constitute an adjusting event under the requirements of *IAS 10 Events after the Reporting Period*.

ii) While the Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the Sacramento Basin project, particularly in light of strong gas prices for gas sales in the region, it has not budgeted for further substantive exploration expenditure. As this is an impairment indicator under IFRS 6, management has taken the decision to impair all expenditure incurred on the project to date as at 31 March 2022.

iii) In light of current market conditions, little or no work has been completed on the Riverbend or Eagle Oil projects in the year and no substantial project work is forecast for either project in 2022/23 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 31 March 2022.

(b) Share based payments (judgement)
The Company has made awards of options and warrants over its unissued share capital to certain employees as part of their remuneration package. Certain warrants have also been issued to shareholders as part of their subscription for shares and suppliers for services received.

The valuation of these options and warrants involves making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in the more detail in Note 14.

Note 2. 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	Indonesia	USA	Corporate	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 March 2022					
Unallocated corporate expenses	-	-	-	(1,599)	**(1,599)**
Operating loss	**-**	**-**	**-**	**(1,599)**	**(1,599)**
Finance expense	-	-	-	(402)	**(276)**
Impairment of oil and gas properties	-	-	(4,127)	-	**(4,127)**
Cyber fraud loss	-	-	-	(1,981)	**(1,981)**
Loss before taxation	**-**	**-**	**(4,127)**	**(3,982)**	**(8,109)**
Tax expense in current year	-	-	-	(1)	**(1)**
Loss after taxation	**-**	**-**	**(4,127)**	**(3,983)**	**(8,110)**
Total comprehensive loss for the financial year	**-**	**-**	**(4,127)**	**(3,983)**	**(8,110)**
Segment assets	20,662	4,245	-	-	**24,907**
Unallocated corporate assets	-	-	-	55	**55**
Total assets	**20,662**	**4,245**	**-**	**55**	**24,962**
Segment liabilities	-	-	-	-	**-**
Unallocated corporate liabilities	-	-	-	6,286	**6,286**
Total liabilities	**-**	**-**	**-**	**6,286**	**6,286**

Details	China	Indonesia	USA	Corporate	Total
	US$'000	US$'000	US$'000	US$'000	US$'000
31 March 2021					
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 3. Operating Loss

	2022	2021
	US$'000	US$'000
The operating loss is stated after charging:		
Audit and tax fees	**(94)**	(97)

Foreign exchange differences	**(518)**	20
Impairment - exploration and evaluation assets	**(4,127)**	(3)
Cyber fraud loss[(a)]	**(1,981)**	-

Auditor's Remuneration

Amounts paid to BDO LLP and their associates in respect of both audit and non-audit services:

Fees payable to the Company's auditor for the audit of the Company annual accounts	**73**	45
Fees payable to the Company's auditor and its associates in respect of:		
- Other services relating to taxation	**12**	14
Total auditor's remuneration	**85**	59

(a) 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 Integrated Drilling Contract ("IDC") signed with COSL; however, the Company was subsequently informed that this payment was not received by COSL and had been paid to an unknown third party as a result of an impersonation fraud perpetrated against the Company.

The Company then worked with its bank, the recipient bank and the police authorities in three jurisdictions to initiate actions including the freezing of the recipient bank account and the commencement of recovery actions. Empyrean has commenced legal proceedings in the Singapore courts against the company believed to have committed the fraud and has obtained an injunction order on 21 January 2022 to freeze its assets and obtain further banking information. Empyrean will take the necessary steps and is taking legal advice for the purpose of pursuing recovery of the funds involved in the fraud. Empyrean continues to cooperate with the Singapore Police investigation into the fraud. Empyrean has taken the steps above, upon legal advice, in order to escalate the recovery process.

Empyrean has also reviewed its internal control policies including overseas and domestic payment processes and has added further authority approvals and procedures for all material payments.

Note 4. Directors' Emoluments

	Fees and Salary		Bonus Payment		Social Security Contributions		Short-Term Employment Benefits (Total)	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
	US$'000	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**	**US$'000**
Non-Executive Directors:								
Patrick Cross	**25**	24	**-**	-	**2**	2	**27**	26
John Laycock	**15**	14	**-**	-	**1**	1	**16**	15
Executive Directors:								
Thomas Kelly[(a)]	**304**	291	**-**	-	**-**	-	**304**	291
Gajendra Bisht[(b)]	**220**	220	**-**	-	**-**	-	**220**	220
Total	**564**	549	**-**	-	**3**	3	**567**	552
Capitalised to E&E[(b)]	**(165)**	(165)	**-**	-	**-**	-	**(165)**	(165)
Total expensed	**399**	384	**-**	-	**3**	3	**402**	387

(a) Services provided by Apnea Holdings Pty Ltd, of which Mr Kelly is a Director. In addition to the Director fees above, Apnea Holdings Pty Ltd was paid US$95,000 for capital raising services for the July 2021 Placement which raised US$6.92 million. Mr Kelly has not sold any shares during the reporting period.

(b) Services provided by Topaz Energy Pty Ltd, of which Mr Bisht is a Director. 75% of Mr Bisht's fees are capitalised to exploration and evaluation expenditure (Note 7).

The average number of Directors was 4 during 2022 and 2021. The highest paid director received US$304,000 (2021: US$291,000).

Note 5. Finance Expense

	2022 US$'000	2021 US$'000
Interest - convertible loan notes (Note 11)	**(253)**	-
Finance expense - equity facility options (Note 14)	**(23)**	(7)
Fair value adjustment - derivative financial liabilities (Note 12)	**(126)**	-
Total finance expense	**(402)**	(7)

Note 6. Taxation

	2022 US$'000	2021 US$'000
Opening balance	**(358)**	(358)
AMT Federal Credit received during year	**358**	-
Total corporation tax receivable	**-**	(358)
Factors Affecting the Tax Charge for the Year		
Loss from continuing operations	**(8,109)**	(953)
Loss on ordinary activities before tax	**(8,109)**	(953)
Loss on ordinary activities at US rate of 21% (2021: 21%)	**(1,703)**	(200)
Non-deductible expenses	**1,328**	23
Movement in provisions	**6**	7
Carried forward losses on which no DTA is recognised	**368**	170
	(1)	-
Analysed as:		
Tax expense on continuing operations	**(1)**	-
Tax expense in current year	**(1)**	-
Deferred Tax Liabilities		
Temporary differences - exploration	**1,669**	1,657
Temporary differences - other	**4**	4
	1,673	1,661
Offset of deferred tax assets	**(1,673)**	(1,661)
Net deferred tax liabilities recognised	**-**	-
Unrecognised Deferred Tax Assets		
Tax losses[(a)]	**3,609**	3,555
Temporary differences - exploration	**4,101**	2,946
Temporary differences - other	**1,054**	824
	8,764	7,325
Offset of deferred tax liabilities	**(1,673)**	(1,661)
Net deferred tax assets not brought to account	**7,091**	5,664

(a) If not utilised, carried forward tax losses of approximately US$9.87 million (2021: $9.63 million) begin to expire in the year 2033.

Deferred tax assets and deferred tax liabilities are offset only if applicable criteria to set off is met.

Note 7. Loss Per Share

The basic loss per share is derived by dividing the loss after taxation for the year attributable to ordinary shareholders by the weighted average number of shares on issue being 565,853,821 (2021: 479,537,844).

	2022	2021
Loss per share from continuing operations		
Loss after taxation from continuing operations	**US$(8,110,000)**	US$(953,000)
Loss per share - basic	**(1.43)c**	(0.20)c
Loss after taxation from continuing operations adjusted for dilutive effects	**US$(8,110,000)**	US$(953,000)
Loss per share - diluted	**(1.43)c**	(0.20)c

For the current and prior financial years, 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 14.

Note 8. Exploration and Evaluation Assets

	2022	2021
	US$'000	**US$'000**
Balance brought forward	**14,643**	9,850
Additions[(a)(b)]	**14,391**	847
Transfers	**-**	3,949
Impairment[(c)(d)]	**(4,127)**	(3)
Net book value	**24,907**	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. Empyrean 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. Empyrean 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 year.

(b) Empyrean and its China Block 29/11 partner CNOOC, along with its technical service providers CNOOC Enertech and COSL, completed significant pre-drilling operational, technical and permitting work throughout the reporting period to enable to safe drilling, although ultimately unsuccessful drilling of the Jade prospect post reporting year end. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, written off all historical expenditure incurred on Block 29/11 and also the dry hole costs associated with the Jade drilling program subsequent to year end, together being US$22.04 million. At 31 March 2022, there were no conditions, facts or circumstances present which lead the Company to believe the Jade well would be dry, therefore it does not constitute an adjusting event under the requirements of *IAS 10 Events after the Reporting Period*. Post-well analysis at Jade however has confirmed reservoir quality is better than pre-drill estimates with regional seal confirmed and the depth conversion approach validated. As a part of post-well evaluation, CNOOC geochemical and basin modelling experts together with Empyrean have interpreted the critical elements of effective regional oil migration pathways-leading to positive implications for the Topaz prospect, and ultimately the decision to proceed with the second phase of exploration at Block 29/11, being the drilling of the Topaz Prospect before June 2024.

(c) While the Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the Sacramento Basin project, particularly in light of strong gas prices for gas sales in the region, it has not budgeted for further substantive exploration expenditure. As this is an impairment indicator under IFRS 6, management has taken the decision to impair all expenditure incurred on the project to date as at 31 March 2022.

(d) In light of current market conditions, little or no work has been completed on the Riverbend or Eagle Oil projects in the year and no substantial project work is forecast for either project in 2022/23 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 31 March 2022.

			2022	2021
Project	**Operator**	**Working Interest**	**Carrying Value**	**Carrying Value**
			US$'000	**US$'000**
Exploration and evaluation				
China Block 29/11	Empyrean Energy	100%[1]	**20,662**	6,537
Sacramento Basin	Sacgasco	25-30%	**-**	4,054
Duyung PSC	Conrad Petroleum	8.5%	**4,245**	4,052
Riverbend	Huff Energy	10%	**-**	-

Eagle Oil Pool Development	Strata-X	58.084%	**-**	-
			24,907	14,643

1. 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 9. Trade and Other Receivables

	2022	2021
	US$'000	US$'000
Accrued revenue	**30**	30
VAT receivable	**6**	6
Total trade and other receivables	**36**	36

Note 10. Trade and Other Payables

	2022	2021
	US$'000	US$'000
Trade payables	**293**	504
Accrued expenses[(a)]	**1,006**	163
Total trade and other payables	**1,299**	667

(a) Accrued expenses includes expenditure incurred pre-31 March 2022 in relation to drilling the China Block 29/11 Jade prospect post-year end.

Note 11. Convertible Loan Notes

	2022	2021
	US$'000	US$'000
Current		
Opening balance	**-**	-
Drawdowns[(a)]	**5,412**	-
Conversions[(b)]	**(919)**	-
Costs of finance	**(211)**	-
Foreign exchange loss	**(157)**	-
Total convertible loan notes - current	**4,125**	-

(a) On 16 December 2021, the Company entered into a Convertible Loan Note Agreement with a Melbourne-based investment fund pursuant to which the Company issued a convertible loan note to the Lender and received gross proceeds of US$5.4 million (£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.

(b) On 22 March 2022 the Company advised that it had received a conversion notice to convert 8,750,000 Ordinary Shares at a conversion price of 8.0p per share under the existing Convertible Loan Note Agreement. The partial conversion reduced the amount owing on the Convertible Note by US$0.92 million (£0.7 million).

Note 12. Derivative Financial Liabilities

	2022	2021
	US$'000	US$'000
Current		
Opening balance	**-**	-
Issue of warrants[(a)(b)]	**596**	-
Fair value revaluation[(a)(b)]	**126**	-
Total derivative financial liabilities - current	**722**	-

(a) 41,849,249 Placement 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$489,000 was recorded as a derivative financial liability. As a financial liability at fair value through profit or loss these were revalued at the year end. Refer to Note 14 for valuations and assumptions of the warrants.

(b) As detailed in the announcement on 9 July 2021, any Placement Warrants that were exercised by 22 October 2021 (subsequently extended to 12 November 2021) were entitled to receive replacement incentive warrants ("Substitute Warrants" and "Bonus Warrants"), resulting in an additional 3,808,333 Substitute Warrants and 3,808,333 Bonus Warrants being issued on exercise of Placement Warrants. The Substitute Warrants have an exercise price of £0.12 and expire on 22 October 2022. The Bonus Warrants have an exercise price of £0.18 and expire on 22 July 2023. The Substitute and Bonus Warrants have been valued using a Black-Scholes model and the fair value of US$109,000 was recorded as a derivative financial liability. As a financial liability at fair value through profit or loss these were revalued at the year end. Refer to Note 14 for valuations and assumptions of the warrants.

Note 13. Reconciliation of Net Loss

	2022	2021
	US$'000	US$'000
Loss before taxation	**(8,109)**	(953)
Share-based payments	**66**	100
Finance expense (non-cash)	**148**	7
Impairment - exploration and evaluation assets	**4,127**	3
Cyber fraud loss	**1,981**	-
Forex loss/(gain)	**518**	(20)
Decrease/(increase) in trade receivables relating to operating activities	**-**	(1)
Increase in trade payables relating to operating activities	**-**	-
Increase in provisions	**29**	33
Net cash outflow from operating activities before taxation	**(1,240)**	(831)
Receipt of corporation tax	**358**	-
Net cash outflow from operating activities	**(882)**	(831)

Note 14. Share Capital

	2022	2021
	US$'000	US$'000
646,070,780 (2021: 489,430,615) ordinary shares of 0.2p each	**1,809**	1,398

	2022	2021
	No.	No.
a) Fully Paid Ordinary Shares of 0.2p each - Number of Shares		
At the beginning of the reporting year	**489,430,615**	447,597,577
Shares issued during the year:		
• Placements[(a)(b)]	**144,081,832**	-
• Partial conversion of Convertible Note[(c)]	**8,750,000**	-
• Exercise of warrants	**3,808,333**	-
• Placements & Subscriptions - prior year	**-**	41,833,038
Total at the end of the reporting year	**646,070,780**	489,430,615

	2022	2021
	US$'000	US$'000
b) Fully Paid Ordinary Shares of 0.2p each - Value of Shares		
At the beginning of the reporting year	**1,398**	1,291
Shares issued during the year:		
• Placements[(a)(b)]	**378**	-

• Partial conversion of Convertible Note[c]	**23**	-
• Exercise of warrants	**10**	-
• Placements & Subscriptions - prior year	**-**	107
Total at the end of the reporting year	**1,809**	1,398

(a) In July 2021 the Company completed a Placing to raise US$6.92 million (£5.02 million) before costs, issuing 83,698,498 new ordinary shares at a price of 6.0p per Share.

(b) On 16 December 2021, the Company advised that it has secured funding totalling US$10.14 million (£7.62 million) through an equity placing and convertible loan note issue. Pursuant to the equity placing, the Company issued 60,383,334 new ordinary shares at a price of 6.0p per Share to raise US$4.89 million (£3.62 million) before costs.

(c) On 22 March 2022 the Company advised that it had received a conversion notice to convert 8,750,000 Ordinary Shares at a conversion price of 8.0p per share under the existing Convertible Loan Note Agreement. The partial conversion reduced the amount owing on the Convertible Note by US$0.92 million (£0.7 million).

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 2022	Number of Options & Warrants 2022	Weighted Average Exercise Price 2021	Number Of Options 2021
Outstanding at the beginning of the year	**£0.094**	**20,233,334**	£0.145	5,500,000
Issued during the year[a][b]	**£0.125**	**49,465,915**	£0.088	17,233,334
Cancelled during the year	**-**	**-**	£0.170	(2,500,000)
Exercised during the year	**£0.120**	**(3,808,333)**	-	-
Outstanding at the end of the year	**£0.116**	**65,890,916**	£0.094	20,233,334

(a) 41,849,249 Placement 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$489,000 was recorded as a derivative financial liability (Note 12).

(b) As detailed in the announcement on 9 July 2021, any Placement Warrants that were exercised by 22 October 2021 (subsequently extended to 12 November 2021) were entitled to receive replacement incentive warrants ("Substitute Warrants" and "Bonus Warrants"), resulting in an additional 3,808,333 Substitute Warrants and 3,808,333 Bonus Warrants being issued on exercise of Placement Warrants. The Substitute Warrants have an exercise price of £0.12 and expire on 22 October 2022. The Bonus Warrants have an exercise price of £0.18 and expire on 22 July 2023. The Substitute and Bonus Warrants have been valued using a Black-Scholes model and the fair value of US$109,000 was recorded as a derivative financial liability (Note 12).

Valuation and assumptions of options and warrants at 31 March 2022

	Employee Options	Employee Options	Equity Facility Options	Equity Facility Options	Subscriber Warrants	Placement Warrants	Substitute Warrants	Bonus Warrants
Number of Options	2,500,000	2,500,000	500,000	500,000	14,233,334	41,849,249	3,803,333	3,803,333
Grant date	17/09/19	15/09/20	24/12/19	11/09/20	11/09/20	09/07/21	12/11/21	15/11/21
Expiry date	30/09/22	10/09/23	24/12/22	17/09/23	25/09/22	22/07/22	22/10/22	22/07/23
Share price	£0.098	£0.05	£0.084	£0.047	£0.047	£0.063	£0.073	£0.063
Exercise price	£0.125	£0.075	£0.123	£0.1014	£0.09	£0.12	£0.12	£0.18
Volatility	79%	81%	79%	81%	81%	82%	79%	79%
Option life	3.00	3.00	3.00	3.00	2.00	1.00	1.00	1.70
Expected dividends	-	-	-	-	-	-	-	-
Risk-free interest rate (based on national government bonds)	0.49%	0.14%	0.52%	0.14%	0.14%	0.08%	0.08%	0.08%

The options outstanding at 31 March 2022 have an exercise price in the range of £0.075 to £0.18 (2021: £0.075 to £0.125) and a weighted average remaining contractual life of 0.95 years (2021: 1.64 years).

Note 15. Reserves

Reserve	Description and purpose
Warrant and share-based payment reserve	Records items recognised as expenses on valuation of employee share options and subscriber warrants.
Retained losses	All other net gains and losses and transactions with owners not recognised elsewhere.

Note 16. Related Party Transactions

Directors are considered Key Management Personnel for the purposes of related party disclosure.

There were no related party transactions during the year ended 31 March 2022 other than those disclosed in Note 4.

Note 17. Financial Risk Management

The Company manages its exposure to credit risk, liquidity risk, foreign exchange risk and a variety of financial risks in accordance with Company policies. These policies are developed in accordance with the Company's operational requirements. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessment of prevailing and forecast interest rates and foreign exchange rates. Liquidity risk is managed through the budgeting and forecasting process.

Credit risk
Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Company.

Risk is also minimised by investing surplus funds in financial institutions that maintain a high credit rating.

Credit risk related to balances with banks and other financial institutions are managed in accordance with approved Board policy. The Company's current investment policy is aimed at maximising the return on surplus cash, with the aim of outperforming the benchmark within acceptable levels of risk return exposure and to mitigate the credit and liquidity risks that the Company is exposed to through investment activities.

The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	2022	2021
	US$'000	US$'000
Cash and cash equivalents		
AA-rated	**19**	150
Total cash and cash equivalents	**19**	150

Price risk
Commodity price risk
The Company is not directly exposed to commodity price risk. However, there is a risk that the changes in prevailing market conditions and commodity prices could affect the viability of the projects and the ability to secure additional funding from equity capital markets.

Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company manages liquidity risk by maintaining sufficient cash or credit facilities to meet the operating requirements of the business and investing excess funds in highly liquid short-term investments. The Company's liquidity needs can be met through a variety of sources, including the issue of equity instruments and short or long-term borrowings.

Alternative sources of funding in the future could include project debt financing and equity raisings, and future operating cash flow. These alternatives will be evaluated to determine the optimal mix of capital resources.

The following table details the Company's non-derivative financial instruments according to their contractual maturities. The amounts disclosed are based on contractual undiscounted cash flows. Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Less than 6 months	6 months to 1 year	1 to 6 years	Total
	US$'000	US$'000	US$'000	US$'000
Convertible loan note (2022)	-	4,125	-	4,125
Trade and other payables (2022)	1,299	-	-	1,299
Trade and other payables (2021)	667	-	-	667

Capital
In managing its capital, the Company's primary objective is to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, through new share issues, the Company considers not only its short-term position but also its long-term operational and strategic objectives. The Company has a track record of successfully securing additional funding as and when required from equity capital markets.

Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commitments, assets and liabilities that are denominated in a currency that is not the functional currency of the Company. Currently there are no foreign exchange hedge programmes in place. However, the Company treasury function manages the purchase of foreign currency to meet operational requirements.

As at 31 March 2022 the Company's gross exposure to foreign exchange risk was as follows:

	2022	2021
	US$'000	US$'000

Gross foreign currency financial assets		
Cash and cash equivalents - GBP	**10**	133
Total gross exposure	**10**	133

The effect of a 10% strengthening of the USD against the GBP at the reporting date on the GBP-denominated assets carried within the USD functional currency entity would, all other variables held constant, have resulted in an increase in post-tax loss for the year and decrease in net assets of US$1,000 (2021: US$13,300).

Fair value

Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values may be based on information that is estimated or subject to judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement and the assumptions have been detailed below.

The following methods and assumptions are used to determine the net fair values of financial assets and liabilities:

- Cash and short-term investments - the carrying amount approximates fair value because of their short term to maturity;
- Trade receivables and trade creditors - the carrying amount approximates fair value; and
- Derivative financial assets and liabilities - initially recognised at fair value through profit and loss at the date the contract is entered into and subsequently re-measured at each reporting date, the fair value of the derivative financial liability warrants is calculated using a Black-Scholes Model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- Quoted prices in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Financial instruments at fair value and methods used to estimate the fair value are summarised below:

Financial Instruments at Fair Value	**31 March 2022**	**31 March 2021**
	Fair Value	**Fair Value**
	US$'000	**US$'000**
Financial liabilities		
Derivative financial liabilities (Level 3)	**722**	-
Total financial liabilities	**722**	-

Financial instruments by category are summarised below:

Financial Instruments by Category	**Fair Value Through Profit or Loss**		**Amortised Cost**	
	31 March 2022	**31 March 2021**	**31 March 2022**	**31 March 2021**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Financial assets				
Cash and cash equivalents	**-**	-	**19**	150
Trade and other receivables	**-**	-	**36**	36
Total financial assets	**-**	-	**55**	186
Financial liabilities				
Trade and other payables	**-**	**-**	**1,299**	504
Convertible loan notes	**-**	**-**	**4,125**	-
Derivative financial liabilities	**722**	**-**	**-**	-
Total financial liabilities	**722**	**-**	**5,424**	504

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash

equivalents consist of cash and cash equivalents as defined above and which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Note 18. Events After the Reporting Date

Significant events post reporting date were as follows:

On 1 April 2022 the Company issued 18,750,000 Ordinary Shares at a conversion price of 8.0p per share under the existing Convertible Loan Note Agreement, as announced on 28 March 2022. The partial conversion reduced the amount owing on the Convertible Note by US$1.97 million (£1.5 million).

In April 2022, Empyrean announced that the Jade well had reached a final total depth of 2,849 metres MD and the interpretation from LWD and mud logging equipment indicated no oil pay in the target reservoir. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, written off all historical expenditure incurred on Block 29/11 and also the dry hole costs associated with the Jade drilling program subsequent to year end, together being US$22.04 million.

In May 2022 Empyrean completed a Placing to raise US$2.25 million (£1.83 million) with funds raised under this Placing to primarily be used to complete further post well analysis of the Jade well, satisfy any further costs associated with the Jade drilling, 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.

In May 2022, 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 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.

In June 2022 Empyrean announced that following the completion of post well analysis at Jade it would be entering the second phase of exploration and drilling the Topaz prospect at its 100% owned Block 29/11 permit, offshore China. The second phase of exploration requires the payment to CNOOC of US$250,000 and the work obligation is the drilling of an exploration well within 2 years.

In September 2022 the Company announced that the partners in the Duyung PSC had approved the updated POD and have secured alignment with SKK Migas on the plan. The POD has been submitted to the Indonesian Ministry of Energy and Mineral Resources for approval and an Operator commissioned Competent Persons Report has been prepared by GCA for the Mako development.

No other matters or circumstances have arisen since the end of the financial year 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.

Note 19. Committed Expenditure

The Company has met all commitments on all three key projects during the current financial year.

Block 29/11 offshore China

The Company's committed work program for the GSA phase for Block 29/11 included acquisition, processing and interpretation of 500km2 for a 3D seismic survey, and a financial commitment of US$3.0 million. The Company exceeded the work program commitments during the 2018 financial year.

Having successfully completed the committed work program for the first phase GSA, the Company exercised its option to enter a PSC on the Block, on pre-negotiated terms, with CNOOC on 30 September 2018, with the date of commencement of implementation of the PSC being 13 December 2018. In April 2022, Empyrean announced that the Jade well had reached a final total depth of 2,849 metres MD and the interpretation from logging while drilling (LWD) and mud logging equipment indicated no oil pay in the target reservoir. In June 2022 Empyrean announced that following the completion of post well analysis at Jade it would be entering the second phase of exploration and drilling the Topaz prospect at its 100% owned Block 29/11 permit, offshore China. The second phase of exploration requires the payment to CNOOC of US$250,000 and the work obligation is the drilling of an exploration well within 2 years. It is estimated that the cost of drilling this well would be approximately US$12 million.

Additional commitments for the 2022/23 financial year consist of an annual assistance fee to CNOOC of US$67,000, an annual personnel representative fee to CNOOC of approximately US$260,000 and an annual prospecting fee of US$128,000.

Duyung PSC offshore Indonesia

As reported the joint venture partners completed a successful exploration and appraisal well program at the Duyung PSC during 2020. Empyrean have paid all cash calls associated with the program with no further amounts due and payable.

Sacramento Basin assets onshore California

The Company earned a 30% interest in the Dempsey Prospect by paying US$2,100,000 towards the costs of drilling the Dempsey 1-15 exploration well. These drilling costs had a promoted cap of US$3,200,000 and the Company paid its share of

additional costs at Dempsey 1-15, including completion costs. At the time of this report, the work plan, cost estimates and timing of further expenditure for both the Borba and Alvares prospects have not been finalised. The Company incurs quarterly cash calls of approximately US$10,000 for overheads, geological and geophysical costs and approximately US$48,000 for its share of associated lease obligations annually.

Note 20. Ultimate Controlling Party

The Directors consider that there is no ultimate controlling party of the Company.

END

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