

RNS Half-year/Interim Report

INTERIM RESULTS

[EMPYREAN ENERGY PLC](#)

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20 December 2022

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

Interim Results

Empyrean Energy (EME: AIM), the oil and gas development company with interests in China, Indonesia and the United States, is pleased to provide its Interim Report for the six months ended 30 September 2022.

Highlights

- ***Block 29/11, Pearl River Mouth Basin, China (EME 100%)***
 - 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 confirmed that the reservoir quality is better than pre-drill estimates with regional seal confirmed and depth conversion approach validated.
 - Main technical reason identified for the absence of pay at Jade is no effective oil migration from the Baiyun Sag to Jade trap.
 - China National Offshore Oil Corporation ("CNOOC") technical team has been assisting in understanding and analysing the migration pathways in the basin, particularly to the Topaz prospect.
 - Empyrean entered second phase of exploration with the aim to drill the Topaz Prospect before June 2024.
- ***Duyung PSC Project, Indonesia (EME 8.5%)***
 - Indonesian Government approval for the revised Mako Plan of Development ("PoD") received.

- Updated PoD based upon Contingent Duyung PSC Resources of 384 billion cubic feet gross within the Duyung PSC area which represents 297 billion cubic feet net attributable* to 100% of the Duyung PSC Joint Venture.
- Gas sales agreement negotiations continue with several interested parties.

- **Corporate**

- £1.83 million (US\$2.27 million) raised through Placing at a price of 1.5p per share; and
- Convertible Loan Note debt restructured.

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Chairman's Statement

Following the drilling of the Jade Prospect at our 100% owned Block 29/11, offshore China in April 2022, Empyrean, with assistance from its partner in the project, CNOOC, conducted regional oil charge analysis in and around Block 29/11. The conclusions were encouraging for the Topaz prospect. When combining the excellent quality 3D seismic data with the well data and post well analysis, the validity of the Topaz prospect was such that the Company entered the second phase of exploration at the Topaz prospect with the aim to drill before June 2024. Further updates will be provided in due course.

The Company is pleased with the approval by the Indonesian Ministry of Energy and Mineral Resources of the updated Plan of Development for the Mako Gas Project within the Duyung PSC. This was a major milestone on the pathway to developing this significant pipeline quality methane gas resource at the project and allows the operator, Conrad, to re-focus resources on consummating negotiations to complete a Gas Sales Agreement at the earliest opportunity.

On the corporate front, in May 2022 the Company completed a placement with funds used primarily for the post Jade analysis work mentioned above and for working capital and, at the same time, restructured the existing convertible note agreement.

It has been a challenging year for the Company following the disappointing Jade well result but the Company remains committed to working through these challenges. The Company eagerly awaits completion of the Gas Sales Agreement in Indonesia and is assessing other opportunities on the project front while also pursuing avenues to secure the necessary support required from a funding perspective. Patrick Cross

Patrick Cross

Non-Executive Chairman

20 December 2022

Operational Review

China Block 29/11 Project (100% WI)

Background

Block 29/11 is located in the prolific Pearl River Mouth Basin, offshore China approximately 200km Southeast of Hong Kong. The acquisition of this block heralded a new phase for Empyrean when it became an operator with 100% of the exploration rights of the permit during the exploration phase of the project. In the event of a commercial discovery, 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.

Jade Prospect Drill Program

In April 2022, the Company commenced the drilling of the LH 17-2-1 well to test the Jade Prospect in Block 29/11, offshore China. It was the first of the three prospects high graded by the 2017 3D seismic survey.

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.

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.

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 to 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 kitchens/source rocks.

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 with the aim of drilling 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%

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

Duyung PSC, Indonesia (8.5% WI)

Background

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

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

In early 2019, both the operator, Conrad, and Empyrean divested part of their interest in the Duyung PSC to AIM-listed Coro Energy Plc ("Coro"). Following the transaction, Empyrean's interest reduced from 10% to 8.5% interest in May 2020, having received cash and shares from Coro.

Revised Plan of Development

In September 2022, Empyrean announced that the partners in the Duyung PSC have approved the revised PoD and have secured alignment with SKK Migas on the plan. The PoD was then submitted to the Indonesian Ministry of Energy and Mineral Resources for approval, which was duly received in November 2022, marking a major milestone on the pathway to developing this significant pipeline quality methane gas resource. It also allows the operator Conrad to focus on its stated objective of working with the Government of Indonesia to complete Gas Sales Agreement negotiations at the earliest opportunity.

The revised Mako PoD amends an initial Mako Gas Project PoD approved in 2018 to reflect, inter alia, previously announced increases in Contingent Resources following a successful 2019 drilling campaign. The award of the revised POD represents a material event in progressing the Mako Gas Project and is a significant milestone on the critical path to developing this significant resource, which is currently the largest undeveloped gas field in South Natuna Sea.

The revised Mako PoD is based on field Contingent Resources of 297 billion cubic feet (net attributable to 100% of the Duyung PSC Joint Venture) and a daily production of 120 MMscf/d, consistent with the GaffneyCline Associates competent persons report dated 26 August 2022, details of which were also announced by the Company on 9 September 2022.

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 Emphyrean 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 31 March 2022 and continued to fully impair the carrying value of the asset at 30 September 2022.

The information contained in this report was completed and reviewed by the Company's Executive Director (Technical), Mr Gajendra (Gaz) Bisht, who has over 32 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.*

Statement of Comprehensive Income For the Period Ended 30 September 2022

		6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
		2022	2021	2022
	Notes	US\$'000	US\$'000	US\$'000
Revenue		-	-	-
Administrative expenditure				
Administrative expenses		(201)	(179)	(377)
Compliance fees		(121)	(42)	(302)
Directors' remuneration		(186)	(179)	(402)
Foreign exchange differences		388	(28)	(518)
Impairment - exploration and evaluation assets	3	(22,097)	(1)	(4,127)
Cyber fraud loss		-	-	(1,981)
Total administrative expenditure		(22,217)	(429)	(7,707)
Operating loss		(22,217)	(429)	(7,707)
Finance expense		(1,888)	(23)	(402)
Loss from continuing operations before taxation		(24,105)	(452)	(8,109)
Tax expense in current period		(1)	(1)	(1)
Loss from continuing operations after taxation		(24,106)	(453)	(8,110)
Total comprehensive loss for the year		(24,106)	(453)	(8,110)
Loss per share from continuing operations (expressed in cents)				
- Basic	2	(3.22)c	(0.09)c	(1.43)c
- Diluted	2	(3.22)c	(0.09)c	(1.43)c

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

Statement of Financial Position As at 30 September 2022

		6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
		2022	2021	2022
	Notes	US\$'000	US\$'000	US\$'000
Assets				
Non-Current Assets				
Exploration and evaluation assets	3	4,417	14,869	24,907
Total non-current assets		4,417	14,869	24,907
Current Assets				
Trade and other receivables		50	38	36
Cash and cash equivalents		800	6,098	19
Total current assets		850	6,136	55
Liabilities				
Current Liabilities				
Trade and other payables		2,160	237	1,299
Provisions		140	135	140
Convertible loan notes	4	3,258	-	4,125
Derivative financial liabilities		722	-	722
Total current liabilities		6,280	372	6,286
Net Current Assets/(Liabilities)		(5,430)	5,764	(6,231)
Net Assets/(Liabilities)		(1,013)	20,633	18,676

Shareholders' Equity				
Share capital	5	2,170	1,627	1,809
Share premium reserve		45,319	35,303	41,285
Warrant and share based payment reserve		598	1,040	576
Retained losses		(49,100)	(17,337)	(24,994)
Total Equity		(1,013)	20,633	18,676

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

Statement of Cash Flows

For the Period Ended 30 September 2022

		6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
		2022	2021	2022
	Notes	US\$'000	US\$'000	US\$'000
Operating Activities				
Payments for operating activities		(591)	(394)	(1,240)
Receipt of corporation tax		-	358	358
Net cash outflow from operating activities		(591)	(36)	(882)
Investing Activities				
Payments for exploration and evaluation		(1,045)	(599)	(14,391)
Payments due to cyber fraud		-	-	(1,981)
Net cash outflow from investing activities		(1,045)	(599)	(16,372)
Financing Activities				
Issue of ordinary share capital		2,268	6,920	11,805
Proceeds from exercise of warrants		233	-	623
Proceeds from borrowings		-	-	5,412
Payment of finance costs		(8)	-	(271)
Payment of equity issue costs		(76)	(309)	(463)
Net cash inflow from financing activities		2,417	6,611	17,106
Net increase/(decrease) in cash and cash equivalents		781	5,976	(148)
Cash and cash equivalents at the start of the year		19	150	150
Forex loss on cash held		-	(28)	17
Cash and cash equivalents at the end of the period		800	6,098	19

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

Statement of Changes in Equity

For the Period Ended 30 September 2022

	Share Capital	Share Premium Reserve	Warrant and SBP Reserve	Retained Loss	Total Equity
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 April 2021	1,398	29,408	487	(16,884)	14,409
Loss after tax for the period	-	-	-	(453)	(453)
Total comprehensive loss for the period	-	-	-	(453)	(453)
Contributions by and distributions to owners					
Shares and warrants issued	229	6,204	487	-	6,920
Equity issue costs	-	(309)	-	-	(309)
Share-based payment expense	-	-	43	-	43
Finance expense (share-based)	-	-	23	-	23
Total contributions by and distributions to owners	229	5,895	553	-	6,677
Balance at 30 September 2021	1,627	35,303	1,040	(17,337)	20,633
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 and warrants issued	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 1 April 2022	1,809	41,285	576	(24,994)	18,676
Loss after tax for the period	-	-	-	(24,106)	(24,106)
Total comprehensive loss for the period	-	-	-	(24,106)	(24,106)
Contributions by and distributions to owners					
Shares and warrants issued	307	1,961	-	-	2,268
Partial conversion of convertible note	49	1,921	-	-	1,970
Exercise of warrants	5	228	-	-	233
Equity issue costs	-	(76)	-	-	(76)
Share-based payment expense	-	-	22	-	22
Total contributions by and distributions to owners	361	4,034	22	-	4,417
Balance at 30 September 2022	2,170	45,319	598	(49,100)	(1,013)

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

Notes to the Financial Statements

For the Period Ended 30 September 2022

Basis of preparation

The Company's condensed interim financial statements for the six months ended 30 September 2022 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom and Companies Act 2006. The principal accounting policies are summarised below. The financial report is presented in the functional currency, US dollars and all values are shown in thousands of US dollars (US\$'000). The financial statements have been prepared on a historical cost basis and fair value for certain assets and liabilities. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Company's latest audited financial statements for the year ended 31 March 2022.

The financial information for the period ended 30 September 2022 does not constitute the full statutory accounts for that period. They have not been reviewed by the Company's auditor. The Annual Report and financial statements for the year ended 31 March 2022 have been filed with the Registrar of Companies. The independent auditor's report on the Annual Report and financial statements was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006, but did draw attention to a material uncertainty relating to going concern.

Nature of business

The Company is a public limited company incorporated and domiciled in England and Wales. The address of the registered office is 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 period has been the development of its exploration projects. The Company had a cash balance of US\$0.80 million at 30 September 2022 (31 March 2022: US\$0.19 million) and made a loss after income tax of US\$24.11 million (31 March 2022 loss of US\$8.11 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 was 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, before interest accrues, 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 its 8.5% interest in the Duyung PSC and Mako Gas Field.

In May 2022 US\$2.27 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.

The Company is required to raise further funding either through equity or the sale of assets as at the date of this report to meet the well commitment at Topaz, to meet the repayment terms of the Convertible Note and for working capital purposes. The Directors note that if the well commitment at Topaz 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.

Note 1. Segmental Analysis

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

Details	China US\$'000	Indonesia US\$'000	USA US\$'000	Corporate US\$'000	Total US\$'000
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30 September 2022

Revenue from continued operations	-	-	-	-	-
Segment result					
Unallocated corporate expenses	-	-	-	(120)	(120)
Operating loss	-	-	-	(120)	(120)
Finance expense	-	-	-	(1,888)	(1,888)
Impairment of oil and gas properties	(22,069)	-	(28)	-	(22,097)
Loss before taxation	(22,069)	-	(28)	(1,888)	(24,105)
Tax expense in current period	-	-	-	(1)	(1)
Loss after taxation	(22,069)	-	(28)	(2,009)	(24,106)
Total comprehensive loss for the financial period	(22,069)	-	(28)	(2,009)	(24,106)
Segment assets	-	4,417	-	-	4,417
Unallocated corporate assets	-	-	-	850	850
Total assets	-	4,417	-	850	5,267
Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities	-	-	-	6,280	6,280
Total liabilities	-	-	-	6,280	6,280

Details

China	Indonesia	USA	Corporate	Total
US\$'000	US\$'000	US\$'000	US\$'000	US\$'000

30 September 2021

Revenue from continued operations	-	-	-	-	-
Segment result					
Unallocated corporate expenses	-	-	-	(428)	(428)
Operating loss	-	-	-	(428)	(428)
Finance expense	-	-	-	(23)	(23)
Impairment of oil and gas properties	-	-	(1)	-	(1)
Loss before taxation	-	-	(1)	(451)	(452)
Tax expense in current period	-	-	-	(1)	(1)
Loss after taxation	-	-	(1)	(452)	(453)
Total comprehensive loss for the financial period	-	-	(1)	(452)	(453)
Segment assets	6,690	4,121	4,058	-	14,869
Unallocated corporate assets	-	-	-	6,136	6,136
Total assets	6,690	4,121	4,058	6,136	21,005
Segment liabilities	-	-	-	-	-
Unallocated corporate liabilities	-	-	-	372	372
Total liabilities	-	-	-	372	372

Details

China	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

Note 2. Loss Per Share

The basic loss per share is derived by dividing the loss after taxation for the period attributable to ordinary shareholders by the weighted average number of shares on issue being 747,642,305 (2021: 521,903,803).

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2022	2021	2022
Loss per share from continuing operations			
Loss after taxation from continuing operations	US\$(24,106,000)	US\$(453,000)	US\$(8,110,000)
Loss per share - basic	(3.22)c	(0.09)c	(1.43)c
Loss after taxation from continuing operations adjusted for dilutive effects	US\$(24,106,000)	US\$(453,000)	US\$(8,110,000)
Loss per share - diluted	(3.22)c	(0.09)c	(1.43)c

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

Note 3. Oil and Gas Properties: Exploration and Evaluation

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2022 US\$'000	2021 US\$'000	2022 US\$'000
Balance brought forward	24,907	14,184	14,643
Additions ^(a)	1,607	686	14,391
Impairment ^{(b)(c)(d)}	(22,097)	(1)	(4,127)
Net book value	4,417	14,869	24,907

- (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 period.
- (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 to enable the safe, but ultimately unsuccessful drilling of the Jade prospect in April 2022. 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, totaling \$US22.07 million. 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. The Company has continued to fully impair the carrying value of the asset at 30 September 2022.
- (d) In light of current market conditions, little or no work has been completed on the Riverbend or Eagle Oil projects in the period and no substantial project work is forecast for either project in 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 30 September 2022.

Project	Operator	Working Interest	2022 Carrying Value US\$'000	2021 Carrying Value US\$'000
<i>Exploration and evaluation</i>				
China Block 29/11	Empyrean Energy	100%*	-	6,690
Sacramento Basin	Sacgasco	25-30%	-	4,058
Duyung PSC	Conrad	8.5%	4,417	4,121
Riverbend	Huff Energy	10%	-	-
Eagle Oil Pool Development	Strata-X	58.084%	-	-
			4,417	14,869

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

Note 4. Convertible Loan Notes

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2022 US\$'000	2021 US\$'000	2022 US\$'000
Current			
Opening balance	4,125	-	-
Drawdowns ^(a)	-	-	5,412
Conversions ^(b)	(1,970)	-	(919)
Costs of finance ^(c)	1,636	-	(211)
Foreign exchange gain	(533)	-	(157)
Total convertible loan notes - current	3,258	-	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). Under the terms of original Convertible Note, 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 in December 2022 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 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).

- (c) 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.

Note 5. Share Capital

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2022 US\$'000	2021 US\$'000	2022 US\$'000
Issued and fully paid			
788,431,892 (2021: 573,129,113) ordinary shares of 0.2p each	2,170	1,627	1,809
Opening balance (2022 number: 646,070,780)	1,809	1,398	1,398
Placements (2022 number: 121,750,001)	307	229	378
Partial conversion of Convertible Note (2022 number: 18,750,000)	49	-	23
Exercise of warrants (2022 number: 1,861,111)	5	-	10
Closing balance (2022 number: 788,431,892)	2,170	1,627	1,809

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:

	6 Months to 30 September 2022 (unaudited)		6 Months to 30 September 2021 (unaudited)	
	Weighted Average Exercise Price 2022	Number of Options and Warrants 2022	Weighted Average Exercise Price 2021	Number Of Options and Warrants 2021
Outstanding at the beginning of the period	£0.116	65,890,916	£0.094	20,233,334
Issued during the period	-	-	£0.120	41,849,249
Cancelled during the period	£0.113	(53,413,139)	-	-
Exercised during the period	£0.096	(1,861,111)	-	-
Outstanding at the end of the period	£0.131	10,616,666	£0.114	62,082,583

Valuation and assumptions of options and warrants at 30 September 2022

	Employee Options	Equity Facility Options	Equity Facility Options	Substitute Warrants	Bonus Warrants
Number of options remaining	2,500,000	250,000	250,000	3,803,333	3,803,333
Grant date	15/09/20	24/12/19	11/09/20	12/11/21	15/11/21
Expiry date	10/09/23	24/12/22	17/09/23	22/10/22	22/07/23
Share price	£0.05	£0.084	£0.047	£0.073	£0.063
Exercise price	£0.075	£0.123	£0.1014	£0.12	£0.18
Volatility	81%	79%	81%	79%	79%
Option life	3.00	3.00	3.00	1.00	1.70
Expected dividends	-	-	-	-	-
Risk-free interest rate (based on national government bonds)	0.14%	0.52%	0.14%	0.08%	0.08%

The options and warrants outstanding at 30 September 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 0.57 years (2021: 1.07 years). None of the outstanding options and warrants at 30 September are exercisable at period end.

Note 6. Events After the Reporting Date

Significant events post reporting date were as follows:

In November 2022 the Indonesian Ministry of Energy and Mineral Resources approved the updated Plan of Development for the Mako Gas Project within the Duyung PSC, as detailed in the Operational Review.

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

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