FINAL RESULTS

EMPYREAN ENERGY PLC

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1 September 2023

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

Final Results

Empyrean Energy is pleased to announce its final results for the year ended 31 March 2023 ("**Report and Accounts**"). The full Report and Accounts will be made available on the Company's website in the coming days.

Highlights

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

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. As a result, Empyrean has provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program.

- Empyrean decided to enter the second phase of exploration with the aim to drill the larger Topaz prospect following post-well analysis at Jade that confirmed the reservoir quality to be better than pre-drill estimate and an initial CNOOC-assisted migration pathways assessment.

Post-Reporting period

- Joint regional oil migration study with CNOOC team to be completed which will map oil migration from the proven source rock south-west of Block 29/11 that charges the four CNOOC oil discoveries (immediately west of Block 29/11 and Topaz) and extend this into Block 29/11 and map these potential migration pathways to Topaz.

- Simultaneous 3D seismic inversion project to determine whether light oil pay in the target reservoir can be discriminated from a water bearing reservoir to be completed at Topaz with a specialist seismic consultancy with expertise in seismic inversion.

- Topaz Drill Program targeted to commence in 2024.

Duyung PSC Project, Indonesia (EME 8.5%)

Reporting period

- Updated Plan of Development ("**Mako POD**") submitted to the Indonesian Ministry of Energy and Mineral Resources for approval in September 2022 and subsequently approved in November 2022.

- Updated Mako PoD based upon Contingent Duyung PSC Resources of 384 billion cubic feet gross within the Duyung PSC area which represents some 297 billion cubic feet net attributable* to 100% of the Duyung PSC Joint Venture.

- The operator, Conrad Asia Energy Ltd ("**Conrad**"), has continued to advance Gas Sales Agreement ("**GSA**") negotiations. Prevailing strong gas prices in the region are expected to influence the ultimate terms reached in the binding agreement.

Post-Reporting period

- Negotiation of key terms of the Mako GSA between a Singaporean buyer and the Indonesian regulator (SKKMIGAS) are expected to be finalised in the near term.

- Conrad engaged a global investment bank to lead a farm-down process for the divestment of a portion of its interest in the Duyung Production Sharing Contract. Bids are expected to be received shortly after a binding terms sheet for the GSA is consummated.

- 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%)

- No work was conducted on the project during the year.

Corporate

Reporting period

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

- Convertible Loan Note Debt restructured.

Post-Reporting period

- Placement to raise US$1.88 million (£1.52 million) completed in May 2023.

- Convertible Loan Note Debt restructured to reduce face value of the note and secure extended moratorium on interest.

Empyrean CEO Tom Kelly said, "Following the disappointing result at Jade earlier in reporting year, Empyrean's post well analysis has been able to combine our excellent quality 3D seismic data with the confirmed well data from Jade to improve the validity of the Topaz prospect as a robust and large drilling target of approximately 891 million barrels in place (P10). Based on this work, in June 2022 Empyrean 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.

Empyrean now intends to conduct two further key projects that capitalise on the excellent quality 3D seismic acquired by the Company over the permit, shared regional 3D seismic that CNOOC has and additional physical well data of both Empyrean and CNOOC. These projects, consisting of a regional oil migration study and a simultaneous 3D seismic inversion project, are designed to help address and mitigate the remaining primary geological risk at Topaz, being oil migration into the Topaz trap.

In Indonesia, Empyrean welcomed 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 significant milestone on the pathway to developing this significant pipeline quality methane gas resource at the project. We now look forward to the conclusion of GSA negotiations and to developments on the sell down process of the Mako Gas Field. The macro environment for gas in South East Asia, and Singapore in particular, is expected to continue trending favourably with the region transitioning from coal to gas as the preferred energy source.

On the corporate front, the Company has successfully raised funds as needed during and post year end and was pleased to renegotiate the Convertible Note post year end, which resulted in a reduction in the face value of the Note and secured an extended moratorium on interest.

The Company continues to assess 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, as well as further equity funding.

The Board and management of Empyrean are excited about the prospects of the Company, having secured recent funding and with some important value catalysts on the horizon from both the projects in Indonesia and China. In 2024 the Company hopes to take the learnings from the Jade well and the studies it is now conducting to further de-risk and ultimately drill the Topaz Prospect, which in itself could be a transformational result for Empyrean and its shareholders."

Chairman's Statement

While we were all disappointed with the Jade well outcome, work continued at Empyrean and extensive post well analysis led to the Company electing to proceed with planning and further de-risking work with the aim to ultimately drill the Topaz prospect in 2024. These activities, largely focused on oil migration into Topaz, continue and are expected to be concluded during the 2023 calendar year.

In parallel the Company awaits two key events in Indonesia, firstly the conclusion of the GSA negotiations and secondly the completion of the sell down process of the Mako Gas Field. With a strong underlying macro environment for gas in South-

East Asia, and Singapore in particular, Empyrean is optimistic of favourable outcomes that will strengthen the Company's balance sheet and support the planned drilling at Topaz.

On the corporate front, the Company has raised equity funds to support the activities above and provide working capital, and it was pleasing to renegotiate the Convertible Note to hopefully allow for the completion of the GSA and sell down processes and timely repayment of the Note.

I would like to thank the Board, management and staff for their persistence during the year, following the setback at Jade. The Company now eagerly awaits good news from Indonesia and is enthusiastic about its plans to drill the Topaz Prospect in China.

Patrick Cross
Non-Executive Chairman
1 September 2023

For further information please visit www.empyreanenergy.com or contact the following:

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Extract from Strategic Report

Business Overview and Likely Future Developments

Following the unsuccessful drilling of the Jade prospect in April 2022, post-well analysis at Jade confirmed that the reservoir quality is better than pre-drill estimates with regional seal confirmed and the depth conversion approach validated. As 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.

Empyrean is now conducting two further key projects (as detailed in the Operations Report) that capitalise on the excellent quality 3D seismic acquired by the Company over the permit, shared regional 3D seismic that CNOOC has and additional physical well data of both Empyrean and CNOOC. These projects are designed to help address and mitigate the remaining primary geological risk at Topaz - oil migration into the Topaz trap.

In Indonesia, Conrad, operator and 76.5% partner in Mako has progressed a sell down process with a global investment bank in order to fund the development of Mako. During the year Mako received government approval for a Plan of Development. A GSA is also currently in advanced stages of negotiation and a binding agreement is expected between the partners, a Singaporean buyer and SKKMIGAS (the Indonesian regulator) in the near term.

There were no material activities conducted in California during the year.

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

The Company raised funds through a placement during the year and also post year end, and subsequent to year end renegotiated the Convertible Note. The funds raised from the placements are being used 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 2023 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. 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.

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.

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 logging whilst drilling (**"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 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 is a world class conventional oil target, to which Gaffney Cline & Associates ("**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. 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 received Ministerial Approval during the year and Conrad is progressing a sell down process with a global investment bank in order to fund the development of Mako. Conrad have confirmed that industry interest in the project and sell down process is encouraging. A GSA is currently in advanced stages of negotiation and a binding agreement is expected between the partners, a Singaporean buyer and SKKMIGAS (the Indonesian regulator) in the near term.

There were no activities in California during the year but 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. Both had no activity during the year. Further detailed analysis on all projects is provided in the Operational Review on page 15.

Operational Review

The Company's corporate objective remains to build a significant asset portfolio across the Asian region. Post well studies of the Jade evaluation work confirmed excellent reservoir quality and the presence of the regional seal. 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 material Topaz prospect.

Comprehensive technical work is now being conducted, consisting of a regional oil migration study and a 3D simultaneous seismic inversion project, which are designed to help address and mitigate the remaining primary geological risk at Topaz, being oil migration into the Topaz trap.

Empyrean remains excited about the significant value potential of its interest in Indonesia, which will be reflected in the current sell down process and the advanced stage of the GSA negotiations between the partners, a Singaporean buyer and SKKMIGAS. The project has been further supported by strong gas prices in the Asian region.

Empyrean also has a 25-30% working interest in a package of gas projects in the Sacramento Basin, onshore California. While no activity occurred during the year Empyrean 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

In April 2022, 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. As a result, Empyrean has provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program.

The Company successfully operated an offshore exploration and drilling program without any operational or environmental issues.

Post 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.

The Jade well failed due to lack of access to effective migration pathways. Given oil migration to the Topaz Prospect is now identified as the key risk, the Company's pre drill exploration efforts are focusing on mitigating this risk.

Reservoir, seal and trap validity of the Topaz prospect have 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. The Baiyun East 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.

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 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, which is targeted to occur in 2024.

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%

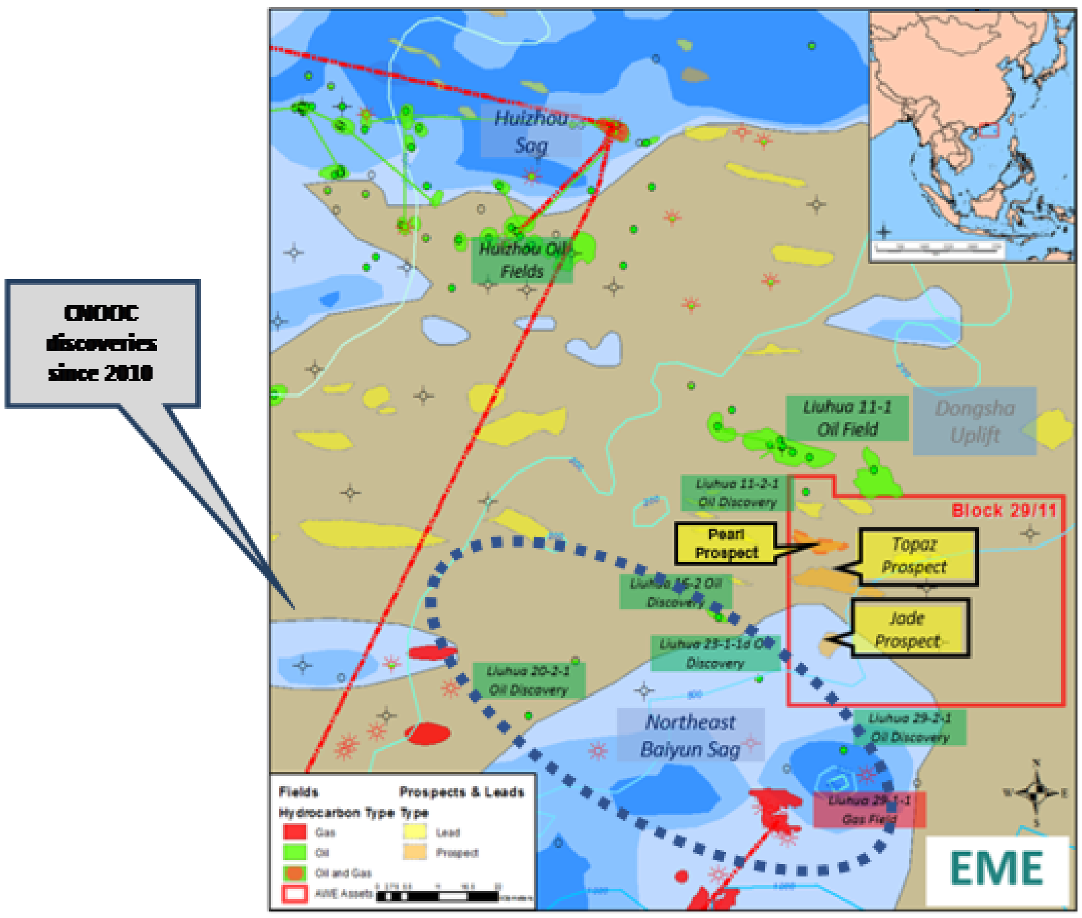

Figure 1: Block 29/11, Pearl River Basin, Offshore China

Post Year End Work

Empyrean is conducting two further key projects that capitalise on the excellent quality 3D seismic acquired by the Company over the permit, shared regional 3D seismic that CNOOC has and additional physical well data of both Empyrean and CNOOC. These projects are designed to help address and mitigate the remaining primary geological risk at Topaz - oil migration into the Topaz trap.

Firstly, jointly with CNOOC, Empyrean is completing a regional oil migration study. CNOOC bring excellence in local basin modelling expertise along with crucial regional data that augments the data Empyrean has on Block 29/11. The regional data includes temperature, pressure, timing of oil maturation, and successful oil migration pathway mapping. The project will map oil migration from the proven source rock south west of Block 29/11 that charges the four CNOOC oil discoveries (immediately west of Block 29/11 and Topaz) and extend this into Block 29/11 and map these migration pathways to Topaz. In addition, similar work will be conducted from a new kitchen located entirely within Block 29/11 and oil migration pathways will be mapped to Topaz. This project is expected to be completed in the second half of 2023.

Secondly, Empyrean is conducting a 3D simultaneous seismic inversion project focussing on Topaz. This project is utilising the oil properties, reservoir temperature, reservoir pressure and water salinity data from CNOOC oil discovery wells combined with reservoir porosity and mineralogical data from Empyrean well logs and core to maximise the effectiveness of the inversion project outcomes. The aim of the 3D simultaneous seismic inversion project is to assess whether Topaz has different elastic properties to that of three water bearing wells in Block 29/11 and whether these properties can discriminate between water and light oil in the high porosity carbonate reservoir rocks on the high quality Topaz 3D seismic. The 3D seismic inversion project is expected to be completed in the second half of 2023.

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.

<u>Duyung PSC, Indonesia (8.5% WI)</u>

Background

In April 2017, Empyrean acquired a 10% shareholding in WNEL from Conrad Petroleum (now Conrad Asia Energy Ltd), 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, 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.

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.

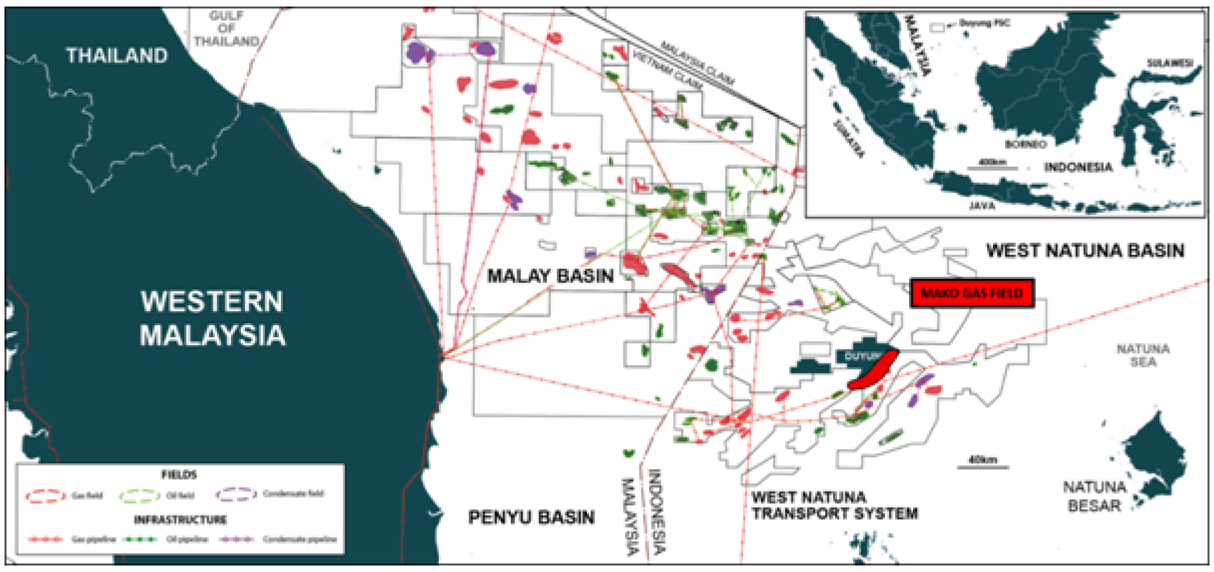

Figure 2: Mako Gas field, Duyung PSC, Indonesia

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. This allowed the operator Conrad to focus on its stated objective of working with the Government of Indonesia to complete GSA 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 GCA competent persons report dated 26 August 2022, details of which were also announced by the Company on 9 September 2022.

Current Activities

Conrad has advanced a sell down process with a global investment bank in order to fund the development of Mako. In addition, a GSA is currently in advanced stages of negotiation and a binding agreement is expected between the partners, a Singaporean buyer and SKKMIGAS (the Indonesian regulator) in the near term.

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.

<u>Multi Project Farm-in in Sacramento Basin, California (25%-30% WI)</u>

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.

There were no significant activities conducted during the year however 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.

<u>Riverbend Project (10%)</u>

Little or no work has been completed on the project in the year and no budget has been prepared for 2023/24 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)

Little or no work has been completed on the project in the year and no budget has been prepared for 2023/24 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 34 years' experience as a petroleum geoscientist.

Definitions

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

Bcf: Billions of cubic feet

MMbbl: Million Barrels of Oil

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

Gajendra (Gaz) Bisht M.Sc. (Tech) in Applied Geology
Executive Director (Technical)
1 September 2023

Extract from Directors' 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$83,000 (2022: US$19,000) and made a loss after income tax of US$20.80 million (2022: loss of US$8.11 million).

The Directors have prepared cash flow forecasts for the Company covering the period to 30 September 2024 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. 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.

In May 2023 US$1.88 million was raised through an equity placement for the completion of joint regional oil migration and 3D seismic inversion studies at Topaz, ongoing prospect, licensing fees and permit costs, post Jade well consultancy, analysis and residual exploration costs, front-end engineering design ("FEED"), studies and surveys at Mako - including gas processing and export gas tie in at the Kakap KF Platform and for general working capital requirements.

The Company has also renegotiated the terms of the Convertible Note as detailed in the AIM announcement dated 30 May 2023. 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.

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 repayment of the Convertible Note will be met, having a successful track record of equity (and debt) and in particular with the prospect of monetising its interest in Mako through the current sell down process.

It is the belief of the Board that there are likely value catalysts throughout the next 12 months leading up to the intend drilling of the Topaz Prospect in 2024 - including maximising the value of its interest at the Mako Gas field through the current sell down process and the completion of the GSA and also through the conclusion of important de-risking activities currently being conducted prior to the drilling of the Topaz Prospect.

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:

In May 2023, the Company advised that Conrad has engaged a global investment bank to lead a farm-down process for the divestment of a portion of its interest in the Duyung PSC. Bids were expected to be received during the second quarter of 2023 with sell down news expected in the third quarter of 2023.

In May 2023, the Company advised that it had reached agreement with the Lender on amended key terms to the Convertible Note to allow the sales process for Mako to complete. The key terms of the amendment are as follows:

1. The face value of the Convertible Note has been reduced from £5.28m (accrued to the end of May 2023) to £4.6 million;
2. No interest shall accrue on the Convertible Note until 31 December 2023, with interest accruing thereafter at a rate of 20% p.a.;
3. The conversion price on the Convertible Note has been reduced from 8p to 2.5p per Share;
4. Unless otherwise required by the joint operating agreement entered into with Empyrean's licence partners (the "**JOA**") or with the prior written consent of the Lender (such consent not to be unreasonably withheld or delayed), Empyrean may only execute agreements for the sale of its interest in Mako (in whole or in part) if the terms of the sale provide for a payment to Empyrean at completion of immediately available funds and for a sale price of an amount that is at least the amounts owed to the Lender (as described in 5 and 6 below);

5. On a successful sale of the Company's interest in Mako, Empyrean must redeem the face value of the Convertible Note and pay the Lender the greater of (a) US$1.5 million or (b) 15% of the proceeds such sale;
6. In the event that the Company repays the Convertible Note from sources other than a sale of its interest in Mako, Empyrean must also pay the Lender US$1.5 million on redemption of the Convertible Note together with a further payment based on either (a) the actual valuation achieved on any sale within 2 years or (b) an updated valuation of the Company's interest in Mako if not sold within that 2 year period, in each case so that the total proceeds paid to the Lender are 15% of the valuation of the Company's interest in Mako; and
7. In the event that the sale process being run on behalf of the operator, Conrad, does not result in an offer being made to acquire all or part of the Company's interest in Mako, then Empyrean must work with the Lender in good faith to sell the Mako Interest as soon as reasonably possible and, subject to applicable laws and the terms of the JOA, may grant rights to the Lender to market this interest on its behalf.

In June 2023, Empyrean completed a Placing to raise US$1.88 million (£1.52 million) ("**Placing**") with funds raised under this Placing to primarily be used for the completion of joint regional oil migration and 3D seismic inversion studies at Topaz, ongoing prospect, licensing fees and permit costs, post Jade well consultancy, analysis and residual exploration costs, front-end engineering design ("FEED"), studies and surveys at Mako - including gas processing and export gas tie in at the Kakap KF Platform and for general working capital requirements.

In June 2023, the Company issued warrants in respect of 2,833,333 Shares to advisors of the Company, for consultancy and advisory services provided over the last 12 months (the "Advisor Warrants"). The exercise price of the Advisor Warrants is 1.5p each and they will expire on 30 May 2024. The Company also issued incentive warrants in respect of 10,000,000 ordinary shares of 0.2 pence in the Company to the Company Secretary, Jonathan Whyte, or his nominee (the "Incentive Warrants"). The Incentive Warrants were granted as part of the Company's strategy to retain and incentivise directors and management of the Company. The Incentive Warrants will expire on 30 May 2026. The Incentive Warrants were issued in two equal tranches of 5,000,000. The exercise price of the first tranche of Incentive Warrants is 1.5p each and the exercise price of the second tranche of Incentive Warrants is 2.0p each.

In June 2023, the Company announced that two of its Directors, Tom Kelly and Gaz Bisht, together with its Company Secretary, Jonathan Whyte, had agreed to take one third of their salaries in new Shares ("Salary Sacrifice Shares") in lieu of cash remuneration in order to preserve capital and ensure more funds are directed towards project activities. The Salary Sacrifice Shares will be issued at the same price as the Placing Subscription Price (0.8p per New Ordinary Share). This arrangement will conclude on the earlier of 31 December 2023 or the signing of a binding agreement for the sale (in part or whole) of Empyrean's interest in Mako.

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 2023

	Notes	2023 US$'000	2022 US$'000
Revenue		-	-
Expenses			
Administrative expenses		(382)	(377)
Compliance fees		(263)	(302)
Directors' remuneration	*4*	(362)	(402)
Foreign exchange gain/(loss)	*3*	197	(518)
Impairment - exploration and evaluation assets	*8*	(17,030)	(4,127)
Cyber fraud loss	*3*	-	(1,981)
Total expenses		**(17,840)**	**(7,707)**
Operating loss	*3*	**(17,840)**	**(7,707)**
Finance expense	*5*	(2,955)	(402)
Loss from continuing operations before taxation		**(20,795)**	**(8,109)**
Tax expense	*6*	(1)	(1)
Loss from continuing operations after taxation		**(20,796)**	**(8,110)**
Total comprehensive loss for the year		**(20,796)**	**(8,110)**
Loss per share from continuing operations (expressed in cents)			
- Basic	*7*	(2.71)c	(1.43)c
- Diluted		(2.71)c	(1.43)c

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

Statement of Financial Position

As at 31 March 2023

Company Number: 05387837

	Notes	2023 US$'000	2022 US$'000
Assets			
Non-Current Assets			
Exploration and evaluation assets	*8*	10,635	24,907
Total non-current assets		**10,635**	**24,907**
Current Assets			
Trade and other receivables	*9*	38	36
Cash and cash equivalents		83	19
Total current assets		**121**	**55**
Liabilities			
Current Liabilities			
Trade and other payables	*10*	4,224	1,299
Provisions		159	140
Convertible loan notes	*11*	4,076	4,125
Derivative financial liabilities	*12*	-	722
Total current liabilities		**8,459**	**6,286**
Net Current Liabilities		**(8,338)**	**(6,231)**
Net Assets		**2,297**	**18,676**
Shareholders' Equity			
Share capital	*14*	2,170	1,809
Share premium reserve		45,319	41,285
Warrant and share-based payment reserve		73	576
Retained losses		(45,265)	(24,994)
Total Equity		**2,297**	**18,676**

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

Statement of Cash Flows

For the Year Ended 31 March 2023

	Notes	2023 US$'000	2022 US$'000
Operating Activities			
Payments for operating activities		(1,126)	(1,240)
Receipt of corporation tax		-	358
Net cash outflow for operating activities	*13*	**(1,126)**	**(882)**
Investing Activities			
Payments for exploration and evaluation	*8*	(1,227)	(14,391)
Payments due to cyber fraud		-	(1,981)
Net cash outflow for investing activities		**(1,227)**	**(16,372)**
Financing Activities			
Issue of ordinary share capital		2,268	11,805
Proceeds from exercise of warrants		233	623
Proceeds from borrowings	*11*	-	5,412
Payment of finance costs		(8)	(271)
Payment of equity issue costs		(76)	(463)
Net cash inflow from financing activities		**2,417**	**17,106**
Net increase/(decrease) in cash and cash equivalents		64	(148)
Cash and cash equivalents at the start of the year		19	150
Forex gain/(loss) on cash held		-	17
Cash and Cash Equivalents at the End of the Year		**83**	**19**

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 2023

	Notes	Share Capital US$'000	Share Premium Reserve US$'000	Warrant and Share-Based Payment Reserve US$'000	Retained Losses US$'000	Total Equity US$'000
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 1 April 2022		**1,809**	**41,285**	**576**	**(24,994)**	**18,676**
Loss after tax for the year		-	-	-	(20,796)	(20,796)
Total comprehensive loss for the year		-	-	-	(20,796)	(20,796)
Contributions by and distributions to owners						
Shares issued in the period	*14*	307	1,961	-	-	2,268
Partial conversion of convertible note		49	1,921	-	-	1,970
Exercise/expiry of warrants		5	228	(525)	525	233
Equity issue costs		-	(76)	-	-	(76)
Share-based payment expense		-	-	22	-	22
Total contributions by and distributions to owners		**361**	**4,034**	**(503)**	**525**	**4,417**
Balance at 31 March 2023		**2,170**	**45,319**	**73**	**(45,265)**	**2,297**

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 2023

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 judgement in applying the Company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed below.

The financial information set out herein does not constitute the Group's statutory financial accounts. This information has been derived from the Group's Annual Report and full financial statements for the year ended 31 March 2023 which were approved and authorised for issue on 1 September 2023 and upon which the auditors have reported without qualification. The Group's 2023 Annual Report and financial statements will be distributed to shareholders and made available on the Company's website in due course.

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$83,000 (2022: US$19,000) and made a loss after income tax of US$20.80 million (2022: loss of US$8.11 million).

The Directors have prepared cash flow forecasts for the Company covering the period to 30 September 2024 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. 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.

In May 2023 US$1.88 million was raised through an equity placement for the completion of joint regional oil migration and 3D seismic inversion studies at Topaz, ongoing prospect, licensing fees and permit costs, post Jade well consultancy, analysis and residual exploration costs, front-end engineering design ("FEED"), studies and surveys at Mako - including gas processing and export gas tie in at the Kakap KF Platform and for general working capital requirements. The Company has also renegotiated the terms of the Convertible Note as detailed in the AIM announcement dated 30 May 2023. 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.

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 repayment of the Convertible Note will be met, having a successful track record of equity (and debt) and in particular with the prospect of monetising its interest in Mako through the current sell down process.

It is the belief of the Board that there are likely value catalysts throughout the next 12 months leading up to the intend drilling of the Topaz Prospect in 2024 - including maximising the value of its interest at the Mako Gas field through the current sell down process and the completion of the GSA and also through the conclusion of important de-risking activities currently being conducted prior to the drilling of the Topaz Prospect.

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 2022 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.

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. E&E assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into CGU's. The recoverable amount of an asset or a CGU is the greater of its value in use and its fair value less costs of disposal.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proven and probable reserves.

Fair value less costs of disposal is the amount obtained from the sale of an asset or CGU in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the consolidated statement of comprehensive loss.

Impairment losses recognised in respect of CGU's are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amounts of the other assets in the unit (or group of units) on a pro rata basis. Impairment losses recognised in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation or amortization, if no impairment loss had been recognised. Reversal of impairment losses are recognised in the consolidated statement of comprehensive loss.

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 2022 or 31 March 2023.

(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 proceeds received on issue of convertible loan notes are allocated into their liability and equity components. The amount initially attributed to the debt component equals the discounted cash flows using a market rate of interest that would be payable on a similar debt instrument that does not include an option to convert. Subsequently, the debt component is accounted for as a financial liability measured at amortised cost until extinguished on conversion or maturity of the CLN.

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.

In the case of a substantial modification, the existing liability is derecognised, the modified liability is recognised at its fair value and the difference between the carrying value of the old instrument and the modified instrument is recognised as a gain or loss in the statement of comprehensive income.

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 to enable the safe drilling, although ultimately unsuccessful drilling of the Jade prospect. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program, together being US$17.0 million.

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. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2023.

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 2023.

(b) Share based payments (estimate)

In prior financial years, 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 were issued to shareholders as part of their subscription for shares and suppliers for services received. There were no warrants issued in the financial year ended 31 March 2023.

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 more detail in Note 14.

(c) Valuation of embedded derivative - Convertible loan notes (estimate)

The Company has made estimates in determining the fair value of the embedded conversion feature portion of the CLN. Fair value inputs are subject to market factors as well as internal estimates. The Company considers historical trends together with any new information to determine the best estimate of fair value at the date of initial recognition and at each period end. The Company has determined that the fair value of the embedded conversion feature is not material and therefore has not been separately recognised, in line with the Company's accounting policy.

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 US$'000**	**Indonesia US$'000**	**USA US$'000**	**Corporate US$'000**	**Total US$'000**
31 March 2023					
Unallocated corporate expenses	-	-	-	(810)	**(810)**
Operating loss	**-**	**-**	**-**	**(810)**	**(810)**
Finance expense	-	-	-	(2,955)	**(2,955)**
Impairment of oil and gas properties	(16,998)	-	(32)	-	**(17,030)**
Loss before taxation	**(16,998)**	**-**	**(32)**	**(3,765)**	**(20,795)**
Tax expense in current year	-	-	-	(1)	**(1)**
Loss after taxation	**(16,998)**	**-**	**(32)**	**(3,766)**	**(20,796)**
Total comprehensive loss for the financial year	**(16,998)**	**-**	**(32)**	**(3,766)**	**(20,796)**
Segment assets	5,958	4,677	-	-	**10,635**
Unallocated corporate assets	-	-	-	121	**121**
Total assets	**5,958**	**4,677**	**-**	**121**	**10,756**
Segment liabilities	-	-	-	-	**-**
Unallocated corporate liabilities	-	-	-	8,459	**8,459**
Total liabilities	**-**	**-**	**-**	**8,459**	**8,459**

Details	**China US$'000**	**Indonesia US$'000**	**USA US$'000**	**Corporate US$'000**	**Total US$'000**
31 March 2022					
Unallocated corporate expenses	-	-	-	(1,599)	**(1,599)**
Operating loss	**-**	**-**	**-**	**(1,599)**	**(1,599)**
Finance expense	-	-	-	(402)	**(402)**
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 3. Operating Loss

	2023 US$'000	**2022 US$'000**
The operating loss is stated after charging:		
Foreign exchange gain/(loss)	197	(518)
Impairment - exploration and evaluation assets	(17,030)	(4,127)
Cyber fraud loss	-	(1,981)
Auditor's Remuneration		
Amounts paid to BDO LLP in respect of both audit and non-audit services:		
Audit fees payable to the Company's auditor for the audit of the Company annual accounts	102	73
Non-audit fees payable to the Company's auditor in respect of:		
- Other services relating to taxation compliance	13	12
Total auditor's remuneration	**115**	**85**

Note 4. Directors' Emoluments

	Fees and Salary		**Bonus Payment**		**Social Security Contributions**		**Short-Term Employment Benefits (Total)**	
	2023 US$'000	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**	**2023 US$'000**	**2022 US$'000**
Non-Executive Directors:								
Patrick Cross	22	25	-	-	2	2	24	27
John Laycock	13	15	-	-	1	1	14	16
Executive Directors:								
Thomas Kelly[(a)]	269	304	-	-	-	-	269	304
Gajendra Bisht[(b)]	220	220	-	-	-	-	220	220
Total	**524**	**564**	**-**	-	**3**	**3**	**527**	**567**
Capitalised to E&E[(b)]	(165)	(165)	-	-	-	-	(165)	(165)
Total expensed	**359**	**399**	**-**	-	**3**	**3**	**362**	**402**

(a) Services provided by Apnea Holdings Pty Ltd, of which Mr Kelly is a Director. 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 8).

The average number of Directors was 4 during 2023 and 2022. The highest paid director received US$269,000 (2022: US$304,000).

Note 5. Finance Expense

	2023 US$'000	**2022 US$'000**
Convertible loan notes - interest and finance costs (Notes 10 and 11)	(2,308)	(253)
Convertible loan notes - loss on substantial modification (Note 11)	(1,369)	-
Finance expense - equity facility options (Note 14)	-	(23)
Fair value adjustment - derivative financial liabilities (Note 12)	722	(126)
Total finance expense	**(2,955)**	**(402)**

Note 6. Taxation

	2023 US$'000	**2022 US$'000**
Opening balance	-	(358)
AMT Federal Credit received during year	-	358
Total corporation tax receivable	-	-

Factors Affecting the Tax Charge for the Year		
Loss from continuing operations	(20,795)	(8,109)
Loss on ordinary activities before tax	**(20,795)**	**(8,109)**
Loss on ordinary activities at US rate of 21% (2022: 21%)	(4,367)	(1,703)
Non-deductible expenses	3,429	1,328
Movement in provisions	4	6
Carried forward losses on which no DTA is recognised	933	368
	(1)	**(1)**
Analysed as:		
Tax expense on continuing operations	(1)	(1)
Tax expense in current year	**(1)**	**(1)**
Deferred Tax Liabilities		
Temporary differences - exploration	1,679	1,669
Temporary differences - other	4	4
	1,683	**1,673**
Offset of deferred tax assets	(1,683)	(1,673)
Net deferred tax liabilities recognised	-	-
Unrecognised Deferred Tax Assets		
Tax losses[a]	2,622	3,609
Temporary differences - exploration	4,110	4,101
Temporary differences - other	968	1,054
	7,700	**8,764**
Offset of deferred tax liabilities	(1,683)	(1,673)
Net deferred tax assets not brought to account	**6,017**	**7,091**

(a) If not utilised, carried forward tax losses of approximately US$10.53 million (2022: $9.87 million) begin to expire in the year 2033. Deferred income tax assets are only recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

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 767,981,222 (2022: 565,853,821).

	2023	2022
<u>Loss per share from continuing operations</u>		
Loss after taxation from continuing operations	US$(20,796,000)	US$(8,110,000)
Loss per share - basic	(2.71)c	(1.43)c
Loss after taxation from continuing operations adjusted for dilutive effects	US$(20,796,000)	US$(8,110,000)
Loss per share - diluted	(2.71)c	(1.43)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

	2023 US$'000	2022 US$'000
Balance brought forward	24,907	14,643
Additions[a][b]	2,758	14,391
Impairment[b][c][d]	(17,030)	(4,127)
Net book value	**10,635**	**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 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. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program, together being US$17.0 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. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2023.

(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 2023/24 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 2023.

Project	Operator	Working Interest	2023 Carrying Value US$'000	2022 Carrying Value US$'000
Exploration and evaluation				
China Block 29/11	Empyrean Energy	100%[1]	5,958	20,662
Sacramento Basin	Sacgasco	25-30%	-	-
Duyung PSC	Conrad Asia Energy	8.5%	4,677	4,245
Riverbend	Huff Energy	10%	-	-
Eagle Oil Pool Development	Strata-X	58.084%	-	-
			10,635	**24,907**

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

	2023 US$'000	2022 US$'000
Accrued revenue	30	30
VAT receivable	8	6
Total trade and other receivables	**38**	**36**

Note 10. Trade and Other Payables

	2023 US$'000	2022 US$'000
Trade payables	2,245	293
Accrued expenses	349	850
Accrued interest - convertible loan note (Note 11)	1,630	156
Total trade and other payables	**4,224**	**1,299**

Note 11. Convertible Loan Notes

	2023 US$'000	2022 US$'000
Current - original convertible loan note		
Opening balance	4,125	-
Drawdowns[(a)]	-	5,412
Conversions[(b)]	(1,970)	(919)
Costs of finance	121	(211)
Foreign exchange loss	(133)	(157)
Extinguishment on substantial modification[(c)]	(2,143)	-
Total original convertible loan note - current	**-**	**4,125**
Current - modified convertible loan note		
Opening balance	-	-
Recognition of modified liability	2,637	-
Loss on substantial modification[(c)]	1,369	-
Costs of finance	185	-
Foreign exchange loss	(115)	-
Total modified convertible loan note - current	**4,076**	**-**

(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 could 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 £2.9 million (£3.3 million including accrued interest);
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 12. Derivative Financial Liabilities

	2023 US$'000	2022 US$'000
Current		
Opening balance	722	-
Issue of warrants	-	596
(Gain)/loss on fair value revaluation[(a)]	(89)	126
Expired/exercised warrants[(a)]	(633)	-
Total derivative financial liabilities - current	**-**	**722**

(a) In the prior financial year, 49,465,915 warrants were issued across multiple tranches attached to the Placement in July 2021. As a financial liability at fair value through profit or loss these were revalued at year end. 45,657,582 warrants were previously exercised or expired during the current financial year. The remaining 3,808,333 warrants were revalued to nil. Refer to Note 14 for valuations and assumptions of the warrants.

Note 13. Reconciliation of Net Loss

	2023 US$'000	2022 US$'000
Loss before taxation	(20,795)	(8,109)
Share-based payments	22	66
Finance expense (non-cash)	2,955	148
Impairment - exploration and evaluation assets	17,030	4,127
Cyber fraud loss	-	1,981
Foreign exchange (gain)/loss	(197)	518
(Increase) in trade receivables relating to operating activities	(2)	-
(Decrease) in trade payables relating to operating activities	(158)	-
Increase in provisions	19	29
Net cash outflow from operating activities before taxation	**(1,126)**	**(1,240)**
Receipt of corporation tax	-	358
Net cash outflow from operating activities	**(1,126)**	**(882)**

Note 14. Share Capital

	2023 US$'000	2022 US$'000
788,431,892 (2022: 646,070,780) ordinary shares of 0.2p each	2,170	1,809

	2023 No.	2022 No.
a) Fully Paid Ordinary Shares of 0.2p each - Number of Shares		
At the beginning of the reporting year	646,070,780	489,430,615
Shares issued during the year:		
• Placements[(a)]	121,750,001	144,081,832
• Partial conversion of Convertible Note[(b)]	18,750,000	8,750,000
• Exercise of warrants	1,861,111	3,808,333
Total at the end of the reporting year	**788,431,892**	**646,070,780**

	2023 US$'000	2022 US$'000
b) Fully Paid Ordinary Shares of 0.2p each - Value of Shares		
At the beginning of the reporting year	1,809	1,398
Shares issued during the year:		
• Placements[(a)]	307	378
• Partial conversion of Convertible Note[(b)]	49	23
• Exercise of warrants	5	10
Total at the end of the reporting year	**2,170**	**1,809**

(a) 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.

(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).

The Companies Act 2006 (as amended) abolishes the requirement for a company to have an authorised share capital. Therefore the Company has taken advantage of these provisions and has an unlimited authorised share capital.

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

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

	Weighted Average Exercise Price	Number of Options and Warrants	Weighted Average Exercise Price	Number of Options and Warrants
	2023	**2023**	**2022**	**2022**
Outstanding at the beginning of the year	£0.116	65,890,916	£0.094	20,233,334
Issued during the year	-	-	£0.125	49,465,915
Expired during the year	£0.114	(57,471,472)	-	-
Exercised during the year	£0.096	(1,861,111)	£0.120	(3,808,333)
Outstanding at the end of the year	**£0.137**	**6,558,333**	**£0.116**	**65,890,916**

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

The options outstanding at 31 March 2023 have an exercise price in the range of £0.075 to £0.18 (2022: £0.075 to £0.18) and a weighted average remaining contractual life of 0.37 years (2022: 0.95 years). None of the outstanding options and warrants at 31 March are exercisable at period end.

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 2023 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.

	2023	2022

	US$'000	US$'000
Cash and cash equivalents		
AA-rated	83	19
Total cash and cash equivalents	**83**	**19**

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 US$'000	6 months to 1 year US$'000	1 to 6 years US$'000	Total US$'000
Convertible loan note (2023)	4,076	-	-	4,076
Convertible loan note (2022)	-	4,125	-	4,125
Trade and other payables (2023)	4,718	-	-	4,718
Trade and other payables (2022)	1,299	-	-	1,299

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 2023, the Company's gross exposure to foreign exchange risk was as follows:

	2023	2022
	US$'000	US$'000
Gross foreign currency financial assets		
Cash and cash equivalents - GBP	81	10
Total gross exposure	**81**	**10**

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$8,100 (2022: US$1,000).

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 2023 Fair Value US$'000**	**31 March 2022 Fair Value US$'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 2023 US$'000	**31 March 2022 US$'000**	**31 March 2023 US$'000**	**31 March 2022 US$'000**
Financial assets				
Cash and cash equivalents	-	-	83	19
Trade and other receivables	-	-	38	36
Total financial assets	**-**	**-**	**121**	**55**
Financial liabilities				
Trade and other payables	-	-	2,245	1,299
Convertible loan notes	-	-	4,076	4,125
Derivative financial liabilities	-	722	-	-
Total financial liabilities	**-**	**722**	**6,321**	**5,424**

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:

In May 2023, the Company advised that Conrad has engaged a global investment bank to lead a farm-down process for the divestment of a portion of its interest in the Duyung PSC. Bids were expected to be received during the second quarter of 2023 with sell down news expected in the third quarter of 2023.

In May 2023, the Company advised that it had reached agreement with the Lender on amended key terms to the Convertible Note to allow the sales process for Mako to complete. The key terms of the amendment are as follows:

1. The face value of the Convertible Note has been reduced from £5.28m (accrued to the end of May 2023) to £4.6 million;
2. No interest shall accrue on the Convertible Note until 31 December 2023, with interest accruing thereafter at a rate of 20% p.a.;
3. The conversion price on the Convertible Note has been reduced from 8p to 2.5p per Share;
4. Unless otherwise required by the joint operating agreement entered into with Empyrean's licence partners (the "**JOA**") or with the prior written consent of the Lender (such consent not to be unreasonably withheld or delayed), Empyrean may only execute agreements for the sale of its interest in Mako (in whole or in part) if the terms of the sale provide for a payment to Empyrean at completion of immediately available funds and for a sale price of an amount that is at least the amounts owed to the Lender (as described in 5 and 6 below);
5. On a successful sale of the Company's interest in Mako, Empyrean must redeem the face value of the Convertible Note and pay the Lender the greater of (a) US$1.5 million or (b) 15% of the proceeds such sale;
6. In the event that the Company repays the Convertible Note from sources other than a sale of its interest in Mako, Empyrean must also pay the Lender US$1.5 million on redemption of the Convertible Note together with a further payment based on either (a) the actual valuation achieved on any sale within 2 years or (b) an updated valuation of the Company's interest in Mako if not sold within that 2 year period, in each case so that the total proceeds paid to the Lender are 15% of the valuation of the Company's interest in Mako; and
7. In the event that the sale process being run on behalf of the operator, Conrad, does not result in an offer being made to acquire all or part of the Company's interest in Mako, then Empyrean must work with the Lender in good

faith to sell the Mako Interest as soon as reasonably possible and, subject to applicable laws and the terms of the JOA, may grant rights to the Lender to market this interest on its behalf.

In June 2023, Empyrean completed a Placing to raise US$1.88 million (£1.52 million) ("**Placing**") with funds raised under this Placing to primarily be used for the completion of joint regional oil migration and 3D seismic inversion studies at Topaz, ongoing prospect, licensing fees and permit costs, post Jade well consultancy, analysis and residual exploration costs, front-end engineering design ("FEED"), studies and surveys at Mako - including gas processing and export gas tie in at the Kakap KF Platform and for general working capital requirements.

In June 2023, the Company issued warrants in respect of 2,833,333 Shares to advisors of the Company, for consultancy and advisory services provided over the last 12 months (the "Advisor Warrants"). The exercise price of the Advisor Warrants is 1.5p each and they will expire on 30 May 2024. The Company also issued incentive warrants in respect of 10,000,000 ordinary shares of 0.2 pence in the Company to the Company Secretary, Jonathan Whyte, or his nominee (the "Incentive Warrants"). The Incentive Warrants were granted as part of the Company's strategy to retain and incentivise directors and management of the Company. The Incentive Warrants will expire on 30 May 2026. The Incentive Warrants were issued in two equal tranches of 5,000,000. The exercise price of the first tranche of Incentive Warrants is 1.5p each and the exercise price of the second tranche of Incentive Warrants is 2.0p each.

In June 2023, the Company announced that two of its Directors, Tom Kelly and Gaz Bisht, together with its Company Secretary, Jonathan Whyte, had agreed to take one third of their salaries in new Shares ("Salary Sacrifice Shares") in lieu of cash remuneration in order to preserve capital and ensure more funds are directed towards project activities. The Salary Sacrifice Shares will be issued at the same price as the Placing Subscription Price (0.8p per New Ordinary Share). This arrangement will conclude on the earlier of 31 December 2023 or the signing of a binding agreement for the sale (in part or whole) of Empyrean's interest in Mako.

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 2023/24 financial year consist of an annual assistance fee to CNOOC of US$60,000, an annual personnel representative fee to CNOOC of approximately US$200,000 and an annual prospecting fee of US$150,000.

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 are unknown. The Company incurs quarterly cash calls of approximately US$8,000 for overheads, geological and geophysical costs.

Note 20. Ultimate Controlling Party

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

END

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