

Empyrean Energy Plc
Registered Number 05387837
Annual Report and Accounts 2021



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Company Information

Directors	Patrick Cross (Non-Executive Chairman) Thomas Kelly (Chief Executive Officer) Gajendra Bisht (Executive Director - Technical) John Laycock (Non-Executive Director)
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Nominated Adviser and Broker	Cenkos Securities Plc 66 Hanover Street Edinburgh EH2 1EL UNITED KINGDOM
Joint Broker	First Equity Limited Salisbury House London Wall EC2M 5QQ UNITED KINGDOM
Solicitors	Armstrong Teasdale LLP 200 Strand London WC2R 1DJ UNITED KINGDOM
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Highlights

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

Reporting period

- Seismic inversion project has validated the interpreted presence of an excellent quality carbonate reservoir at the Jade and Topaz prospects, with potential porosities in the highly favourable range of 20-30%; and
- 12-month extension for first phase of exploration at Block 29/11 secured until June 2022.

Post-Reporting period

- Internal Geological Chance of Success Assessment has been upgraded for Jade and Topaz prospects. Jade is now 41% and Topaz 35%;
- Well design for Jade prospect finalised by AGR following comprehensive review of drilling data from nearby offset wells;
- Initial Drill Program targeted to commence at Jade Prospect for late 2021; and
- Emprayan is in advanced negotiations with regards to finalising an integrated drilling contract for the Jade Prospect.

Duyung PSC Project, Indonesia (EME 8.5%)

Reporting period

- Following the drilling program an independent resource audit by Gaffney, Cline and Associates ("GCA") confirmed a significant resource upgrade of the Mako gas field including:
 - Mako gas discovery has been confirmed as one of the largest gas fields ever discovered in West Natuna Basin;
 - GCA audited 2C contingent resource estimate of 495 BcF, a 79% increase from previous GCA estimate; and
 - GCA audited 3C contingent resource estimate of 817 BcF, a 108% increase from previous GCA estimate.
- Updated Plan of Development completed which included uplifted Gas in Place ("GIIP") estimates as follows:

Reservoir	GROSS (100%) GIIP (Bscf) Updated		
	Low	Best	High
Upper Sand	358	525	687
Lower Sand	26	41	78
Total	384	566	766

- Improved market conditions throughout 2021 have allowed for the operator to re-engage and advance Gas Sales Agreement ("GSA") negotiations with multiple interested parties.

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

- Empyrean elected not to participate in Borba drilling program which was conducted during the reporting period.

Corporate

Reporting period

- Subscription to raise US\$0.509 million (£0.411 million) completed in April 2020;
- Open Offer raised US\$0.511 million (£0.415 million) in May 2020; and
- Placements to raise US\$1.074 million (£0.845 million) completed in September 2020.

Post-Reporting period

- Placements to raise US\$6.92 million (£5.02 million) for China drill preparation activities completed in July 2021.

Empyrean CEO Tom Kelly said, “Empyrean’s focus during the year was largely to complete the critical de-risking work required ahead of the planned drill campaign in China, which is now on track to commence during 2021 with the drilling of the Jade prospect. In addition, following the exploration and appraisal success achieved in Indonesia in late 2019 the operator Conrad and the joint venture partners are working through all of the practical steps to put this exciting project into production, including conclusion of a gas sales agreement. In this regard, most of 2020 saw extremely challenging market conditions due to COVID-19 and the global collapse in energy prices. These were made even more challenging by lockdowns and travel restrictions. 2021 has seen a general improvement in market conditions and some lifting of restrictions, enabling commencement of re-engagement and renewed enthusiasm to complete negotiations.

The Company completed some key activities at Block 29/11 in China during the year, in preparation for the drilling of an initial exploration well at Jade under the PSC terms. In May 2020, the Company completed seismic inversion work which confirmed the potential for excellent carbonate reservoir quality at both Jade and Topaz. This followed independent validation of the resource base at Block 29/11 and comprehensive 3D seismic data analysis which allowed for a positive oil migration study and confirmed the presence of well-defined low reflectivity zones (‘gas clouds’). The significant level of de-risking work and rigorous 3D seismic analysis has added further confidence to the technical merits of the project and Gaffney, Cline and Associates estimate close to a 1 in 3 chance of geological success at Jade and Topaz, which is very exciting.

In June 2020, Empyrean secured a 12-month extension from the China National Offshore Oil Corporation (“CNOOC”) from June 2021 to June 2022 for the first phase of exploration on Block 29/11 and, following finalisation of the well design at Jade, and supported by the recent successful capital raise, preparations to safely drill the large scale Jade prospect are underway.

At the Duyung PSC in Indonesia, following the completion of the highly-successful appraisal of the Mako gas discovery (comprising the Tambak-1 and Tambak-2 wells) by the operator Conrad Petroleum, Gaffney, Cline and Associates were commissioned to update its view of the Mako field. The results of this audit were released in April 2020 and not only confirmed a significant resource upgrade but also confirmed the Mako field as one of the largest gas fields ever discovered in the West Natuna Basin and one of the largest undeveloped gas resources in the immediate region. The conclusion of GSA negotiations will mark a further important step toward the final

investment decision ("FID") to develop and commercialise the field and Conrad and the joint venture partners are working diligently through all of the practical steps to put this exciting project into production.

In California, during the reporting period Sacgasco conducted a drilling program at the Borba prospect, which Empyrean elected not to participate in. Empyrean will conduct its own technical and commercial review in conjunction with its JV partners on future targets proposed to be drilled at the project before electing whether to participate in the future but its primary focus over the next six months will be the drill program in China.

In September 2020 Empyrean completed placements at 5p per share to raise £840,500, the majority to Long State Investment Limited and clients of First Equity Limited to raise working capital. Recently in July 2021 the Company raised £5,021,910 at 6p per share which will primarily fund the securing of a suitable drilling rig and order long lead items as Empyrean prepares to drill the Jade prospect, and for working capital. Warrants attached to the placement shares, if exercised, will be used for drilling preparation activities and drilling of the Jade prospect and working capital.

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

Overall, the activities completed during the year have positioned the Company to realise the significant and potentially game changing upside potential of its Chinese assets, and we look forward to the drilling program that is set to commence at Jade at the end of the calendar year. We look forward to providing further updates on our portfolio of projects as they come to hand."

Chairman's Statement

Further advancements were made by Empyrean on its portfolio of exploration projects during the year, primarily in China and Indonesia.

In China, de-risking activity has been completed and drilling preparations have commenced for drilling of the Jade Prospect in 2021. The Company's recent placement completes the first step towards funding this activity. We also expect that there will be further progress in Indonesia with GSA negotiations underway as the joint venture moves towards the final investment decision there.

The world and the United Kingdom are still actively managing the COVID-19 pandemic. Given Empyrean has Executive Directors and Management based in Australia and there are various travel restrictions still being imposed globally, those Directors and Management will be unable to attend the Annual General Meeting in person. Therefore shareholders are strongly encouraged not to attend this year's Annual General Meeting in person but we will again be inviting shareholders to submit questions in advance and will endeavour to answer all questions at that time. I'd like to extend the Board's thanks to our shareholders for their support, particularly in these volatile markets.

Finally, I would like to thank the Board, management and staff for their efforts during the year, and we look forward to some exciting developments going forward, in particular the planned drilling campaign in China.

Patrick H. Cross

Patrick Cross
Non-Executive Chairman
26 August 2021

Strategic Report

Business Overview and Likely Future Developments

The Company and its partners continued to progress exploration and development activities at its projects during the year. Important de-risking activities continued at the China project during the year and following a successful equity raise in July 2021 preparations are well underway to drill the exciting Jade prospect in China at the end of 2021. Following the exploration success that was achieved in Indonesia and the significant resource upgrade of the Mako gas field the joint venture partners are working towards concluding a gas sale agreement and making a final investment decision, all of which are ultimately aimed at maximising shareholder value.

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

The Company raised funds through a series of placements during the year and post year end, and also successfully completed an Open Offer to shareholders in May 2020. The funds raised were to support the current exploration programs and for working capital purposes.

The strategy is to continue to add value for shareholders by participating in late-stage, mature exploration projects with low assessed geological risks. The Board and management recognise that exploration for hydrocarbons is a risky venture and there will be failures and challenges, however the Company has a team with a proven track record of finding hydrocarbons and advancing projects through exploration, appraisal and into production. Oil 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 2021 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 1800km² permit during the exploration phase of the project. Empyrean completed a 608km² 3D seismic acquisition survey in August 2017 and comprehensive processing and interpretation of the 3D seismic data, in addition to further geological work, has confirmed the structural viability and substantial prospective (un-risked) resources at the three key prospects ("Jade, Topaz and Pearl"). These internal estimates were subsequently independently audited and revised upwards.

The Company successfully completed an oil migration study in 2018 which confirmed potential oil migration pathways into all three prospects. The study also further enhanced the technical merits of the Jade and Topaz prospects in 2019 through the identification of well-defined gas clouds over those prospects. In 2020, the Company announced the results of its seismic inversion project, designed to assess the potential reservoir quality and reservoir rock composition at its Jade and Topaz prospects at Block 29/11 in the Pearl River Mouth Basin, offshore China. This work interpreted the reservoir rocks at Jade and Topaz to be potentially excellent quality carbonates with potential porosities in the highly favourable range of 20-30%. The Company signed a PSC for Block 29/11 with CNOOC in September 2018 with the first phase commitment being the drilling of one exploration well within a 2.5 year period. Following the COVID-19 outbreak the Company successfully negotiated a 12-month extension with CNOOC with the first phase exploration required to be completed by June 2022.

Post the financial year end, the Company has upgraded its Internal Geological Chance of Success Assessment for both the Jade and Topaz prospects and the well design for the Jade prospect has been finalised ahead of the planned drilling campaign in late 2021. The 2021 drilling campaign is targeting a world class conventional oil target in the Jade prospect, to which Gaffney, Cline and Associates assigned a Geological Chance of Success ("GCoS") of 32%. As a result of the gas cloud study and post stack seismic inversion study the Company's internal assessment of the GCoS for the Jade prospect now stands at 41%. The Jade prospect has a Gaffney, Cline and Associates audited mean in place potential of 225 MMbbl and a P10 in place upside of 395 MMbbl. The drilling of the Jade prospect is the first of the three identified prospects within Block 29/11, which also contains the Topaz and Pearl prospects. The combined audited mean in place potential of all three prospects is 884 MMbbl and a P10 in place upside of 1,588 MMbbl.

The Company holds a 8.5% direct interest in the 1,100km² Duyung PSC, offshore Indonesia, operated by Conrad Petroleum Ltd ("Conrad"). In early 2019, both the operator, Conrad, and Empryean divested part of their interest in the Duyung PSC to AIM-listed Coro Energy Plc ("Coro"). Following the transaction, Empryean's interest reduced from 10% to 8.5% interest in May 2020 upon the receipt of the necessary regulatory approvals, having received cash and shares from Coro. As part of this completion process West Natuna Exploration Ltd ("WNEL") made a direct transfer of its interest in the Duyung PSC to Empryean and the other owners, who now hold their interest in the Duyung PSC directly.

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 recently 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 Gaffney, Cline and Associates 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 was completed during the current year which included uplifted GIIP estimates as detailed in the Operational Review. The conclusion of GSA negotiations will mark a further important step toward the final investment decision to develop and commercialise the field.

The Company entered into an agreement with ASX-listed Sacgasco Limited ("Sacgasco"), a Sacramento Basin focused natural gas developer and producer, in May 2017, to test a group of projects in the Sacramento Basin California, including two mature, multi-Tcf gas prospects in Dempsey (EME 30%) and Alvares (EME up to 25%) and further identified follow up prospects along the Dempsey trend (EME up to 30%).

Following completion of an appraisal and exploration well, Dempsey 1-15, the operator tested multiple gas zones which resulted in the production of commercial gas flows before the well was shut in for technical evaluation following water ingress into the well. Following a detailed technical review the joint venture partners had intended to drill the next target, Borba, during the 2020 calendar year. However, COVID-19 travel restrictions and the uncertainty of being able to execute a drilling campaign safely and without interruption caused this intended drilling to be placed on hold. The Borba prospect was eventually drilled in early 2021, however, Empryean elected not to participate under the current timeframes and terms proposed by Sacgasco. Empryean will work with its joint venture partners in reviewing and assessing the technical and commercial merits of other prospects at the Californian project before deciding whether to participate in future wells.

The Company also has a 58.084% working interest in the Eagle Oil Pool Development Project asset in California and a 10% working interest in the Riverbend Project in Texas. Further detailed analysis on all projects is provided in the Operational Review on page 14.

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of its activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. In the current year the key strategic decisions were the continued de-risking work in China which has led to preparations now commencing for the initial drilling campaign at the Jade Prospect, targeted for late 2021. In June 2020, the Company requested and successfully obtained a 12-month extension until June 2022 for the first phase of exploration drilling at Block 29/11 in response to the COVID-19 outbreak. The Directors also elected not to participate in the drilling of the Borba well in California. On the corporate front the Company raised funds through Placements during September 2020 and also a Subscription and Open Offer which were completed in April and May 2020 respectively. Subsequent to the year end, the Company has successfully completed a placement of £5.02 million which will enable it to secure a suitable drilling rig and order long lead items as well as for the Company's general working capital requirements as it prepares to drill the Jade prospect. We explain in this Annual Report, and referenced below, how the Board engages with stakeholders.

Promoting the Success of the Company for Stakeholders

The Directors endeavour to balance the needs and requirements of all stakeholders which, in addition to the Company's shareholders, include the Company's employees, the communities in the areas where it operates, government agencies and the Company's suppliers and customers, all of whom have a vested interest in the long-term success of the Company. Empyrean allocates its resources appropriately given the risk versus reward profile of our projects in order to achieve its goal of maximising Company and shareholder value. Empyrean is currently focused on developing three cornerstone assets: Block 29/11 offshore China, the Duyung PSC offshore Indonesia and a multi project participating interest in the Sacramento Basin, California. Exploration work continues on all three projects to maximise their value. The Board also continues to evaluate new projects to position the Company for renewed growth and to further increase shareholder value.

Consequences of Decisions

The Board attaches a high importance to maintaining good relationships with shareholders and seeks to keep them fully updated on the Company's performance, strategy and management, predominantly through market announcements, periodic reports and shareholder circulars. In light of the restrictions on face to face communication due to COVID-19, the Company has encouraged shareholders to communicate any questions through its website and has published responses to those ahead of the 2020 Annual General Meeting. The Board in making decisions regarding the activities of the Company will consider and balance the costs and benefits those decisions and the varying expectations of its stakeholders.

The Company has an obligation to its shareholders to grow and develop the Company in a manner that will provide value enhancement to their investment whilst at the same time minimising risk. The Directors rely on the feedback from management who have direct interaction with the shareholders on a regular basis to provide a balanced assessment of the likely views of shareholders to the strategic and business decisions that the Directors make.

Human Resources and Ethical Culture

The Board believes that good corporate culture based on sound ethical values guide the objectives and actions of its Board, management and employees. The Board believes that its current members have an appropriate balance of sector, financial and public market skills and experience, as well as technical experience, in particular oil and gas industry experience and expertise.

The Company demands the highest standards of integrity in the conduct of its business. Empyrean is committed to conducting business in a transparent and ethical manner across all its operations. The Company aims to ensure that all its activities are conducted fairly and honestly and each person connected with the Company has individual responsibility for maintaining an ethical workplace. Consistent with this business philosophy, the Company strictly adheres to anti-bribery and corruption principles. The Company places an active responsibility for compliance on all Company employees and associated persons. Compliance with these standards was monitored throughout the year by the Company Secretary and Directors through regular meetings and open dialogue and transparency on all business matters.

Foster Business Relationships with Suppliers, Customers and Others

Given the nature of the Group's business, it has limited customers but nonetheless maintains a close working relationship with those customers to understand their specific needs and expectations. The Board recognises that long term success relies upon good relationships with a range of different stakeholders, including its shareholders, regulators, joint venture partners and other service providers. The Company encourages feedback from all these groups.

The Company has strong relationships and maintains regular dialogue and engages actively with its joint venture partners and various service providers. The Joint Management Committee for Block 29/11 in China and the Technical Committee for the Duyung PSC formally convened on a number of occasions during the year, while regular dialogue was maintained with our Joint Venture partner in California.

Environmental, Social and Community Implications

The Company endeavours to operate in a manner that accords with good practice and, where appropriate, exceeds the legislative requirements, whether this is in relation to its obligations to its employees, environmental obligations and interaction with communities.

Whilst the Company is cognisant of its corporate social responsibilities, for those projects that the Company is dependent on other operators for the performance of exploration and production activities, it ensures it undertakes suitable due diligence on these operators to mitigate the risk of any corporate, financial, social or environmental responsibilities being breached.

For the Company's China asset, in which it is the operator, sound financial, corporate, social, community and environmental protocols are paramount to the success of the operation and are embedded within the Company's strategy and business model.

Maintain High Standards of Business Conduct

The Company demands the highest standards of integrity in the conduct of its business. Empyrean is committed to conducting business in a transparent and ethical manner across all its operations. The Company aims to ensure that all its activities are conducted fairly and honestly and each person connected with the Company has individual responsibility for maintaining an ethical workplace. Consistent with this business philosophy, the Company strictly adheres to anti-bribery and corruption principles. The Company places an active responsibility for compliance on all Company employees and associated persons.

Strategy

The Company's goal is to maximise value for shareholders. Empryrean will allocate its resources appropriately given the risk versus reward profile of our projects in order to achieve its goal. Risk assessment and evaluation is an essential part of the Company's planning and an important aspect of the Company's internal control system. These risks are first rigorously assessed at a technical level before the Company takes on a project and then diligently managed by the Company throughout the project timeline. The principal risks and uncertainties are considered to be the following:

Exploration, Development and Production Risks

Exploration and development activities may be delayed or adversely affected by factors outside the Company's control, in particular; climatic conditions; performance of partners or suppliers; availability, delays or failures in commissioning or installing plant and equipment; unknown geological conditions resulting in uneconomic or dry wells; remoteness of location; failure to achieve estimated capital costs, operating costs, reserves, recovery and production levels; actions of host governments or other regulatory authorities; and failure to find a hydrocarbon or finding uneconomic hydrocarbons. The Company employs geological experts and engages independent consultants where necessary to review exploration data as it is produced. In addition, if the COVID-19 outbreak continues to restrict travel, commercial and other activities, the Company could experience disruptions with its operations.

Commodity Risk

The demand for, and pricing of, oil and gas is dependent on global and local supply and demand, weather conditions, availability of alternative fuels, actions of governments or cartels and general economic and political developments. The Company monitors the current and forecast oil prices on a regular basis. Oil prices have been on the rise through 2021 after the negative impact of COVID-19 outbreak and geopolitical factors saw energy prices decrease.

General and Economic Risk

As a consequence of activities in different parts of the world, the Company may be subject to political, economic and other uncertainties both locally and internationally, including but not limited to inflation, interest rates, market sentiments, equity and financing market conditions. In particular, the Company's existing exploration assets are located in China, Indonesia and the USA and currently require US\$ denominated funding to take them forward. The Company monitors the ongoing economic situations in the countries in which it has activities. The current COVID-19 outbreak, and regulators' or market fears about the same, may impact the Company's activities.

Financing Risk

Future investment is dependent on having sufficient funds to enable the exploration or development of projects, whether through debt or equity funding. The Company has raised funds in GBP. There is the potential to be exposed to foreign exchange losses or profits on any funds that the Company converts into GBP or converts from GBP to US\$ as the Company's exploration assets require payments for services to be made in US\$. The Company prepares cash flow forecasts and monitors its expenditure against budget, raising funds when necessary.

Market Risk

Securing sufficient and profitable sales contracts to support operations is a key business risk. Emphyrean's exploration projects in California require the renewing of certain leases from time to time. There is some risk that some leases may not be able to be negotiated or that the terms may be different. The Company also operates in China and Indonesia and there are risks associated with the demand for hydrocarbons and the different pricing between markets for different commodities such as gas versus oil. The operator has secured tenure at the Duyung PSC through to 2037. To manage risk as a result of the COVID-19 outbreak and the resultant global control policies, the Company proactively engaged with CNOOC and applied for a 12-month extension to the first phase of the exploration period for the PSC in China.

Environmental Risk

The Company's exploration, development and production activities are subject to extensive laws and regulations governing environmental impact and protection. A failure to comply with environmental laws and regulations (including as a result of technical failures) may result in enforcement actions causing operations to cease or be curtailed, the imposition of fines and penalties, and may include corrective measures requiring significant capital expenditures. In addition, certain types of operations require the submission and approval of environmental impact assessments. For some assets, the Company is dependent on other operators for the performance of exploration and production activities and will be largely unable to direct, control or influence the activities and costs of these operators.

Climate Change Risk

The Company's exploration, development and production activities could be subject to restrictions or moratoriums in response to carbon emission reduction targets. The Company has received no indication that the relevant host governments want to place restrictions on the production of hydrocarbons. During the financial year the Company was in a non-operational phase and its environmental footprint is minimal.

Financial Position and Performance of the Business

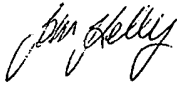
Net loss after tax for the year was US\$0.95m (2020: US\$0.28m). Total assets were US\$15.19m (2020: US\$14.84m), the increase mainly due to capitalised exploration expenditure on the Company's three primary projects. This capitalised expenditure also contributed to net investing cash outflows of US\$1.16m (2020: US\$1.23m). Total liabilities were US\$0.78m (2020: US\$1.51m), the decrease due to the timing of Duyung PSC drilling program costs causing trade payables to be inflated at 31 March 2020. The Company's cash position at 31 March 2021 was US\$0.15m (2020: US\$0.19m) with net operating cash outflows of US\$0.83m (2020: US\$0.22m), the increase due to the receipt of a corporation tax refund of US\$0.36m in the 2020 financial year.

Key Performance Indicators

Given the sale of the Company's primary producing asset in 2016, Sugarloaf AMI, revenue, net profit was deemed to be no longer the most appropriate indicator of the performance of the Company. With the Company's successful re-build as an exploration company with a portfolio of projects aimed at adding value for shareholders – the Company's share price continues to be a key KPI. Since March 2020, the share price reached a high closing price of 8.5p in July 2021 having tracked down during 2020 due to COVID-19 related decreases in energy prices and market volatility globally. The share price reached a low closing price of 3.3p in November 2020. The share price has increased as energy prices have increased through 2021, reaching the high closing price above 8p in July 2021 before decreasing on the announcement of a placement at 6p per share in July 2021. The share price was 5.85p at market close on 24 August 2021. Unlocking of the potentially transformational value from China through the planned drill program at the Jade prospect in 2021 provides significant near-term share price re-rating potential. In addition, with the Company becoming an active explorer, exploration results across all projects and resource estimates at the Chinese and Indonesian projects are important KPIs. The work performed at each of the Company's projects and the results that have been achieved are detailed further in the Operational Review.

The share price performance from 1 April 2020 to 17 August 2021 is represented graphically below.

The strategic report and operational review were approved by the Board on 26 August 2021 and signed on the Board's behalf.



Thomas Kelly
Chief Executive Officer
26 August 2021

Operational Review

The 2021 financial year has seen significant progress for Empyrean, particularly in China and Indonesia, and the Company is now on the verge of drilling its potentially transformational prospect in Block 29/11, offshore China, at the end of this calendar year. The Company's stated corporate objective is to build a significant asset portfolio across the Asian region. With near term drilling in China, the successful appraisal drilling campaign at the Mako gas field in Indonesia in 2019 (and the resultant significant independent resource upgrade) this objective is starting to take shape.

Methodical, targeted technical evaluation and de-risking activities continued during the year at the Company's 100% working interest in Block 29/11, offshore China, with two matured drill-ready, high impact prospects now awaiting drilling operations in late 2021. The first of these that has been identified for drilling is the Jade prospect.

In Duyung PSC in offshore Indonesia, the highly successful appraisal program (comprising the Tambak-1 and Tambak-2 appraisal wells) was completed in late 2019. Subsequently, an independent resource audit by GCA confirmed a significant resource upgrade and also confirmed Mako field as one of the largest undeveloped gas fields in West Natuna Basin, Indonesia.

Empyrean also has a 25-30% working interest in a package of gas projects in the Sacramento Basin, onshore California. On the basis of our own internal technical assessment, the Company elected not to participate in the Borba well during early 2021. However, it remains an active joint venture partner and looks forward to assessing the technical and commercial merits of other prospects in the near future.

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. Total mean oil in place estimates on the three prospects are 884 MMbbl on an un-risked basis.

Oil in place (MMbbl) audited by GCA

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

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

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

Empyrean's independent analysis of 3D seismic data over four large CNOOC oil discoveries located close to Block 29/11 confirmed the presence of similar gas clouds in the overburden. At the same time, three dry wells drilled by CNOOC in proximity to the discoveries, outside Block 29/11, have been analysed, and the 3D seismic data over these wells confirms the lack of any gas clouds. Similar technical work was carried out over two dry wells in Block 29/11. These wells were drilled prior to Empyrean's involvement and without any 3D seismic data. Both wells confirm the lack of any gas clouds in overburden.

As a result, the Company's internal assessment of the GCoS for the Jade prospect now stands at 41%, and for the Topaz prospect it stands at 35%.

It is Empyrean's interpretation that the presence of well-defined gas clouds in the overburden on both the Jade and Topaz structures mitigates the exploration risk on these prospects significantly. The Pearl prospect does not have 100% coverage with 3D seismic to enable the same comprehensive analysis and assessment at this point in time.

Figure 2: Well-Defined Gas Cloud Over Jade and Topaz Prospects, Block 29/11

Reservoir Quality Assessment – Post Stack Seismic Inversion Project

During the reporting period Empyrean completed crucial technical work aimed at addressing the quality of reservoir at Jade and Topaz prospects. Whilst geological studies completed earlier confirmed the potential of an excellent quality reservoir at Jade and Topaz prospects, the Company decided to undertake a Post Stack Seismic Inversion Project to quantitatively assess the reservoir quality at high-graded prospects.

The main aim of the seismic inversion project was comprehensive reservoir characterisation, with particular focus on the Jade and Topaz prospects, by combining existing well log data with 3D seismic data to generate an acoustic impedance dataset. Analysis of this nature has been used to successfully interpret the physical rock properties of reservoirs globally, in particular lithology, porosity and thickness of reservoir.

In order to achieve the most comprehensive and robust result from the Seismic Inversion Project, the Company requested access from CNOOC to the log data of a crucial well, LH-23-1-1d, located approximately 12 km southwest of the Jade prospect in a permit operated by CNOOC. CNOOC agreed to provide the data, resulting in

increased technical confidence in the results of the seismic inversion project. The LH-23-1-1d well intersected both carbonate and sandstone reservoirs with oil pay.

In order to combine well log data with the 3D seismic data, the Company worked closely with the COSL team. During this process well data from the LH-23-1-1d well proved crucial in establishing the close relationship of impedance data extracted from the seismic data to the lithology, porosity and thickness of reservoir in existing wells.

Comprehensive and systematic analysis of the acoustic impedance dataset resulted in separating the target reservoir (Zhujiang carbonate facies) from the underlying Zhuhai sandstones facies. In addition, the lateral distribution of the high-quality carbonate reservoir has been mapped. This more detailed work validates the earlier interpretation from seismic thickness analysis and supports the interpreted presence of a thick carbonate reservoir with porosities in a range of 20-30% at the Jade and Topaz prospects.

12-Month Extension for First Phase Exploration Drilling. Drilling set to commence in late 2021

Due to the COVID-19 situation and the resultant global control policies, the Company proactively engaged with CNOOC and applied for a 12-month extension to the first phase of the exploration period for the PSC. The first phase of the contract is for 2.5 years with a commitment to drill one exploration well to a depth of 2,500m or to the Basement Formation. In June 2020 Empryan announced that CNOOC had granted the 12-month extension as requested. As a result, the first phase of the exploration period for the PSC has been extended to 12 June 2022. The Company has subsequently commenced preparations to commence drilling at the Jade Prospect in late 2021.

As announced to the market, the placement funds raised in July 2021 will enable the securing of a suitable drilling rig and the ordering of long lead items for the planned drilling program at the Jade Prospect which is targeted for late 2021, however the Company requires additional short term funding for final drilling preparation activities and the drilling (and testing) programs. The Company is optimistic that the full funding commitments for the Jade well will be met, having successfully raised equity funding in July ahead of the drill rig being secured. It is the belief of the Board that there are several near-term share price catalysts leading up to drilling - being the drill rig being secured, the site survey conducted and the confirmation of the spud date for the Jade well, which will be conducive to it to securing the remaining funding for the well, either through the exercise of existing warrants, the entering of joint venture arrangements or further direct equity funding, or a combination of these alternatives.

Under the PSC terms, Empryan has the option of entering the second phase of exploration after drilling the first exploration well and subsequently relinquishing 25% of the current area. The second phase has a commitment to drill one additional exploration well to a depth of 2,500m or to the Basement Formation within a further 2 years.

Jade prospect well design and well engineering project

In April 2021, Empryan announced that the Company had commenced comprehensive planning for the drilling of the Jade prospect in order to ensure a safe and secure drilling campaign and had awarded a contract to AGR's team in Australia to assist with well planning. In May 2021 the Company announced that AGR had completed the well design and engineering project, including a comprehensive review of offset wells in the vicinity of the Jade prospect, which includes four CNOOC wells.

Two well design options were identified, including a three-string (casing) design and a four-string (casing) design in a success case. AGR has recommended the four-string design as it provides a more robust well design with reduced exposure to potential unplanned events and associated costs.

Key benefits of the four-string design include:

- the surface casing shoe can be set shallower to provide sufficient kick tolerance reducing the risk of surface hole problems, or requirement for a pump and dump mud and associated costs;
- reduced risk of hole problems while drilling the final hole section that can lead to difficulties evaluating target formations and / or results in a contingency casing string across the reservoir in the success case. Planning for contingent testing equipment for this scenario would be required, reducing the cost benefits associated with string elimination; and
- reduced risk of complications during abandonment operations due to failure to achieve sufficient annular cement if the production string is run/cemented.

Based on AGR analysis and recommendation, EME management has decided to plan for a four-string design for the Jade prospect well.

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

Duyung PSC, Indonesia (8.5% WI)

Background

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

In early 2019, both the operator, Conrad Petroleum, and Empyrean divested part of their interest in the Duyung PSC to AIM-listed Coro Energy Plc. Following the transaction, Empyrean's interest reduced from 10% to 8.5% interest in May 2020, having received cash and shares from Coro. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly.

The Duyung PSC covers an offshore permit of approximately 1,100km² in the prolific West Natuna Basin. The main asset in the permit is the Mako shallow gas field that was discovered in 2017, and comprehensively appraised in 2019.

Figure 3: Mako Gas field, Duyung PSC, Indonesia

Duyung PSC Drilling Programme

Following receipt of the approved the Plan of Development ("**POD**") for the Mako Gas Field in March 2019, which secured tenure until 2037 and was required ahead of the drilling programme at the Duyung PSC, Conrad Empyrean and Coro finalised a comprehensive drilling programme comprising two appraisal wells. One appraisal well was designed to appraise the discovery in the SW part of the field. In addition, this well was designed to test the potential of the deeper Gabus reservoir in the Tambak prospect beneath the central area of the Mako Gas Field. The other appraisal well was designed to appraise the intra-Muda sandstone reservoir in the northern area of the Mako field.

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.

Mako Resource Audit Confirms Significant Upgrade

Following on from the highly successful appraisal drilling campaign, Conrad engaged GCA to complete an independent resource audit for the Mako Gas Field.

GCA's audit ("**2020 GCA Audit**") confirmed a significant resource upgrade for the Mako Gas Field compared to its previous resource assessment released in January 2019 ("**2019 GCA Audit**"). 2C (contingent) recoverable resource estimates have been increased to 495 Bcf, an increase of approximately 79% compared with the 2019 GCA Audit and confirming the work completed by the operator and partners. In the upside case, the 3C (contingent) resources have increased by approximately 108% compared with the 2019 GCA Audit and GCA's assessment is also significantly higher than the 3C estimate made by the Operator and partners in April 2020.

With the latest upgrade, Mako has been confirmed to be one of the largest undeveloped gas fields in the West Natuna Basin and is currently by far the largest undeveloped resource in the immediate area.

Results of the Updated Resource Audit

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

Contingent Resource Estimates	2019 GCA Audit	2020 GCA Audit	Increase
	Bcf	Bcf	%
1C (Low Case)	184	287	56
2C (Mid Case)	276	495	79
3C (High Case)	392	817	108

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

As announced in December 2020, further work was completed to update the Plan of Development in respect of the Mako Gas Field (the "**Mako POD**"), specifically by incorporating extensive data collected during the appraisal drilling program.

SKK Migas (the Indonesian regulator) has accepted the significantly uplifted estimates of GIIP, which are broadly in line with the independent resource audit by GCA, and that these volumes will form part of the updated Mako POD.

SKK Migas Accepted Mako Gas in Place for updated Mako POD

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

The Mako Gas Field is located close to the West Natuna pipeline system and gas from the field can be marketed to buyers in both Indonesia and in Singapore. A Heads-of-Agreement with a gas buyer in Singapore is already in place. The operator has made significant progress in securing a GSA, and the conclusion of GSA negotiations will mark a further important step toward the FID to develop and commercialise the field.

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

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

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

In the previous reporting period the drilling application for the Borba Prospect was approved by the County and the final approval from California Department of Geological and Geothermal Resources was received. However, with the outbreak of COVID-19, the travel restrictions and the uncertainty of being able to execute a drilling campaign safely and without interruption, there was a delay to the drilling at Borba until the United States situation normalised.

In October 2020 Emphyrean notified Sacgasco that it would not be participating in the proposed drilling of the Borba prospect under the timeframes and terms currently proposed by Sacgasco. The Company however will work with its joint venture partners in reviewing and assessing the technical and commercial merits of other prospects at the Californian project before deciding whether to participate in future wells.

Riverbend Project (10%)

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

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

Little or no work has been completed on the project in the year and no budget has been prepared for 2021/22 whilst the Company focuses on other projects. The Company fully impaired the carrying value of the asset at 31

March 2017 and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

Eagle Oil Pool Development Project (58.084% WI)

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

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

Little or no work has been completed on the project in the year and no budget has been prepared for 2021/22 whilst the Company focuses on other projects. The Company fully impaired the carrying value of the asset at 31 March 2017 and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

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

Definitions

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

Bcf: Billions of cubic feet

MMbbl: Million Barrels of Oil

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



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

Executive Director (Technical)

26 August 2021

Directors' Report

The Directors are pleased to present their report on the affairs of the Company, together with the audited financial statements for the period 1 April 2020 to 31 March 2021.

Dividends

The Directors do not propose the payment of a dividend.

Directors and Directors' Interests

Directors of the Company who served during the year:

- **Patrick Cross – Non-Executive Chairman**
Dr Cross has international experience in corporate finance, organisation structures, marketing and joint venture operations. His previous positions include 25 years with BP specialising in marketing, strategic planning and business development across different countries. He also worked for 2 years as President of Cable and Wireless Japan, and 6 years as Managing Director of BBC World Ltd. Dr Cross has operated in South America, Asia, Europe and the United Kingdom establishing relationships at senior levels with major companies, Governments and the European Commission. He was non-executive chairman of Mercom Capital Plc, was a non-executive director of Orca Interactive Limited and is a Trustee of the Royal Society of Tropical Medicine and Hygiene. At the time of this report, Dr Cross holds or has a beneficial interest in 825,000 shares (0.14%) in the Company. Dr Cross was appointed to the Board in June 2005.
- **Thomas Kelly – Chief Executive Officer**
Mr Kelly has had more than 25 years of corporate, finance and investment banking experience. During this period, Thomas Kelly has been involved in and been responsible for the financing of numerous listed companies on the Australian Securities Exchange (ASX) and several mergers and acquisitions within the Australian corporate sector. Mr Kelly is a founding Director of Empyrean Energy Plc. At the time of this report, Mr Kelly holds or has a beneficial interest in 88,888,888 shares (15.50%) in the Company. Mr Kelly was appointed to the Board in May 2005.
- **Gajendra Bisht – Executive Director (Technical)**
Mr Bisht is an oil and gas professional with over 30 years of proven skills in all aspects of Exploration and Production. In the past 6 years, he has developed strong business acumen in strategy framing and execution and has built deep and effective relationships with international companies as well as regulators in South East and North Asia, particularly in Indonesia, China and Malaysia. At the time of this report, Mr Bisht holds or has a beneficial interest in 31,821,429 shares (5.55%) in the Company. Mr Bisht was appointed to the Board in June 2017.

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- **John Laycock – Non-Executive Director**
Mr Laycock has over 30 years' experience in accounting, finance and risk management. His previous positions include 22 years with BP both in UK and international experience in France and Japan. Mr Laycock has a degree in Mechanical Engineering from Bristol University and is a Fellow of the Chartered Institute of Management Accountants, who is based in the UK. At the time of this report, Mr Laycock holds or has a beneficial interest in 3,800,000 shares (0.66%) in the Company. Mr Laycock was appointed to the Board in August 2008.

Insurance

The Company maintains liability insurance for the Directors and officers of the Company.

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\$0.15m (2020: US\$0.19m) and made a loss after income tax of US\$0.95m (2020: loss of US\$0.28m).

The Directors have prepared cash flow forecasts for the Company covering the period to 31 August 2022 and these demonstrate that the Company will require further funding within the next 12 months. Principally the Company has a commitment to drill an exploration well on the Jade prospect in China, by 12 June 2022. In July 2021 US\$6.92m was raised through an equity placement to help fund initial long lead items and to secure a drill rig. In order to meet the well commitment, the Company is required to raise further funding and as at the date of this report the necessary funds are not in place.

The Directors are optimistic that the full funding commitments for the Jade well will be met, having successfully raised equity funding in July ahead of the drill rig being secured. It is the belief of the Board that there are several near-term share price catalysts leading up to drilling - being the drill rig being secured, the site survey conducted and the confirmation of the spud date for the Jade well, which will be conducive to it to securing the remaining funding for the well, either through the exercise of existing warrants, the entering of joint venture arrangements or further direct equity funding, or a combination of these alternatives. The Directors note that if the well commitment is not met then either a renegotiation of the commitment timing will be required or the licence could be relinquished.

The Directors also note that the equity facility agreement with Long State Investment Limited will also provide a funding facility to support future working capital requirements alongside the drill commitment funding.

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

Financial, Liquidity and Cashflow Risk Management

Refer to Note 16 in the financial statements for further details.

Post Reporting Date Events

Significant events post reporting date were as follows:

In April 2021, Empyrean announced that the Company had commenced comprehensive planning for the drilling of the Jade prospect and had awarded a contract to AGR's team in Australia to assist with well planning. In May 2021 the Company announced that AGR had completed the well design and engineering project for the Jade prospect.

In July 2021 the Company completed a Placing to raise US\$6.92 million (£5.02 million) with funds raised under this Placing to primarily be used to secure a suitable drilling rig, order long lead items and for the Company's general working capital requirements as it prepares to drill the Jade prospect in 2021.

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.

Strategic Report

The Company has chosen, in accordance with Section 414C of the Companies Act 2006, to set out the likely future developments in the business of the Company which would otherwise be required to be contained in the report of the Directors within the Strategic Report on pages 7 to 13.

Auditors

The Auditors, BDO LLP, have indicated their willingness to continue in office and a resolution suggesting that they should be reappointed will be proposed at the Annual General Meeting.

Statement of Disclosure to Auditors

Each person who is a Director at the date of approval of this Annual Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are not informed; and
- the Director has taken all steps required to make himself aware of any relevant audit information and to establish that the Company's Auditors are informed of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

By order of the Board



Thomas Kelly

Chief Executive Officer

26 August 2021

Corporate Governance Report

The Directors are committed to maintaining high standards of corporate governance.

The London Stock Exchange announced that all AIM companies will be required to apply a recognised corporate governance code from 28 September 2018. In connection with the introduction of these new requirements, the Quoted Companies Alliance has published a new corporate governance code. The Board of Empyrean has adopted the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') in line with these requirements.

The Company has adopted and operates a share dealing code for Directors and senior employees on substantially the same terms as the Model Code appended to the Listing Rules of the UK Listing Authority.

Chairman Statement – Corporate Governance

As Chairman of the Board of Directors of Empyrean Energy Plc, it is my responsibility to ensure that the Company is run by an effective and suitably qualified Board underpinned by a strong corporate governance policy. As Chairman, my responsibilities include overseeing the Company's corporate governance model and ensuring the Board is run by an effective and efficient Board, with good communication and information flow both internally and with our shareholders.

The Company has adopted the QCA Code in line with the AIM Rules requirement for all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. The Company has prepared a Statement of Compliance with the QCA Corporate Governance Code which outlines the Company's approach in addressing and applying the 10 corporate governance principles of the QCA Code. This can be found at:

www.empyreanenergy.com/governance/

The Board considers that the Company complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company and does not believe its governance structures and practices differ from the expectations set by the QCA Code.

The Board believes that that good corporate governance, as outlined in the QCA Code, improves the long-term success and performance of the Company, whilst effectively managing risks and providing a framework for communication internally and with our shareholders.

There have been no governance matters of any concern that have occurred during the year and there have been no significant changes in the Company's governance arrangements.

Business Strategy

Through a series of strategic acquisitions, Empyrean now holds an exciting portfolio of exploration projects and its primary focus is to add significant value for the Company and its shareholders through focused advancement of these projects. Empyrean allocates its resources appropriately given the risk versus reward profile of our projects in order to achieve its goal of maximising Company and shareholder value.

Empyrean is currently focused on developing three cornerstone assets: Block 29/11 offshore China, the Duyung PSC offshore Indonesia and a multi project participating interest in the Sacramento Basin, California. Exploration

work has largely focused on the China and Indonesia Project during the year to maximise their value, while the Company elected not to participate in the drilling of the Borba Prospect in California during the year. The Board will however consider participating in future wells at the Californian project based on their technical merit. The Board also continues to evaluate new projects to position the Company for renewed growth and to further increase shareholder value.

The Board

The Board met 11 times throughout the year. Attendance at the Board Meetings was as follows:

Director	Number Eligible to Attend	Number Attended
Patrick Cross	11	11
John Laycock	11	11
Thomas Kelly	11	11
Gajendra Bisht	11	11

To enable the Board to perform its duties, each of the Directors has full access to all relevant information and to the services of the Company Secretary. If necessary, the Non-Executive Directors may take independent professional advice at the Company's expense. The Board currently includes two Executive Directors and two Non-Executive Directors. The Board has delegated specific responsibilities to the committees described below. Patrick Cross is a Non-Executive Director and Chairman of the Company and meets the Company's criteria for independence. His experience and knowledge of the Company makes his contribution to the Board such that it is appropriate for him to remain on the Board and in his position as Chairman. John Laycock is a Non-Executive Director of the Company and meets the Company's criteria for independence. While both Dr Cross and Mr Laycock have held Board positions for some time, they remain sufficiently removed from the day to day management of the Company and therefore continue to meet the Company's independence criteria.

Non-Executive Directors are expected to devote sufficient time as is reasonably required to perform their duties, which includes at a minimum being available to attend weekly update meetings and monthly board meetings and to review preparation material for those meetings. Thomas Kelly is an Executive Director and Chief Executive Officer of the Company and is expected to devote sufficient time as is reasonably required to perform the duties of Chief Executive Officer, which is on a full time basis. Gajendra Bisht is the Executive Director (Technical) of the Company and is expected to devote sufficient time as is reasonably required to perform the duties of an Executive Technical Director, which is on a full time basis. Mr Kelly and Mr Bisht form the executive management team for the China Project, where the Company is the Operator. The relevant experience, skills and capabilities of each of the directors are described in the Directors Report.

The Board has effective procedures and protocols in place to monitor any potential conflicts of interest and ensure that members with such conflicts abstain from voting on any resolutions on those matters. The Board members are also transparent in notifying other members of any other commitments or interests external to the business of the Company.

Company Secretary

The Company Secretary, Jonathan Whyte (CA), is an adviser to the Chairman and the Board and provides assistance to the Executive Directors in the day to day operations of the Company. The Company Secretary has responsibility for the Company's legal, statutory and regulatory compliance requirements and assists management with shareholder communication and investor relations matters. The Company Secretary prepares and disseminates all Board and Committee Meeting materials.

Performance Evaluation

The Chairman is responsible for the performance evaluation of the Executive and Non-Executive Directors. The Non-Executive Finance Director is responsible for the performance evaluation of the Chairman. The Board as a whole is responsible for the performance evaluation of the Committees and its own performance. These assessments occurred periodically. The Board believes that its current members have an appropriate balance of sector, financial and public market skills and experience, as well as technical experience, in particular oil and gas industry experience and expertise. The Board is satisfied that it has the appropriate balance of personal qualities and capabilities and is not dominated by a single member. On a continual basis, the Board assesses its core competencies, expertise and effectiveness to ensure they remain relevant and up to date. The Company has defined procedures for the selection and appointment of new directors to the Company's Board. Refer to pages 23 and 24 of the Directors' report for details of the Directors' experience and capabilities.

The Company has adopted a formal Board Evaluation Policy to ensure individual directors and the Board work efficiently and effectively in achieving their functions, which involves the Chairman meeting with each Executive and Non-Executive Director separately to discuss individual performance and ideas for improvement and the Non-Executive Finance Director meeting with the Chairman separately to discuss individual performance and ideas for improvement. The Board discuss and analyse its own performance and the performance of the committees during the year including suggestions for change or improvement. Following this review, the structure of the Board was deemed appropriate and it was agreed that the Board continues to function effectively and efficiently, with no recommendations for change at this time.

The Company has an established Remuneration Committee that operates under a Formal Charter. The Remuneration Committee is responsible for reviewing the performance of the Executive Directors, setting the scale and structure of their remuneration, setting performance-based objectives and paying due regard to the interests of shareholders and the performance of the Executive Directors and the Company as a whole. On a continual basis the Board assesses its core competencies, expertise and effectiveness. This includes an assessment of individual directors and whether the appointment of external personnel may enhance the performance of the Board.

The Audit Committee

The Audit Committee comprises of Patrick Cross and John Laycock and is chaired by John Laycock. During the year the Audit Committee met once and each member attended the meeting. The Audit Committee reviews the Company's annual and interim financial statements before submission to the Board for approval. The Audit Committee also reviews reports from management and the external auditors on accounting and internal control matters. When appropriate, the Audit Committee monitors the progress of action taken in relation to such matters. The Audit Committee also assesses the independence of, recommends the appointment of, and reviews the fees of, the external auditors. The Audit Committee has considered the need for an internal audit function and has deemed the need unnecessary as the Company is not of a size to warrant such a function. The Audit Committee Charter can be found on the Company's website www.empyreanenergy.com/governance. While there was no Audit Committee report prepared this year the Audit Committee presents its findings from the

annual audit and interim review to the Board after consultation with the auditors and having received the detailed Audit Completion Report which is prepared specifically for the Audit Committee. The Company relies on the audit summary report from its external auditors and discussions between the auditors and the Audit Committee to sufficiently address any audit related matters.

The Remuneration Committee

The Remuneration Committee is made up of Patrick Cross and John Laycock and is chaired by John Laycock. The Remuneration Committee met once during the year and each member attended the meeting. It is responsible for reviewing the performance of the Executive Director and for setting the scale and structure of their remuneration, paying due regard to the interests of shareholders as a whole and the performance of the Company. The Remuneration Committee Charter can be found on the Company's website (www.empyreanenergy.com/governance). There was no Remuneration Committee report prepared this year on the basis that remuneration levels were reviewed by the board as a whole and also the Remuneration Committee and deemed acceptable and appropriate for the current year, with no changes recommended or made. The Company and its advisers conducted a review of the Company's cost base in view of the current environment and in the context of its peer group during the year.

Internal Control and Risk Management

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness annually. Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has established a continuous process for identifying, evaluating and managing the Company's significant risks. This process involves the monitoring of all controls including financial, operational and compliance controls and risk management. It is based principally on reviewing reports from senior management and professional advisors to ensure any significant weaknesses are promptly remedied and to indicate a need for more extensive monitoring.

The Company has established an Audit Committee which is responsible for overseeing the establishment and implementation by management of a system for identifying, assessing, monitoring and managing material risk throughout the company. This system includes the Company's internal compliance and control systems. The Audit Committee reviews at least annually the Company's risk management systems to ensure the exposure to the various categories of risk, including fraud, are minimised. The Audit Committee monitors the standard of corporate conduct in areas such as arms-length dealings and likely conflicts of interest.

Corporate Culture

The Board believes that good corporate culture based on sound ethical values guides the objectives and actions of its Board, management and employees. The Company has an Ongoing Education Framework which is designed to facilitate the education of directors and employees so they are equipped with the general and technical knowledge required to carry out their duties and understand the business of the Company.

The Company demands the highest standards of integrity in the conduct of its business. Empyrean is committed to conducting business in a transparent and ethical manner across all its operations. The Company aims to ensure that all its activities are conducted fairly and honestly and each person connected with the Company has individual responsibility for maintaining an ethical workplace. Consistent with this business philosophy, the Company strictly adheres to anti-bribery and corruption principles. The Company places an active responsibility for compliance on all Company employees and associated persons.

Relationship with Shareholders

The Board attaches high importance on maintaining good relationships with shareholders and seeks to keep them fully updated on the Company's performance, strategy and management. In addition, the Board welcomes as many shareholders as possible to attend its general meetings and encourages open discussion after formal proceedings.

Corporate Social Responsibility

Whilst the Company is cognisant of its corporate social responsibilities, the Company considers that it is not of the size to warrant a formal policy as the issues that are relevant to this policy are mostly the responsibility of the operators of the wells with which the Company has agreements.

Bribery Act

The Company is cognisant of its responsibilities under the Bribery Act and has implemented an Anti-Bribery policy.

UK City Code on Takeovers and Mergers

The Company is subject to the UK City Code on Takeovers and Mergers.

Market Abuse Regime

The Company has adopted and operates a share dealing code for Directors and senior employees on substantially the same terms as the Model Code and MAR appended to the Listing Rules of the UKLA.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Company financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom. Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the United Kingdom, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with the legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Company Number: 05387837



Thomas Kelly
Chief Executive Officer
26 August 2021

Independent Auditor's Report to the Members of Empyrean Energy Plc

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2021 and for the loss for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Empyrean Energy PLC (the 'Company') for the year ended 31 March 2021, which comprise the statement of comprehensive income, the statement of financial position, the statement of cash flows, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

In auditing the financial statements, we draw attention to Note 1 of the financial statements, which indicates that the Company requires additional funding during the 12 months after approval of the financial statements in order to continue as a going concern.

As stated in Note 1, these events or conditions, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

We consider this area to be a key audit matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting and in response to the key audit matter included:

- Obtaining, challenging and assessing the Company's base case cash flow forecasts and the underlying assumptions, which have been approved by the Board.

- Obtaining the latest forecasted costs to drill the Jade prospect, prepared by the Company and corroborating these to the studies undertaken by the Company's key drilling contractor.
- Challenging Directors on the reasonableness of forecast assumptions applied in the model and assessing these against prior year operating costs.
- Challenging and obtaining audit evidence to ensure that key inputs applied in the cash flow forecasts relating to other committed costs on the Company's key exploration assets and working capital requirements were consistent with other financial and operational information obtained during the course of the audit.
- Obtaining, challenging and assessing the Director's strategy to raise future funds to meet both the Jade well commitment and other working capital requirements. Assessing the reasonableness of these strategies in line with the Company's past history of raising funds.
- Discussing and seeking views from Directors and the Audit Committee on the potential impacts of COVID-19 including their assessment of risks and uncertainties.
- Reviewing and considering the adequacy of the disclosure within the financial statements relating to the Directors' assessment of the going concern basis of preparation.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage	100% (2020: 100%) of loss before tax 100% (2020: 100%) of total assets		
Key audit matters	KAM 1 KAM 2 KAM 3	2021 Carrying value of exploration and evaluation assets Going concern N/A	2020 Carrying value of exploration and evaluation assets N/A Valuation of investment in West Natuna Exploration Limited KAM 3 is no longer considered to be a key audit matter. During the year Empyrean's equity interest in West Natuna Exploration Limited was transferred to a direct interest in the Duyong PSC. The investment is now accounted for as an Exploration and evaluation asset and therefore the matter is considered within KAM 1, Carrying value of exploration and evaluation assets.
Materiality	<i>Financial statements as a whole</i> \$210,000 (2020:\$200,000) based on 1.4% (2020: 1.4%) of total assets.		

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including the Company's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to going concern, described in the Material uncertainty related to going concern section above, we determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter		How the scope of our audit addressed the key audit matter
Carrying value of exploration and evaluation assets (Please refer to note 8)	The Company's exploration and evaluation assets associated with the China block 29/11 project, Duyung PSC project, Sacramento basin project, River bend project and Eagle oil pool development project represent the key assets on the Company's statement of financial position. As at 31 March 2021, the Company's exploration and evaluation assets totalled \$14.64m (2020: \$9.85m). Management performed an impairment indicator review to assess whether there were any indicators of impairment for the exploration assets and whether the carrying value was appropriate. Given the inherent judgement involved in the assessment of the carrying value of the exploration and evaluation assets, we considered the carrying value of exploration and evaluation assets	- We assessed and challenged Management's impairment indicator review to establish whether it was performed in accordance with the accounting policy and relevant accounting standard. - We obtained and read third party documents relating to the licences and status of any commitments. - We considered the Exploration & Evaluation assets activity that has actually taken place during the year and whether there was evidence in the cash flow that funding would not be available to maintain the E&E assets in full - alongside the material uncertainty relating to going concern above. - We reviewed the studies prepared by third party Management experts and considered their independence, competence and objectivity. Key observations:

	to be a significant risk and key audit matter for the audit.	Our audit procedures did not identify any material misstatements in the carrying value of exploration and evaluation assets or in the disclosure as required by IFRS 6.
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Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole:

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Financial statements	
	2021 \$k	2020 \$k
Materiality	210	200
Basis for determining materiality	Materiality was set at 1.4% (2020: 1.4%) of the total assets.	
Rationale for the benchmark applied	We consider total assets to be the financial metric of the most interest to shareholders and other users of the financial statements; given the Company is a natural resources exploration entity.	
Performance materiality	Performance materiality was set at 75% (2020: 75%) of the above materiality levels.	
Basis for determining performance materiality	Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. Performance materiality was set at 75% (2020: 75%) of the above materiality levels. 75% was selected because of lower value of misstatements, one or few locations, lower value of brought forward adjustments and lesser extent of planned sample procedures.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of \$4,000 (2020:\$4,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	In our opinion, based on the work undertaken in the course of the audit: - the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.
Matters on which we are required to report by exception	We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion: - adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or - the financial statements are not in agreement with the accounting records and returns; or - certain disclosures of Directors' remuneration specified by law are not made; or - we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- Making enquiries of Management including obtaining and reviewing supporting documentation, concerning the Company's policies and procedures relating to :
 - identifying, evaluating and complying with laws and regulations with regards to their exploration assets in the respective geographies of Republic of China, Indonesia & USA and assessing whether they were aware of any instances of non-compliance with such;
 - detecting and responding to the risks of fraud on management override of controls and assessing whether they have knowledge of any actual, suspected or alleged fraud; and
 - reviewing the internal controls by audit of design and implementation established to mitigate risks related to fraud or non-compliance with laws and regulations.
- Performing targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, for example capitalisation entries to exploration and evaluation assets without a corresponding entry to cash or trade payables.
- Critically assessing areas of the financial statements which include judgement and estimates, as set out in note 1 to the financial statements including the key audit matters.

-
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Matt Crane
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Matt Crane (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

London, UK 26 August 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income For the Year Ended 31 March 2021

	Notes	2021 US\$'000	2020 US\$'000
Revenue		-	-
Administrative expenditure			
Administrative expenses		(338)	(326)
Compliance fees		(225)	(214)
Directors' remuneration		(400)	(388)
Foreign exchange differences		20	(34)
Total administrative expenditure		(943)	(962)
Operating loss	4	(943)	(962)
Finance (expense)/income		(7)	43
Impairment of oil and gas properties	8	(3)	(47)
Loss on sale of investment	9	-	(29)
Loss from continuing operations before taxation		(953)	(995)
Tax benefit in current year	6	-	716
Loss from continuing operations after taxation		(953)	(279)
Total comprehensive loss for the year		(953)	(279)
Loss per share from continuing operations (expressed in cents)			
- Basic	7	(0.20)c	(0.06)c
- Diluted		(0.20)c	(0.06)c

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

Statement of Financial Position As at 31 March 2021

Company Number: 05387837

		2021	*Restated 2020
	Notes	US\$'000	US\$'000
Assets			
Non-Current Assets			
Oil and gas properties: exploration and evaluation	8	14,643	9,850
Investments	9	-	4,404
Total non-current assets		14,643	14,254
Current Assets			
Trade and other receivables	10	36	35
Corporation tax receivable	6	358	358
Cash and cash equivalents		150	189
Total current assets		544	582
Liabilities			
Current Liabilities			
Trade and other payables	11	667	1,434
Provisions		111	78
Total current liabilities		778	1,512
Net Current Liabilities		(234)	(930)
Net Assets		14,409	13,324
Shareholders' Equity			
Share capital	13	1,398	1,291
Share premium reserve		29,408	27,811
Warrant and share-based payment reserve		488	153
Retained losses		(16,885)	(15,931)
Total Equity		14,409	13,324

*Refer to Note 3 for further information on changes to comparatives.

The Financial Statements were approved by the Board of Directors on 26 August 2021 and were signed on its behalf by:

Patrick H. Cross

Patrick Cross
Chairman

Thomas Kelly

Thomas Kelly
Chief Executive Officer

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

Statement of Cash Flows
For the Year Ended 31 March 2021

	Notes	2021 US\$'000	2020 US\$'000
Operating Activities			
Payments for operating activities		(831)	(579)
Receipt of corporation tax		-	358
Net cash outflow for operating activities	12	(831)	(221)
Investing Activities			
Payments for exploration and evaluation		(1,159)	(557)
Payments for investments		-	(953)
Proceeds from disposal of investments		-	276
Net cash outflow for investing activities		(1,159)	(1,234)
Financing Activities			
Issue of ordinary share capital		2,094	1,375
Payment of equity issue costs		(163)	(29)
Net cash inflow from financing activities		1,931	1,346
Net decrease in cash and cash equivalents		(59)	(109)
Cash and cash equivalents at the start of the year		189	332
Forex gain/(loss) on cash held		20	(34)
Cash And Cash Equivalents At The End Of The Year		150	189

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 2021**

		Share Capital	Share Premium Reserve	Warrant & Share- Based Payment Reserve	Retained Loss	Total Equity
	Notes	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Balance at 1 April 2019		1,232	26,524	69	(16,958)	10,867
Loss after tax for the year		-	-	-	(279)	(279)
Total comprehensive loss for the year		-	-	-	(279)	(279)
Contributions by and distributions to owners						
Shares issued in the period	13	59	1,316	-	-	1,375
Equity issue costs		-	(29)	-	-	(29)
Share-based payment expense		-	-	84	-	84
Derivative settlement		-	-	-	1,306	1,306
Total contributions by and distributions to owners		59	1,287	84	1,306	2,736
Balance at 1 April 2020		1,291	27,811	153	(15,931)	13,324
Loss after tax for the year		-	-	-	(953)	(953)
Total comprehensive loss for the year		-	-	-	(953)	(953)
Contributions by and distributions to owners						
Shares issued in the period	13	107	1,760	227	-	2,094
Equity issue costs		-	(163)	-	-	(163)
Share-based payment expense		-	-	100	-	100
Finance expense (share-based)		-	-	7	-	7
Total contributions by and distributions to owners		107	1,597	334	-	2,038
Balance at 31 March 2021		1,398	29,408	487	(16,884)	14,409

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 2021

Note 1. Statement of Significant Accounting Policies

Basis of preparation

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the United Kingdom and Companies Act 2006. The principal accounting policies are summarised below. The financial report is presented in the functional currency, US dollars and all values are shown in thousands of US dollars (US\$'000).

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

Basis of measurement

The financial statements have been prepared on a historical cost basis, except for the following items (refer to individual accounting policies for details):

- Investments

Nature of business

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

Going concern

The Company's principal activity during the year has been the acquisition and development of its exploration projects. At the year end the Company had a cash balance of US\$0.15m (2020: US\$0.19m) and made a loss after income tax of US\$0.95m (2020: loss of US\$0.28m).

The Directors have prepared cash flow forecasts for the Company covering the period to 31 August 2022 and these demonstrate that the Company will require further funding within the next 12 months. Principally the Company has a commitment to drill an exploration well on the Jade prospect in China, by 12 June 2022. In July 2021 US\$6.92m was raised through an equity placement to help fund initial long lead items and to secure a drill rig. In order to meet the well commitment the Company is required to raise further funding and as at the date of this report the necessary funds are not in place.

The Directors are optimistic that the full funding commitments for the Jade well will be met, having successfully raised equity funding in July ahead of the drill rig being secured. It is the belief of the Board that there are several near-term share price catalysts leading up to drilling - being the drill rig being secured, the site survey conducted and the confirmation of the spud date for the Jade well, which will be conducive to it to securing the remaining funding for the well, either through the exercise of existing warrants, the entering of joint venture arrangements or further direct equity funding, or a combination of these alternatives. The directors note that if the well commitment is not met then either a renegotiation of the commitment timing will be required or the licence could be relinquished.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

The Directors also note that the equity facility agreement with Long State Investment Limited will also provide a funding facility to support future working capital requirements alongside the drill commitment funding.

The Directors have therefore concluded that it is appropriate to prepare the Company's financial statements on a going concern basis, 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 2020 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 not been adopted for the annual reporting period ended 31 March 2021.

Tax

The major components of tax on profit or loss include current and deferred tax. Current tax is based on the profit or loss adjusted for items that are non-assessable or disallowed and is calculated using tax rates that have been enacted or substantively enacted by the reporting date. Tax is charged to the income statement, except when the tax relates to items credited or charged directly to equity, in which case the tax is also dealt with in equity.

(a) 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

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

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.

If commercial reserves have been discovered, the related E&E assets are assessed for impairment on a CGU basis as set out below and any impairment loss is recognised in the income statement. The carrying value, after any impairment loss, of the relevant E&E assets is then reclassified as development and production assets within property, plant and equipment and are amortised on a unit of production basis over the life of the commercial reserves of the pool to which they relate. Intangible E&E assets that relate to E&E activities that are not yet determined to have resulted in the discovery of commercial reserves remain capitalised as intangible E&E assets at cost, subject to meeting impairment tests as set out below. E&E assets are assessed for impairment when facts and circumstances suggest that the carrying amount may exceed its recoverable amount. Such indicators include the point at which a determination is made as to whether or not commercial reserves exist. Where the E&E assets concerned fall within the scope of an established CGU, the E&E assets are tested for impairment together with all development and production assets associated with that CGU, as a single cash generating unit. The aggregate carrying value is compared against the expected recoverable amount of the pool. The recoverable amount is the higher of value in use and the fair value less costs to sell. Value in use is assessed generally by reference to the present value of the future net cash flows expected to be derived from production of commercial reserves. Where the E&E assets to be tested fall outside the scope of any established CGU, there will generally be no commercial reserves and the E&E assets concerned will generally be written off in full. Any impairment loss is recognised in the income statement.

Investments

Under IFRS 9, all investments in equities are required to be measured at fair value. In prior financial years, the Company’s interest in the Duyung PSC was classified under IFRS 9 as a financial asset at fair value through profit or loss, due to the Company’s 8.5% shareholding and lack of significant influence over operations. Financial assets designated as fair value through the profit or loss are measured at fair value through profit or loss at the point of initial recognition and subsequently revalued at each reporting date. The purchase agreement detailed in Note 8(b) formed the basis for the fair value assessment at 31 March 2020, including costs capitalised since the agreement was entered into. In May 2020 the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company’s interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources).

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

Joint operations

Joint arrangements represent the contractual sharing of control between parties in a business venture where unanimous decisions about relevant activities are required. Joint venture operations represent arrangements whereby joint operators maintain direct interests in each asset and exposure to each liability of the arrangement. The Company's interests in the assets, liabilities, revenue and expenses of joint operations are included in the respective line items of the financial statements.

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 2019 or 31 March 2020.

(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.

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.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

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.

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:

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 2021/22 whilst the Company focuses on other projects. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2021.

(b) Investments (judgement and estimate)

The Company's interest in the Duyung PSC was classified under IFRS 9 at 31 March 2020 as a financial asset at Under IFRS 9, all investments in equities are required to be measured at fair value. In prior financial years, the Company's interest in the Duyung PSC was classified under IFRS 9 as a financial asset at fair value through profit or loss, due to the Company's 8.5% shareholding and lack of significant influence over operations. Financial assets designated as fair value through the profit or loss are measured at fair value through profit or loss at the point of initial recognition and subsequently revalued at each reporting date. The purchase agreement detailed in Note 8(b) formed the basis for the fair value assessment at 31 March 2020, including costs capitalised since the agreement was entered into. In May 2020 the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company's interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss. The carrying value post-disposal of US\$3.95 million at May 2020 has been transferred to Note 8 - Oil and Gas Properties: Exploration and Evaluation. The fair value of the project was assessed at transfer date with no change from the

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

assessment made at 31 March 2020 and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources).

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2021

Details	China US\$'000	Indonesia US\$'000	USA US\$'000	Corporate US\$'000	Total US\$'000
31 March 2020					
Revenue from continued operations	-	-	-	-	-
Segment result	-	-	-	-	-
Unallocated corporate expenses	-	-	-	(962)	(962)
Operating loss	-	-	-	(962)	(962)
Finance income	-	-	-	43	43
Impairment of oil and gas properties	-	-	(47)	-	(47)
Loss on sale of investment	-	(29)	-	-	(29)
Loss before taxation	-	(29)	(47)	(919)	(995)
Tax benefit in current year	-	-	-	716	716
Loss after taxation	-	(29)	(47)	(203)	(279)
Total comprehensive loss for the financial year	-	(29)	(47)	(203)	(279)
 Segment assets	5,912	4,404	3,938	-	14,254
Unallocated corporate assets	-	-	-	582	582
Total assets	5,912	4,404	3,938	582	14,836
 Segment liabilities	-	480	-	-	480
Unallocated corporate liabilities	-	-	-	1,032	1,032
Total liabilities	-	480	-	1,032	1,512

Note 3. Restatement of Prior Period

During preparation of the financial statements for the year ending 31 March 2021, the Company identified a prior period error. Due to invoicing delays, exploration expenditure relating to the year ended 31 March 2020 had not been recognised in that period.

This resulted in a restatement of the following line items for the year ended 31 March 2020:

- Exploration and evaluation expenditure: increased by US\$264,000
- Trade and other payables: increased by US\$264,000

There is no impact on the Statement of Comprehensive Income for the years ended 31 March 2021 or 31 March 2020. The above adjustment had the following impact on the 31 March 2020 Statement of Financial Position:

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2021

Statement of Financial Position Extract
As at 31 March 2020

Financial Report Line Item/	As Previously Stated	Adjustment	As Restated
	US\$'000	US\$'000	US\$'000
Balance Affected			
Non-Current Assets			
Exploration and evaluation expenditure	9,586	264	9,850
Total Non-Current Assets	13,990	264	14,254
Total Assets	14,572	264	14,836
Current Liabilities			
Trade and other payables	1,170	264	1,434
Total Current Liabilities	1,248	264	1,512
Total Liabilities	1,248	264	1,512
Net Assets	13,324	-	13,324

Note 4. Operating Loss

	2021	2020
	US\$'000	US\$'000
The operating loss is stated after charging:		
Audit and tax fees	(97)	(84)
Total operating loss	(97)	(84)

Auditor's Remuneration

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

Fees payable to the Company's auditor for the audit of the Company annual accounts	45	42
Fees payable to the Company's auditor and its associates in respect of:		
- Other services relating to taxation	14	12
Total auditor's remuneration	59	54

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2021

Note 5. Directors' Emoluments

	Fees and Salary		Bonus Payment		Social Security Contributions		Short-Term Employment Benefits (Total)	
	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000	2021 US\$'000	2020 US\$'000
Non-Executive Directors:								
Patrick Cross	24	23	-	-	2	2	26	25
John Laycock	14	14	-	-	1	1	15	15
Executive Directors:								
Thomas Kelly ^(a)	291	283	-	-	-	-	291	283
Gajendra Bisht ^(b)	220	220	-	-	-	-	220	220
	549	540	-	-	3	3	552	543

(a) Services provided by Apnea Holdings Pty Ltd, of which Mr Kelly is a Director. In addition to the Director fees above, Apnea Holdings Pty Ltd was paid US\$51,000 for capital raising services for the September 2019 and January 2020 Placements which raised US\$1.02 million in the prior financial year. 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 2021 and 2020. The highest paid director received US\$291,000 (2020: US\$283,000).

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2021

Note 6. Taxation

	2021 US\$'000	2020 US\$'000
Opening balance	(358)	-
US corporation tax benefit at 21%	-	(716)
AMT Federal Credit received during year	-	358
Total corporation tax receivable	<u>(358)</u>	<u>(358)</u>
Factors Affecting The Tax Charge For The Year		
Loss from continuing operations	(953)	(995)
Loss on ordinary activities before tax	<u>(953)</u>	<u>(995)</u>
Loss on ordinary activities at US rate of 21% (2020: 21%)	(200)	(209)
Non-deductible expenses	23	19
Movement in provisions	7	5
Over provision in prior year	-	(716)
Deferred tax assets not recognised	<u>170</u>	<u>185</u>
	-	(716)
Analysed as:		
Tax benefit on continuing operations	-	(716)
Tax benefit in current year	<u>-</u>	<u>(716)</u>
Deferred Tax Liabilities		
Temporary differences - exploration	1,657	1,628
Temporary differences - other	<u>4</u>	<u>393</u>
	1,661	2,021
Offset of deferred tax assets	<u>(1,661)</u>	<u>(2,021)</u>
Net deferred tax liabilities recognised	<u>-</u>	<u>-</u>
Unrecognised Deferred Tax Assets		
Tax losses ^(a)	3,555	3,468
Temporary differences - exploration	2,946	2,940
Temporary differences - other	<u>824</u>	<u>1,075</u>
	7,325	7,483
Offset of deferred tax liabilities	<u>(1,661)</u>	<u>(2,021)</u>
Net deferred tax assets not brought to account	<u>5,664</u>	<u>5,462</u>

(a) If not utilised, carried forward tax losses of approximately US\$9.63 million (2020: \$9.32 million) begin to expire in the year 2033.

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2021

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 479,537,844 (2020: 438,014,668).

	2021	2020
Loss per share from continuing operations		
Loss after taxation from continuing operations	US\$(953,000)	US\$(279,000)
Loss per share – basic	(0.20)c	(0.06)c
Loss after taxation from continuing operations adjusted for dilutive effects	US\$(953,000)	US\$(279,000)
Loss per share – diluted	(0.20)c	(0.06)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 13.

Note 8. Oil and Gas Properties: Exploration and Evaluation

	2021	Restated 2020
	US\$'000	US\$'000
Balance brought forward	9,850	9,075
Additions ^(a)	847	822
Transfers ^(b)	3,949	-
Impairment ^(c)	(3)	(47)
Net book value	14,643	9,850

(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 Saccasco 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) In February 2019 Empyrean announced that it had entered into a binding, conditional purchase agreement (the Agreement) pursuant to which AIM listed Coro would acquire a 15% interest in the Duyung PSC from WNEL for aggregate consideration in cash and Coro shares of US\$4.8 million (of which Empyrean received US\$295,000 in cash and 6,090,504 Coro shares) and the contribution of US\$10.5 million by Coro toward the 2019 drilling campaign at the Mako gas field. The cash and share component of the consideration was paid pro rata to the existing owners of WNEL, being Empyrean, which currently had a 10% effective interest in the Duyung PSC, and Conrad Petroleum Ltd, which currently had a 90% effective interest in the Duyung PSC, each through shareholding in WNEL.

The consideration paid comprised US\$2.95 million in cash and US\$1.85 million in the form of 60,905,037 new ordinary shares in Coro. Empyrean received cash consideration of US\$295,000 and Consideration Shares with a value of US\$185,000 for the transfer to Coro of 1.5% of its current 10% interest in the Duyung PSC, reducing its interest to 8.5%.

In May 2020 the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company's interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources). The carrying value post-disposal of US\$3.95 million at May 2020 has been transferred to Note 8 - Oil and Gas Properties: Exploration and Evaluation. Please refer to Note 9 - Investments for details on the fair value assessment of the project at transfer date.

- (c) 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 2021/22 whilst the Company focuses on other projects. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2021.

Project	Operator	Working Interest	2021 Carrying Value US\$'000	Restated 2020 Carrying Value US\$'000
<i>Exploration and evaluation</i>				
China Block 29/11	Empyrean Energy	100% ¹	6,537	5,912
Sacramento Basin	Sacgasco	25-30%	4,054	3,938
Duyung PSC	Conrad Petroleum	8.5%	4,052	-
Riverbend	Huff Energy	10%	-	-
Eagle Oil Pool Development	Strata-X	58.084%	-	-
			14,643	9,850

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. Investments

	2021 US\$'000	2020 US\$'000
Balance brought forward	4,404	3,200
Additions ^(a)	25	1,389
Disposals ^(b)	(480)	(185)
Transfers ^(b)	(3,949)	-
Total investments	-	4,404

- (a) For further information on additional work performed on the Duyung PSC during the period, please refer to the Operational Review.
- (b) In February 2019 Empyrean announced that it had entered into a binding, conditional purchase agreement (the Agreement) pursuant to which AIM listed Coro would acquire a 15% interest in the Duyung PSC from WNEL for aggregate consideration in cash and Coro shares of US\$4.8 million (of which Empyrean received US\$295,000 in cash and 6,090,504 Coro shares) and the contribution of US\$10.5 million by Coro toward the 2019 drilling campaign at the Mako gas field. The cash and share component of the consideration was paid pro rata to the existing owners of WNEL, being Empyrean, which currently had a 10% effective interest in the Duyung PSC, and Conrad Petroleum Ltd, which currently had a 90% effective interest in the Duyung PSC, each through shareholding in WNEL.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

The consideration paid comprised US\$2.95 million in cash and US\$1.85 million in the form of 60,905,037 new ordinary shares in Coro. Empyrean received cash consideration of US\$295,000 and Consideration Shares with a value of US\$185,000 for the transfer to Coro of 1.5% of its current 10% interest in the Duyung PSC, reducing its interest to 8.5%.

In May 2020 the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company's interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources).

The carrying value post-disposal of US\$3.95 million at May 2020 has been transferred to Note 8 - Oil and Gas Properties: Exploration and Evaluation. The fair value of the project has been assessed at transfer date and there has been no change from the assessment made at 31 March 2020, when the carrying value pre-disposal of US\$4.4 million was deemed to approximate fair value based on the purchase agreement detailed above, including costs capitalised since the agreement was entered into. While the successful appraisal drilling program conducted during 2019/20 resulted in a substantial increase in the contingent resources of Mako gas field, there are, in the Board's opinion, several milestones required to be achieved before an updated fair value of the project can be reliably and objectively assessed. These include steps required for contingent resources to be converted to reserves at final investment decision (FID) and also the steps required to finalise a gas sales agreement, which has been delayed by the current COVID-19 pandemic and resultant disruptions. Given COVID-19 and the current uncertainty and volatility in the energy markets, attempting to model fair value at this point in time would be intrinsically difficult and subject to a number of contingencies.

Note 10. Trade and Other Receivables

	2021 US\$'000	2020 US\$'000
Accrued revenue	30	30
VAT receivable	6	5
Total trade and other receivables	36	35

Note 11. Trade and Other Payables

	2021 US\$'000	Restated 2020 US\$'000
Trade payables	504	648
Accrued expenses	163	306
Prepayments received – proceeds from disposal of investment	-	480
Total trade and other payables	667	1,434

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2021

Note 12. Reconciliation of Net Loss

	2021 US\$'000	2020 US\$'000
Loss before taxation	(953)	(995)
Finance expense/(income)	7	(43)
Forex (gain)/loss	(20)	34
Impairment – oil and gas properties	3	47
Share-based payments	100	84
Decrease/(increase) in trade receivables relating to operating activities	(1)	2
Increase in trade payables relating to operating activities	-	268
Increase in provisions	33	24
Net cash outflow from operating activities before taxation	(831)	(579)
Receipt of corporation tax	-	358
Net cash outflow from operating activities	(831)	(221)

Note 13. Share Capital

	2021 US\$'000	2020 US\$'000
Issued and fully paid		
489,430,615 (2020: 447,597,777) ordinary shares of 0.2p each	1,398	1,291
Opening balance (2021 number: 447,597,777) (2020 number: 424,275,110)	1,291	1,232
Subscription - 14 April 2020 (number: 11,741,429)	30	-
Open Offer/Subscription - 12 May 2020 (number: 11,858,275)	30	-
Placements - 11 Sep 2020 (number: 18,233,334)	47	-
Placements - prior year (number: 8,322,467)	-	21
Exercise of options - prior year (number: 15,000,000)	-	38
Closing balance (2021 number: 489,430,615) (2020 number: 447,597,777)	1,398	1,291

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.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

Share options and warrants

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

	Weighted Average Exercise Price 2021	Number of Options & Warrants 2021	Weighted Average Exercise Price 2020	Number Of Options 2020
Outstanding at the beginning of the year	£0.145	5,500,000	£0.042	17,500,000
Issued during the year ^{(a)(b)}	£0.088	17,233,334	£0.125	3,000,000
Cancelled during the year ^(a)	£0.170	(2,500,000)	-	-
Exercised during the year	-	-	£0.020	(15,000,000)
Outstanding at the end of the year	£0.094	20,233,334	£0.145	5,500,000

(a) On 15 September 2020, 2,500,000 unlisted options were issued to the Company Secretary, Jonathan Whyte. The options have an exercise price of £0.075, expire on 10 September 2023 and have a vesting date of 15 September 2021. 2,500,000 options held by My Whyte, expiring in January 2021, were cancelled in lieu of the award of the new options. On 11 September 2020, 500,000 unlisted options were issued to Long State Investments as part of activating the £10 million equity placement facility. The options have an exercise price of £0.1014 and expire on 17 September 2023. Options are being expensed over the life of the options, resulting in a share-based payment expense of US\$107,000 to 31 March 2021 (US\$84,000 to 31 March 2020).

(b) 14,233,334 warrants were issued to subscribers of the Placement announced on 11 September 2020. The warrants have an exercise price of £0.09 and expire on 25 September 2022. The warrants have been valued using a Black-Scholes model and the fair value of US\$227,000 is recorded in the warrant and share-based payment reserve.

Valuation and assumptions of options and warrants at 31 March 2021

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

The options outstanding at 31 March 2021 have an exercise price in the range of £0.075 to £0.125 (2020: £0.123 to £0.17) and a weighted average remaining contractual life of 1.64 years (2020: 1.77 years). None of the outstanding options at 31 March 2021 are exercisable at year end.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

Note 14. Reserves

Reserve	Description and purpose
Share premium	Amount subscribed for share capital in excess of nominal value.
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 15. Related Party Transactions

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

Apnea Holdings Pty Ltd, a company wholly-owned by the Company's CEO and Director, Thomas Kelly, purchased 205,103 ordinary shares of 0.2p each in the Company ("Shares") on the market on 18 September 2020 at a price 4.8475p per Share, bringing Mr Kelly's interest in the Company to 88,888,888 Shares.

There were no other related party transactions during the year ended 31 March 2021 other than those disclosed in Note 5.

Note 16. 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.

Credit risk is managed through the maintenance of procedures (such procedures include the utilisation of systems for approval, granting and removal of credit limits, regular monitoring of exposures against such limits and monitoring the financial stability of significant customers and counterparties), ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment. Credit terms are generally 30 days from invoice date.

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.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

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.

	2021 US\$'000	2020 US\$'000
Cash and cash equivalents		
AA-rated	150	189
Total cash and cash equivalents	150	189

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
Trade and other payables (2021)	667	-	-	667
Trade and other payables (2020 - Restated)	954	-	-	954

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. The Company's deposits are largely denominated in US dollars. 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.

Notes to the Financial Statements (continued) For the Year Ended 31 March 2021

As at 31 March 2021 the Company's gross exposure to foreign exchange risk was as follows:

	2021 US\$'000	2020 US\$'000
Gross foreign currency financial assets		
Cash and cash equivalents - GBP	133	40
Total gross exposure	133	40

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\$13,300 (2020: US\$4,000).

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.

Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

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;
- 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 options 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); and
- Investments - financial assets designated as fair value through the profit or loss are measured at fair value through profit or loss at the point of initial recognition and subsequently revalued at each reporting date.

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);

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

- 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 2021 Fair Value US\$'000	31 March 2020 Fair Value US\$'000
Financial assets		
Investments (Level 3) ^(a)	-	4,404
Total financial assets	-	4,404

- (a) The Company's interest in the Duyung PSC was previously classified under IFRS 9 as a financial asset at fair value through profit or loss. In May 2020 the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company's interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources).

Financial instruments by category are summarised below:

Financial Instruments by Category	Fair Value Through Profit or Loss		Amortised Cost	
	31 March 2021 US\$'000	31 March 2020 US\$'000	31 March 2021 US\$'000	31 March 2020 US\$'000
Financial assets				
Cash and cash equivalents	-	-	150	189
Trade and other receivables	-	-	36	35
Investments	-	4,404	-	-
Total financial assets	-	4,404	186	224
Financial liabilities				
Trade and other payables	-	-	504	648
Total financial liabilities	-	-	504	648

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.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2021

Note 17. Events After the Reporting Date

Significant events post reporting date were as follows:

In April 2021, Emphyrean announced that the Company had commenced comprehensive planning for the drilling of the Jade prospect and had awarded a contract to AGR's team in Australia to assist with well planning. In May 2021 the Company announced that AGR had completed the well design and engineering project for the Jade prospect.

In July 2021 the Company completed a Placing to raise US\$6.92 million (£5.02 million) with funds raised under this Placing to primarily be used to secure a suitable drilling rig, order long lead items and for the Company's general working capital requirements as it prepares to drill the Jade prospect in 2021.

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 18. 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. The first phase of the contract is for 2.5 years with a commitment to drill one exploration well to a depth of 2,500m or to the Basement Formation. The estimated commitment to drill the Jade well is US\$18.5 million on a dry hole basis prior to testing. In June 2020 Emphyrean announced that CNOOC had granted a 12-month extension for the first phase of the exploration commitment for the PSC, extending it to 12 June 2022.

Additional commitments for the 2021/22 financial year consist of an annual assistance fee to CNOOC of US\$60,000, an annual personnel representative fee to CNOOC of approximately US\$234,000 and an annual prospecting fee of US\$128,000.

Duyung PSC offshore Indonesia

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

Sacramento Basin assets onshore California

The Company earned a 30% interest in the Dempsey Prospect by paying US\$2,100,000 towards the costs of drilling the Dempsey 1-15 exploration well. These drilling costs had a promoted cap of US\$3,200,000 and the Company paid its share of additional costs at Dempsey 1-15, including completion costs. At the time of this report, the work plan, cost estimates and timing of further expenditure for both the Borba and Alvares prospects have not been finalised. The Company incurs quarterly cash calls of approximately US\$10,000 for overheads, geological and geophysical costs and approximately US\$48,000 for its share of associated lease obligations annually.