EMPYREAN

ENERGY PLC

Annual Report and Accounts

For the Year Ended

31 March 2023

Contents

Company Information

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Key Activities

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

Reporting period

- LH 17-2-1 Jade well spudded and reached final total depth of 2,849 metres Measured Depth ("**MD**") during April 2022. No oil pay was encountered in the target reservoir and demobilisation operations were completed. As a result, Empyrean has provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program.

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

Post-Reporting period

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

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

- Topaz Drill Program targeted to commence in 2024.

Duyung PSC Project, Indonesia (EME 8.5%)

Reporting period

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

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

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

Post-Reporting period

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

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

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

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

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

Corporate

Reporting period

- Placement to raise US$2.25 million (£1.83 million) completed in May 2022.
- Convertible Loan Note Debt restructured.

Post-Reporting period

- Placement to raise US$1.88 million (£1.52 million) completed in May 2023.
- Convertible Loan Note Debt restructured to reduce face value of the note and secure extended moratorium on interest.

Empyrean CEO Tom Kelly said, "Following the disappointing result at Jade earlier in reporting year, Empyrean's post well analysis has been able to combine our excellent quality 3D seismic data with the confirmed well data from Jade to improve the validity of the Topaz prospect as a robust and large drilling target of approximately 891 million barrels in place (P10). Based on this work, in June 2022 Empyrean made the decision to enter into an agreement for the second phase of exploration on Block 29/11 with the aim to drill Topaz before June 2024.

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

In Indonesia, Empyrean welcomed the approval by the Indonesian Ministry of Energy and Mineral Resources of the updated Plan of Development for the Mako Gas Project within the Duyung PSC. This was a significant milestone on the pathway to developing this significant pipeline quality methane gas resource at the project. We now look forward to the conclusion of GSA negotiations and to developments on the sell down process of the Mako Gas Field. The macro environment for gas in South East Asia, and Singapore in particular, is expected to continue trending favourably with the region transitioning from coal to gas as the preferred energy source.

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

The Company continues to assess other financing and strategic alternatives to provide it with additional working capital as and when required, including through the sale or partial sale of existing assets, through joint ventures of existing assets, as well as further equity funding.

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

Chairman's Statement

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

In parallel the Company awaits two key events in Indonesia, firstly the conclusion of the GSA negotiations and secondly the completion of the sell down process of the Mako Gas Field. With a strong underlying macro environment for gas in South-East Asia, and Singapore in particular, Empyrean is optimistic of favourable outcomes that will strengthen the Company's balance sheet and support the planned drilling at Topaz.

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

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

Patrick H. Cross.

Patrick Cross
Non-Executive Chairman
1 September 2023

Strategic Report

Business Overview and Likely Future Developments

Following the unsuccessful drilling of the Jade prospect in April 2022, post-well analysis at Jade confirmed that the reservoir quality is better than pre-drill estimates with regional seal confirmed and the depth conversion approach validated. As part of post-well evaluation, CNOOC geochemical and basin modelling experts together with Empyrean have interpreted the critical elements of effective regional oil migration pathways leading to positive implications for the Topaz prospect, and ultimately the decision to proceed with the second phase of exploration at Block 29/11, being the drilling of the Topaz Prospect before June 2024.

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

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

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

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

The Company raised funds through a placement during the year and also post year end, and subsequent to year end renegotiated the Convertible Note. The funds raised from the placements are being used to support the current exploration programs and for working capital purposes.

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

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

Operations and Outlook

As at 31 March 2023 the Company has the following interests:

The Company has an interest in Block 29/11 offshore China (100% during exploration and 49% upon any commercial discovery). Empyrean is the operator with 100% of the exploration rights of the 1800km^2 permit during the exploration phase of the project. Block 29/11 is located in the prolific Pearl River Mouth Basin, offshore China approximately 200km Southeast of Hong Kong. The acquisition of this block heralded a new phase for Empyrean when it became an operator with 100% of the exploration rights of the permit during the exploration phase of the project.

Following the completion and interpretation of the 3D seismic data acquired on Block 29/11, the prospective resources (un-risked) of all three prospects on the Block (Jade, Topaz and Pearl) were independently validated, by GCA, who completed an audit of the Company's oil in place estimates in November 2018.

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

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

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

Topaz is a world class conventional oil target, to which Gaffney Cline & Associates ("**GCA**") assigned a Geological Chance of Success (**"GCoS"**) of 30%. The Topaz prospect has a GCA audited mean in place potential of 506 MMbbl and a P10 in place upside of 891 MMbbl. The combined 2018 audited mean in place potential of the Topaz and Pearl prospects is 659 MMbbl and a P10 in place upside of 1,193 MMbbl.

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

Following the successful drilling campaign the operator engaged GCA to complete an independent resource audit for the Mako Gas Field, which resulted in a significant resource upgrade in May 2020 and confirmed Mako as one of the largest gas fields ever discovered in West Natuna Basin.

An updated Plan of Development received Ministerial Approval during the year and Conrad is progressing a sell down process with a global investment bank in order to fund the development of Mako. Conrad have confirmed that industry interest in the project and sell down process is encouraging. A GSA is currently in advanced stages of negotiation and a binding agreement is expected between the partners, a Singaporean buyer and SKKMIGAS (the Indonesian regulator) in the near term.

There were no activities in California during the year but the Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the project, particularly in light of strong gas prices for gas sales in the Sacramento Basin.

The Company also has a 58.084% working interest in the Eagle Oil Pool Development Project asset in California and a 10% working interest in the Riverbend Project in Texas. Both had no activity during the year. Further detailed analysis on all projects is provided in the Operational Review on page 15.

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 decision was to enter the second phase of exploration with the aim to drill the Topaz prospect at its 100% owned Block 29/11 permit, offshore China. The expenditure to drill the Topaz well will be material but based on the Company's extensive technical and de-risking work (which is continuing), the Company believes there is significant potential for success at Topaz which would result in a material value uplift for the Company and its shareholders. The Company completed an equity placement during and post year end and also renegotiated the Convertible Note subsequent to year end.

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 progressing two cornerstone assets: Block 29/11 offshore China and the Duyung PSC offshore Indonesia. Focused exploration work recommenced during year with the aim to maximise shareholder value in China and has supported Conrad, the operator of the Mako Project, in its endeavours to maximise value from its interest in Indonesia. 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. When restrictions on face to face communication due to COVID-19 affected the Company's Annual General Meeting in prior years, the Company held hybrid meetings to enable shareholders to communicate with the Board and Management. 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 should 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. Empyrean 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.

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 to 2023, 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. A recurrence of COVID-19 or similar such outbreaks, 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. Empyrean'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. In addition, the Company has committed to the second phase of exploration at Block 29/11 which includes a payment to CNOOC of US$250,000 and a work obligation to drill an exploration well at Topaz within 2 years (12 June 2024).

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$20.80 million (2022: US$8.11 million). Total assets were US$10.76 million (2022: US$24.96 million), the decrease due to the impairment of Block 29/11, China of US$17.0 million as a result of the unsuccessful well at Jade. Net investing cash outflows were US$1.23 million (2022: US$16.37 million), the decrease due to increased expenditure in 2022 in the lead up to drilling Jade. Total liabilities were US$8.46 million (2022: US$6.23 million), the increase due to accrued interest on the convertible note issued in December 2021. The Company's cash position at 31 March 2023 was US$83,000 (2022: US$19,000) with net operating cash outflows of US$1.13 million (2022: US$0.88 million).

Key Performance Indicators

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. Following the drilling of the Jade Prospect, where no oil pay was encountered in the target reservoir, the share price predictably decreased sharply, and recorded a low closing price of 0.65p in December 2022. Despite this setback, the Board believes that there is a near term value catalyst upon signing of the GSA and a successful outcome from the Mako sell down process. In addition, the planned drill program at the large scale Topaz prospect provides significant share price re-rating potential. 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 2022 to 28 August 2023 is represented graphically below:

The strategic report and operational review were approved by the Board on 1 September 2023 and signed on the Board's behalf.

Thomas Kelly
Chief Executive Officer
1 September 2023

Operational Review

The Company's corporate objective remains to build a significant asset portfolio across the Asian region. Post well studies of the Jade evaluation work confirmed excellent reservoir quality and the presence of the regional seal. Following a CNOOC assisted oil migration pathways assessment, the Company has committed to the second phase of exploration in China with the aim to drill the material Topaz prospect.

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

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

Empyrean also has a 25-30% working interest in a package of gas projects in the Sacramento Basin, onshore California. While no activity occurred during the year Empyrean will assess the technical and commercial merits of other prospects or proposals as they are presented.

Empyrean has retained an interest in the Riverbend Project (10% WI) located in the Tyler and Jasper counties, onshore Texas and a 58.084% WI in the Eagle Oil Pool Development Project, located in the prolific San Joaquin Basin onshore, Southern California. No technical work has been undertaken on these projects during the year.

China Block 29/11 Project (100% WI)

Background

Block 29/11 is located in the prolific Pearl River Mouth Basin, offshore China approximately 200km Southeast of Hong Kong. The acquisition of this block heralded a new phase for Empyrean when it became an operator with 100% of the exploration rights of the permit during the exploration phase of the project. In the event of a commercial discovery, CNOOC will have a back in right to 51% of the permit.

Following the completion and interpretation of the 3D seismic data acquired on Block 29/11, the prospective resources (un-risked) of all three prospects on the Block (Jade, Topaz and Pearl) were independently validated, by GCA, who completed an audit of the Company's oil in place estimates in November 2018. Prior to the drilling of the Jade Prospect in April 2022, the total mean oil in place estimates on the three prospects was 884 MMbbl on an un-risked basis.

Jade Prospect Drill Program

In April 2022, the Company commenced the drilling of the LH 17-2-1 well to test the first of the three prospects noted above, the Jade Prospect in Block 29/11, offshore China.

On 10 April 2022 LH 17-2-1 spudded and on 27 April 2022 reached final total depth of 2,849 metres in Zhuhai Sandstone formation. The interpretation from LWD and mud logging data indicated no oil pay in the target reservoir. The wireline logs confirmed the initial interpretation of no oil pay seen on LWD. As a result, Empyrean has provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program.

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

Post Jade Well Analysis and Implications for Topaz Prospect

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

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

Reservoir, seal and trap validity of the Topaz prospect have been enhanced by the Jade well data.

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

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

Implications for the Topaz Prospect

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

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

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

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

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

Conclusions and the Entering of Second Phase of Exploration

Being able to combine excellent quality 3D seismic data with the confirmed well data and post well analysis has resulted in the improved validity of the Topaz prospect as a robust and large drilling target (approximately 891 million barrels in place (P10) per below table). Based on post drill technical evaluation, and CNOOC-assisted migration pathways assessment, Empyrean decided to enter the second phase of exploration and drill the larger Topaz prospect, which is targeted to occur in 2024.

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

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

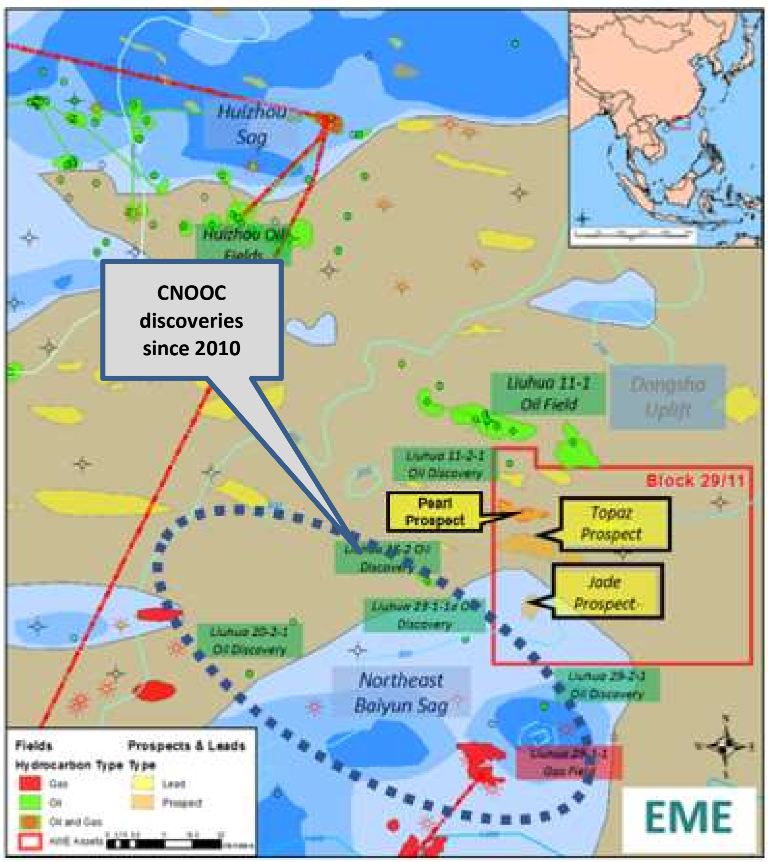

Figure 1: Block 29/11, Pearl River Basin, Offshore China

Post Year End Work

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

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

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

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

Duyung PSC, Indonesia (8.5% WI)

Background

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

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

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

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

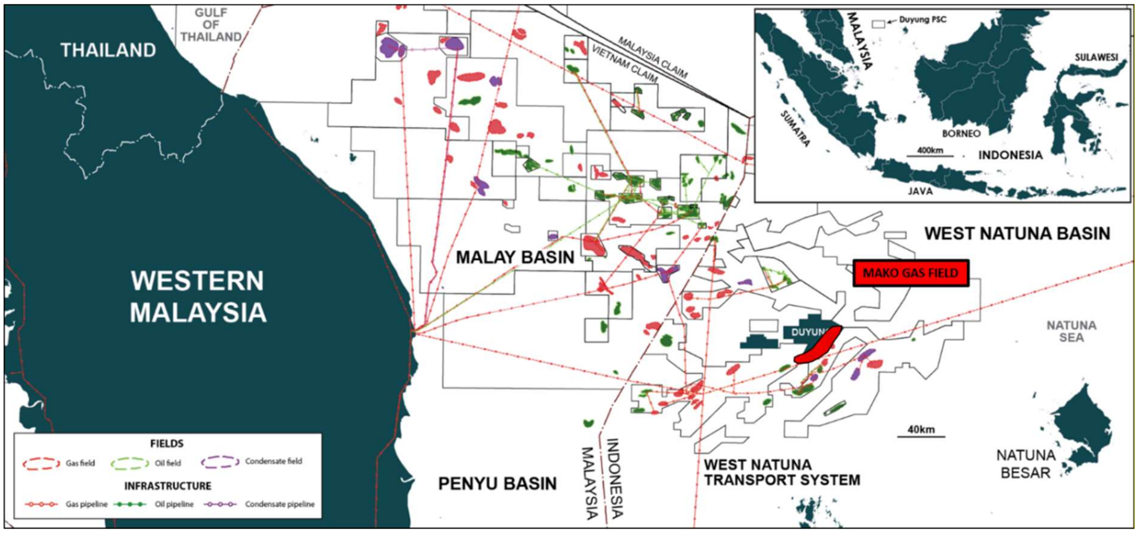

Figure 2: Mako Gas field, Duyung PSC, Indonesia

Revised Plan of Development

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

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

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

Current Activities

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

The Mako Gas Field is located close to the West Natuna pipeline system and gas from the field can be marketed to buyers in both Indonesia and in Singapore.

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

Background

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

There were no significant activities conducted during the year however the Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the project.

Riverbend Project (10%)

Little or no work has been completed on the project in the year and no budget has been prepared for 2023/24 whilst the Company focuses on other projects. The Company previously fully impaired the carrying value of the asset and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

Eagle Oil Pool Development Project (58.084% WI)

Little or no work has been completed on the project in the year and no budget has been prepared for 2023/24 whilst the Company focuses on other projects. The Company previously fully impaired the carrying value of the asset and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

The information contained in this report was completed and reviewed by the Company's Executive Director (Technical), Mr Gajendra (Gaz) Bisht, who has over 34 years' experience as a petroleum geoscientist.

Definitions

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

Bcf: Billions of cubic feet

MMbbl: Million Barrels of Oil

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

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

Directors' Report

The Directors are pleased to present their report on the affairs of the Company, together with the audited financial statements for the financial year ended 31 March 2023.

Dividends

The Directors do not propose the payment of a dividend (2022: nil).

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 (0.08%) in the Company. Dr Cross was appointed to the Board in June 2005.

- **Thomas Kelly – Chief Executive Officer**

  Mr Kelly has had more than 30 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 95,138,888 shares (11.27%) 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 34 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 33,671,429 shares (3.43%) in the Company. Mr Bisht was appointed to the Board in June 2017.

- **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 3,900,000 shares (0.49%) 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$83,000 (2022: US$19,000) and made a loss after income tax of US$20.80 million (2022: loss of US$8.11 million).

The Directors have prepared cash flow forecasts for the Company covering the period to 30 September 2024 and these demonstrate that the Company will require further funding within the next 12 months. In June 2022, the Company entered into an agreement with CNOOC to drill an exploration well on the Topaz prospect in China, by 12 June 2024, which includes a payment of US$250,000 to CNOOC. It is estimated that the cost of drilling this well would be approximately US$12 million. The Directors note that if the well commitment is not met in the timeframe advised then either a renegotiation of the commitment timing will be required or the licence could be relinquished.

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

The Company has also renegotiated the terms of the Convertible Note as detailed in the AIM announcement dated 30 May 2023. The Convertible Note is secured by a senior first ranking charge over the Company, including it's 8.5% interest in the Duyung PSC and Mako Gas Field.

However, in order to meet the well commitment at Topaz and also to meet the repayment terms of the Convertible Note, the Company is required to raise further funding either through equity or the sale of assets and as at the date of this report the necessary funds are not in place. The Directors are however optimistic that the full funding commitments for the Topaz well and the repayment of the Convertible Note will be met, having a successful track record of equity (and debt) and in particular with the prospect of monetising its interest in Mako through the current sell down process.

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

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

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

Financial, Liquidity and Cashflow Risk Management

Refer to Note 17 in the financial statements for further details.

Post Balance Sheet Events

Significant events post reporting date were as follows:

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

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

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

7. In the event that the sale process being run on behalf of the operator, Conrad, does not result in an offer being made to acquire all or part of the Company's interest in Mako, then Empyrean must work with the Lender in good faith to sell the Mako Interest as soon as reasonably possible and, subject to applicable laws and the terms of the JOA, may grant rights to the Lender to market this interest on its behalf.

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

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

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

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

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 8 to 14.

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
1 September 2023

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 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 two cornerstone assets: Block 29/11 offshore China and the Duyung PSC offshore Indonesia. There was no significant activity during the current year with regard to its multi project participating interest in the Sacramento Basin, California. The Board will however consider participating in future wells at the Californian project based on their technical merit. Exploration work has largely focused on the China and to a lesser extent Indonesia Project during the year 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.

The Board

The Board met 8 times throughout the year. Attendance at the Board Meetings was as follows:

Director	Number Eligible to Attend	Number Attended
Patrick Cross	8	8
John Laycock	8	8
Thomas Kelly	8	7
Gajendra Bisht	8	8

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 22 and 23 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 reviews the audit summary report from its external auditors and holds discussions with the auditors and the Board as a whole 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.

In December 2021 a deposit payment to COSL was misdirected to a fraudulent bank account as a result of an impersonation fraud perpetrated against COSL and the Company. Empyrean commenced legal proceedings in the Singapore courts against the company believed to have committed the fraud and has obtained an injunction order to freeze its assets and obtain further banking information. The Singapore Police have recently concluded their investigation and a nominal amount of funds were returned to Empyrean's bank account. Empyrean reserves its rights to pursue an action against the fraudsters bank which it is currently considering. Initial estimates for the cost of this action is approximately SGD400,000 (USD300,000) with no guarantee of success. Empyrean continues to take legal advice on the matter.

As a result of this incident Empyrean reviewed its internal control policies including overseas and domestic payment processes and added further authority approvals and procedures for payments to new bank accounts.

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 UK adopted International Accounting Standards. 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 United Kingdom adopted International Accounting Standards, 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
1 September 2023

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

Opinion on the financial statements

In our opinion financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and it's loss for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards; and
- 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 2023 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, 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 UK adopted international accounting standards.

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

We draw attention to the Going concern section in Note 1 to the financial statements, which explains that the Company requires additional funding which has not yet been secured during the twelve 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.

For the reason set out above and based on our risk assessment, we determined going concern 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:

- We obtained Management's cash flow forecasts for the period to September 2024 and assessed the key underlying assumptions, including forecast levels of expenditure and exploration costs used in preparing these forecasts. In doing so, we considered actual costs incurred in the financial year 2023 against budgeted and contracted commitments.
- We agreed the budgeted well costs to the minimum spend in the second phase of exploration to the petroleum contract. We also reviewed the actual cash flows against the budget for the year, historical cost levels and compared exploration costs to licence work programmes and commitments and assessed the consistency of the forecast with other financial and operational information obtained during the audit;
- We assessed the integrity of the cash flow forecast;
- We obtained, challenged, and assessed the Directors strategy to raise future funds to meet both the Topaz well commitments and other working capital requirements, including those required for settlement of convertible instrument by the end of 2023 for consistency with the Company's history of raising funds; and
- We reviewed and considered the adequacy and consistency of the going concern disclosures within the financial statements with the Directors going concern assessment.

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

Overview

<table>
<tr><td rowspan="5">Key audit matters</td><td></td><td>2023</td><td>2022</td></tr>
<tr><td>Carrying value of exploration and evaluation assets</td><td>✔</td><td>✔</td></tr>
<tr><td>Going concern</td><td>✔</td><td>✔</td></tr>
<tr><td>Cyber fraud incident</td><td>✕</td><td>✔</td></tr>
<tr><td colspan="3">Cyber fraud incident is no longer considered to be a key audit matter as this was an isolated incident in the prior year.</td></tr>
<tr><td>Materiality</td><td colspan="3">Financial statements as a whole

$238,000 (2022: $349,000) based on 1.4% of average total assets over three years (2022: 1.4% of total assets).</td></tr>
</table>

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 the matter described in the Material uncertainty related to going concern section above, we have determined the matters described below to be the key audit matters to be communicated in our report.

<table>
<tr><th colspan="2">Key audit matter</th><th>How the scope of our audit addressed the key audit matter</th></tr>
<tr><td>Carrying value of exploration and evaluation assets
(refer to notes 1 and 8)</td><td>As at 31 March 2023, the Company’s exploration and evaluation assets totalled $10.6m (2022: $24.9m).

The Company’s exploration and evaluation assets associated with the China block 29/11 project and the Duyung PSC project represent the key assets on the Company’s statement of financial position.

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 as at 31 March 2023.

Following the review, the Company fully impaired Jade prospect costs which is part of the China block 29/11 project as a result of the negative drilling results in the year. No indicators of impairment were identified in relation to the Duyung PSC project.

Given the inherent judgement involved in the assessment of the carrying value of the exploration and evaluation assets, the size of the carrying value and the impairment charge in the year, we considered the carrying value of exploration and evaluation assets to be a significant risk and key audit matter for the audit.</td><td>Our procedures included the following:

- We evaluated the directors’ impairment indicator review for each of the assets held. We challenged the considerations made as to whether or not there were any indicators of impairment identified in accordance with the requirements of the relevant accounting standards.
- Our specific audit procedures included obtaining and challenging the directors’ assessment of impairment indicators under IFRS 6 Exploration and Evaluation of Mineral Resources. This included:
  - verifying of the licence status in order to check the legal title and validity of each of the licences.
  - reviewing approved budget forecasts and minutes of management and Board meetings to confirm the Company’s intention to continue exploration work on the licences.
  - reviewing available technical documentation and discussion of results and operations with management in order to obtain an understanding of management’s expectation of commercial viability.
- In relation to the Topaz and Jade prospects, we have reviewed correspondence with the operator and obtained an understanding of the status of the project to determine whether there are any indicators of impairment.
- In relation to the impairment recognised against the Jade prospect capitalised costs, we have tested a sample of costs that have been impaired to check that they relate to the Jade prospect.

Key observations:
Based on the procedures performed, we found the judgement made by management in their assessment of the</td></tr>
</table>

		carrying value of the exploration and evaluation assets to be appropriate.

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	
	2023	2022
Materiality	$238,000	$349,000
Basis for determining materiality	Materiality was set at 1.4% of average total assets over three years (2022: 1.4% of 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. For the 2023 audit, we have determined an average of three years' assets to be appropriate because of the significant impairment charge recognised in the year.	
Performance materiality	Performance materiality was set at $178,000 (2022: $261,000).	
Basis for determining performance materiality	75% of materiality	
Rationale for the percentage applied for performance materiality	In reaching our conclusion on the level of performance materiality to be applied, we considered several factors including the expected total value of known and likely misstatements (based on past experience), our knowledge of the Company's internal controls and management's attitude towards proposed adjustments.	

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of $11,000 (2022: $6,000). 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 and Accounts 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 Statement of Directors' responsibilities, 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:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and those charged with governance; and
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations,

we considered the significant laws and regulations to be IFRS, Companies Act 2006, UK and US tax legislation and the AIM Listing Rules.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with regulatory and tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation; and
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statement to material misstatement, including fraud. Our assessment included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
  - Detecting and responding to the risks of fraud; and
  - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;

- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud; and
- Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the fraud risk areas to be management override of controls.

Our procedures in response to the above included:

- 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, by agreeing to supporting documentation; and
- Critically assessing areas of the financial statements which include judgement and estimates, as set out in Note 1 to the financial statements (refer to the key audit matters section above for procedures performed).

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities 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:
Jill MacRae
6103657B0565403...

Jill MacRae (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

1 September 2023

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 2023

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

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

Statement of Financial Position
As at 31 March 2023

Company Number: 05387837	Notes	2023 US$'000	2022 US$'000
Assets			
Non-Current Assets			
Exploration and evaluation assets	*8*	10,635	24,907
Total non-current assets		**10,635**	**24,907**
Current Assets			
Trade and other receivables	*9*	38	36
Cash and cash equivalents		83	19
Total current assets		**121**	**55**
Liabilities			
Current Liabilities			
Trade and other payables	*10*	4,224	1,299
Provisions		159	140
Convertible loan notes	*11*	4,076	4,125
Derivative financial liabilities	*12*	-	722
Total current liabilities		**8,459**	**6,286**
Net Current Liabilities		**(8,338)**	**(6,231)**
Net Assets		**2,297**	**18,676**
Shareholders' Equity			
Share capital	*14*	2,170	1,809
Share premium reserve		45,319	41,285
Warrant and share-based payment reserve		73	576
Retained losses		(45,265)	(24,994)
Total Equity		**2,297**	**18,676**

The Financial Statements were approved by the Board of Directors on 1 September 2023 and were signed on its behalf by:

Patrick H. Cross.

Patrick Cross
Chairman

Tom 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 2023

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

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

Statement of Changes in Equity
For the Year Ended 31 March 2023

	Notes	Share Capital US$'000	Share Premium Reserve US$'000	Warrant and Share-Based Payment Reserve US$'000	Retained Losses US$'000	Total Equity US$'000
Balance at 1 April 2021		**1,398**	**29,408**	**487**	**(16,884)**	**14,409**
Loss after tax for the year		-	-	-	(8,110)	(8,110)
Total comprehensive loss for the year		-	-	-	(8,110)	(8,110)
Contributions by and distributions to owners						
Shares issued in the period	*14*	378	11,427	-	-	11,805
Partial conversion of convertible note		23	896	-	-	919
Exercise of warrants		10	613	-	-	623
Equity issue costs		-	(463)	-	-	(463)
Issue of placement warrants		-	(596)	-	-	(596)
Share-based payment expense		-	-	66	-	66
Finance expense (share-based)		-	-	23	-	23
Total contributions by and distributions to owners		**411**	**11,877**	**89**	**-**	**12,377**
Balance at 1 April 2022		**1,809**	**41,285**	**576**	**(24,994)**	**18,676**
Loss after tax for the year		-	-	-	(20,796)	(20,796)
Total comprehensive loss for the year		-	-	-	(20,796)	(20,796)
Contributions by and distributions to owners						
Shares issued in the period	*14*	307	1,961	-	-	2,268
Partial conversion of convertible note		49	1,921	-	-	1,970
Exercise/expiry of warrants		5	228	(525)	525	233
Equity issue costs		-	(76)	-	-	(76)
Share-based payment expense		-	-	22	-	22
Total contributions by and distributions to owners		**361**	**4,034**	**(503)**	**525**	**4,417**
Balance at 31 March 2023		**2,170**	**45,319**	**73**	**(45,265)**	**2,297**

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

Notes to the Financial Statements
For the Year Ended 31 March 2023

Note 1. Statement of Significant Accounting Policies

Basis of preparation

The Company's financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards ("UK adopted IAS") and Companies Act 2006. The principal accounting policies are summarised below. The financial report is presented in the functional currency, US dollars and all values are shown in thousands of US dollars (US$'000), unless otherwise stated.

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

Basis of measurement

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

Nature of business

The Company is a public limited company incorporated and domiciled in England and Wales. The address of the registered office is 2nd Floor, 38-43 Lincoln's Inn Fields London, WC2A 3PE. The Company is in the business of financing the exploration, development and production of energy resource projects in regions with energy hungry markets close to existing infrastructure. The Company has typically focused on non-operating working interest positions in projects that have drill ready targets that substantially short cut the life-cycle of hydrocarbon projects by entering the project after exploration concept, initial exploration and drill target identification work has largely been completed.

Going concern

The Company's principal activity during the year has been the acquisition and development of its exploration projects. At the year end the Company had a cash balance of US$83,000 (2022: US$19,000) and made a loss after income tax of US$20.80 million (2022: loss of US$8.11 million).

The Directors have prepared cash flow forecasts for the Company covering the period to 30 September 2024 and these demonstrate that the Company will require further funding within the next 12 months. In June 2022, the Company entered into an agreement with CNOOC to drill an exploration well on the Topaz prospect in China, by 12 June 2024, which includes a payment of US$250,000 to CNOOC. It is estimated that the cost of drilling this well would be approximately US$12 million. The Directors note that if the well commitment is not met in the timeframe advised then either a renegotiation of the commitment timing will be required or the licence could be relinquished.

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

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

The Company has also renegotiated the terms of the Convertible Note as detailed in the AIM announcement dated 30 May 2023. The Convertible Note is secured by a senior first ranking charge over the Company, including its 8.5% interest in the Duyung PSC and Mako Gas Field.

However, in order to meet the well commitment at Topaz and also to meet the repayment terms of the Convertible Note, the Company is required to raise further funding either through equity or the sale of assets and as at the date of this report the necessary funds are not in place. The Directors are however optimistic that the full funding commitments for the Topaz well and the repayment of the Convertible Note will be met, having a successful track record of equity (and debt) and in particular with the prospect of monetising its interest in Mako through the current sell down process.

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

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

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

Adoption of new and revised standards

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

There were no new standards effective for the first time for periods beginning on or after 1 April 2022 that have had a significant effect on the Company's financial statements.

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

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

Tax

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

(a) Current tax

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

(b) Deferred tax

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the statement of financial position differs to its tax base. Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available, against which the difference can be utilised. The amount of the asset or liability is determined using tax rates that have been enacted or substantively

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered). The Company has considered whether to recognise a deferred tax asset in relation to carried-forward losses and has determined that this is not appropriate in line with *IAS 12* as the conditions for recognition are not satisfied.

Foreign currency translation

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

Oil and gas assets: exploration and evaluation

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

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

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

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

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

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

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

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

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

The key areas of judgement and estimation include:

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

Financial instruments

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

(a) Financial assets

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

(b) Financial liabilities

All financial liabilities are classified as fair value through the profit and loss or financial liabilities at amortised cost. The Company's financial liabilities at amortised cost include trade and other payables and its financial liabilities at fair value through the profit or loss include the derivative financial liabilities. Financial liabilities at amortised cost, are initially stated at their fair value and subsequently at amortised cost. Interest and other borrowing costs are recognised on a time-proportion basis using the effective interest method and expensed as part of financing costs in the statement of comprehensive income. Derivative financial liabilities are initially recognised at fair value of the date a derivative contract is entered into and subsequently re-measured at each reporting date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Company has not designated any derivatives as hedges as at 31 March 2022 or 31 March 2023.

(c) Impairment for financial instruments measured at amortised cost

Impairment provisions for financial instruments are recognised based on a forward looking expected credit loss model in accordance with IFRS 9. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Convertible loan notes ("CLNs")

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

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

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

Share capital

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

Share-based payments

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

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

Critical accounting estimates and judgements

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

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

Critical estimates and judgements

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

(a) Carrying value of exploration and evaluation assets (judgement)

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

i) Empyrean and its China Block 29/11 partner CNOOC, along with its technical service providers CNOOC Enertech and COSL, completed significant pre-drilling operational, technical and permitting work to enable the safe drilling, although ultimately unsuccessful drilling of the Jade prospect. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program, together being US$17.0 million.

ii) While the Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the Sacramento Basin project, particularly in light of strong gas prices for gas sales in the region, it has not budgeted for further substantive exploration expenditure. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2023.

iii) In light of current market conditions, little or no work has been completed on the Riverbend or Eagle Oil projects in the year and no substantial project work is forecast for either project in 2022/23 whilst the Company focuses on other projects. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2023.

(b) Share based payments (estimate)

In prior financial years, the Company has made awards of options and warrants over its unissued share capital to certain employees as part of their remuneration package. Certain warrants were issued to shareholders as part of their subscription for shares and suppliers for services received. There were no warrants issued in the financial year ended 31 March 2023.

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

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

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

Note 2. Segmental Analysis

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

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

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

Note 3. Operating Loss

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

Note 4. Directors' Emoluments

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

(a) Services provided by Apnea Holdings Pty Ltd, of which Mr Kelly is a Director. Mr Kelly has not sold any shares during the reporting period.

(b) Services provided by Topaz Energy Pty Ltd, of which Mr Bisht is a Director. 75% of Mr Bisht's fees are capitalised to exploration and evaluation expenditure (Note 8).

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

Note 5. Finance Expense

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

Note 6. Taxation

	2023 US$'000	2022 US$'000
Opening balance	-	(358)
AMT Federal Credit received during year	-	358
Total corporation tax receivable	-	-
Factors Affecting the Tax Charge for the Year		
Loss from continuing operations	(20,795)	(8,109)
Loss on ordinary activities before tax	**(20,795)**	**(8,109)**
Loss on ordinary activities at US rate of 21% (2022: 21%)	(4,367)	(1,703)
Non-deductible expenses	3,429	1,328
Movement in provisions	4	6
Carried forward losses on which no DTA is recognised	933	368
	(1)	**(1)**
Analysed as:		
Tax expense on continuing operations	(1)	(1)
Tax expense in current year	**(1)**	**(1)**
Deferred Tax Liabilities		
Temporary differences - exploration	1,679	1,669
Temporary differences - other	4	4
	1,683	**1,673**
Offset of deferred tax assets	(1,683)	(1,673)
Net deferred tax liabilities recognised	-	-
Unrecognised Deferred Tax Assets		
Tax losses[(a)]	2,622	3,609
Temporary differences - exploration	4,110	4,101
Temporary differences - other	968	1,054
	7,700	**8,764**
Offset of deferred tax liabilities	(1,683)	(1,673)
Net deferred tax assets not brought to account	**6,017**	**7,091**

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

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

Note 7. Loss Per Share

The basic loss per share is derived by dividing the loss after taxation for the year attributable to ordinary shareholders by the weighted average number of shares on issue being 767,981,222 (2022: 565,853,821).

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

For the current and prior financial years, the exercise of the options is anti-dilutive and as such the diluted loss per share is the same as the basic loss per share. Details of the potentially issuable shares that could dilute earnings per share in future periods are set out in Note 14.

Note 8. Exploration and Evaluation Assets

	2023 US$'000	2022 US$'000
Balance brought forward	24,907	14,643
Additions[(a)(b)]	2,758	14,391
Impairment[(b)(c)(d)]	(17,030)	(4,127)
Net book value	**10,635**	**24,907**

(a) The Company was awarded its permit in China in December 2016. Block 29/11 is located in the Pearl River Mouth Basin, offshore China. Empyrean is operator with 100% of the exploration right of the Permit during the exploration phase of the project. In May 2017 the Company acquired a working interest in the Sacramento Basin, California. Empyrean entered into a joint project with ASX-listed Sacgasco Limited, to test a group of projects in the Sacramento Basin, California, including two mature, multi-TcF gas prospects in Dempsey (EME 30%) and Alvares (EME 25%) and also further identified follow up prospects along the Dempsey trend (EME 30%). Please refer to the Operational Review for further information on exploration and evaluation performed during the year.

(b) Empyrean and its China Block 29/11 partner CNOOC, along with its technical service providers CNOOC Enertech and COSL, completed significant pre-drilling operational, technical and permitting work throughout the reporting period to enable to safe drilling, although ultimately unsuccessful drilling of the Jade prospect. As a result of the unsuccessful well at Jade, Empyrean has, in accordance with applicable accounting standards, provided for impairment against Jade prospect costs and the dry hole costs associated with the Jade drilling program, together being US$17.0 million. Post-well analysis at Jade however has confirmed reservoir quality is better than pre-drill estimates with regional seal confirmed and the depth conversion approach validated. As a part of post-well evaluation, CNOOC geochemical and basin modelling experts together with Empyrean have interpreted the critical elements of effective regional oil migration pathways-leading to positive implications for the Topaz prospect, and ultimately the decision to proceed with the second phase of exploration at Block 29/11, being the drilling of the Topaz Prospect before June 2024.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

(c) While the Company will continue to work with its joint venture partners in reviewing and assessing any further technical and commercial opportunities as they relate to the Sacramento Basin project, particularly in light of strong gas prices for gas sales in the region, it has not budgeted for further substantive exploration expenditure. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2023.

(d) In light of current market conditions, little or no work has been completed on the Riverbend or Eagle Oil projects in the year and no substantial project work is forecast for either project in 2023/24 whilst the Company focuses on other projects. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 31 March 2023.

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

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

Note 9. Trade and Other Receivables

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

Note 10. Trade and Other Payables

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

Note 11. Convertible Loan Notes

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

(a) On 16 December 2021, the Company entered into a Convertible Loan Note Agreement with a Melbourne-based investment fund pursuant to which the Company issued a convertible loan note to the Lender and received gross proceeds of US$5.4 million (£4.0 million). Under the terms of original Convertible Note, the Lender could elect to convert all or part of the principal amount of the Convertible Note into fully paid ordinary shares in the Company at any time prior to maturity in December 2022 at a conversion price of 8.0p per share. The Convertible Note bears interest at a rate of 10% per annum and is secured by a senior first ranking charge over the Company, including its 8.5% interest in the Duyung PSC and Mako Gas Field.

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

(c) In May 2022, following the announcement regarding the Jade well on 27 April 2022, the Company and the Lender proactively entered discussions to amend the key repayment terms of the Convertible Note, which included the right by the Lender to redeem the Convertible Note within five business days of the announcement of the results of the Jade well. The parties agreed the following key amendments to the terms of the Convertible Note:

1. The face value of the Convertible Note is increased to £2.9 million (£3.3 million including accrued interest);
2. The Company may, at its sole and absolute discretion, redeem the Convertible Note at any time;
3. The Lender will not redeem the Notes prior to 31 July 2022;
4. If a binding GSA is entered into with regard to the Mako Gas Discovery in Indonesia on or before 31 July 2022, the Lender will not redeem the Convertible Note prior to 1 December 2022, with interest accruing thereafter at a rate of £330,000 per calendar month;

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

5. If a binding GSA is not entered into with regard to the Mako Gas Discovery in Indonesia on or before 31 July 2022, the Lender may redeem the Convertible Note at any time thereafter, in which circumstances the face value of the Convertible Note will be reduced to £2.67 million;
6. If the Company completes a sale of its interest in the Mako Gas Discovery, it will redeem the Convertible Note contemporaneously with that agreement; and
7. The Company will not execute any agreement in respect of a sale of its interest in the Mako Gas Discovery if the proceeds are less than the expected value of the Convertible Note on the date of completion of that agreement.

Note 12. Derivative Financial Liabilities

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

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

Note 13. Reconciliation of Net Loss

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

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

Note 14. Share Capital

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

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

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

(a) In May 2022, Empyrean completed a Placing to raise US$2.25 million (£1.83 million) with funds raised under this Placing to primarily be used to complete further post well analysis of the Jade well, satisfy any further costs associated with the Jade drilling, conduct a comprehensive oil migration study in conjunction with CNOOC for potential oil charge to the Topaz prospect, and for the Company's general working capital requirements.

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

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

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

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

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

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

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

Note 15. Reserves

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

Note 16. Related Party Transactions

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

There were no related party transactions during the year ended 31 March 2023 other than those disclosed in Note 4.

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

Note 17. Financial Risk Management

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

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

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

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

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

	2023 US$'000	2022 US$'000
Cash and cash equivalents		
AA-rated	83	19
Total cash and cash equivalents	**83**	**19**

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

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

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

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

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

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

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

As at 31 March 2023, the Company's gross exposure to foreign exchange risk was as follows:

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

The effect of a 10% strengthening of the USD against the GBP at the reporting date on the GBP-denominated assets carried within the USD functional currency entity would, all other variables held constant, have resulted in an increase in post-tax loss for the year and decrease in net assets of US$8,100 (2022: US$1,000).

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

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

- Cash and short-term investments – the carrying amount approximates fair value because of their short term to maturity;
- Trade receivables and trade creditors – the carrying amount approximates fair value; and
- Derivative financial assets and liabilities – initially recognised at fair value through profit and loss at the date the contract is entered into and subsequently re-measured at each reporting date, the fair value of the derivative financial liability warrants is calculated using a Black-Scholes Model. Measurement inputs include share price on measurement date, exercise price of the instrument,

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds).

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

Financial Instruments Measured at Fair Value

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

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

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

Financial Instruments at Fair Value	**31 March 2023 Fair Value US$'000**	**31 March 2022 Fair Value US$'000**
Financial liabilities		
Derivative financial liabilities (Level 3)	-	722
Total financial liabilities	**-**	**722**

Financial instruments by category are summarised below:

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

Cash and cash equivalents

Cash and short-term deposits in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above and which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

Note 18. Events After the Reporting Date

Significant events post reporting date were as follows:

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

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

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

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

Notes to the Financial Statements (continued)

For the Year Ended 31 March 2023

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

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

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

Note 19. Committed Expenditure

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

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

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

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

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

Notes to the Financial Statements (continued)
For the Year Ended 31 March 2023

Sacramento Basin assets onshore California
The Company earned a 30% interest in the Dempsey Prospect by paying US$2,100,000 towards the costs of drilling the Dempsey 1-15 exploration well. These drilling costs had a promoted cap of US$3,200,000 and the Company paid its share of additional costs at Dempsey 1-15, including completion costs. At the time of this report, the work plan, cost estimates and timing of further expenditure for both the Borba and Alvares prospects are unknown. The Company incurs quarterly cash calls of approximately US$8,000 for overheads, geological and geophysical costs.

Note 20. Ultimate Controlling Party

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