EMPYREAN

ENERGY PLC

Interim Results

For the Period Ended
30 September 2020

Contents

Highlights

Reporting period

Block 29/11, Pearl River Mouth Basin, China (EME 100%)

- Post Stack Seismic Inversion project has confirmed potentially excellent reservoir properties with porosities in the highly favourable range of 20-30% and 1 Darcy permeability at the Jade and Topaz prospects; and
- 12-month extension for first phase of exploration drilling at Block 29/11 secured, giving the Company until June 2022 to drill first well.

Duyung PSC Project, Indonesia (EME 8.5%)

- Following the highly successful Mako gas field appraisal drilling program an independent resource audit by Gaffney, Cline and Associates (**'GCA'**) confirmed a significant resource upgrade of the Mako gas field including:
    - Mako gas discovery has been confirmed as one of the largest undeveloped gas fields West Natuna Basin;
    - GCA audited 2C contingent resource estimate of 495 BcF, a 79% increase from previous GCA estimate; and
    - GCA audited 3C contingent resource estimate of 817 BcF, a 108% increase from previous GCA estimate.

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

- COVID-19 travel restrictions and uncertainty of being able to execute a drilling campaign safely and without interruption led to the joint venture partners placing the intended drilling at Borba on hold until the United States situation normalises.

Corporate

- Placement to raise US$0.509 million (£0.411 million) completed in April 2020;
- Open Offer raised US$0.511 million (£0.415 million) in May 2020;
- US$0.258 million (£0.2 million) drawdown on Equity Placement Facility in September 2020; and
- Placement to raise US$0.816 million (£0.641 million) completed in September 2020.

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

Empyrean Energy plc
Tom Kelly Tel: +61 8 6146 5325

Cenkos Securities plc (Nominated Advisor and Broker)

Neil McDonald	nmcdonald@cenkos.com	Tel: +44 (0) 131 220 9771
Pete Lynch	plynch@cenkos.com	Tel: +44 (0) 131 220 9772

First Equity Limited (Joint Broker)

Jason Robertson	jasonrobertson@firstequitylimited.com	Tel: +44 (0) 20 7330 1883

Chairman's Statement

Set against the challenges of the COVID-19 pandemic, Empyrean continued to make steady progress on its portfolio of exploration projects, primarily in China and Indonesia, during the half year period to 30 September 2020.

With the COVID-19 pandemic still running its course, the Company continued its crucial technical de-risking activities in China, including securing an important 12-month extension for the first phase of drilling from CNOOC. At Duyung, following the highly successful appraisal program, an independent assessment confirmed a significant resource upgrade at the Mako Gas field.

On the corporate front the Company successfully conducted a series of placements and an open offer during the year to maintain working capital and with the £10 million equity placement facility with Long State Investment Limited, has access to further capital, if required, in the future.

I would like to thank the Board and staff for their continued efforts during this difficult year which has positioned Empyrean to deliver some exciting and value creative outcomes in 2021.

Patrick H. Cross.

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Patrick Cross
Non-Executive Chairman
22 December 2020

Operational Review

China Block 29/11 Project (100% WI)

Background

Block 29/11 is located in the prolific Pearl River Mouth Basin, offshore China approximately 200km Southeast of Hong Kong. The acquisition of this block heralded a new phase for Empyrean when it became an operator with 100% of the exploration rights of the permit during the exploration phase of the project. In the event of a commercial discovery, China National Offshore Oil Corporation Limited (**'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 Gaffney, Cline and Associates, who completed an audit of the Company's oil in place estimates in November 2018. Total mean oil in place estimates on the three prospects are now 884 MMbbl on an un-risked basis.

Oil in place (MMbbl) audited by Gaffney, Cline and Associates

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

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

Reservoir Quality Assessment – Post Stack Seismic Inversion Project

During the six-month interim report period the Company completed an issue-specific technical evaluation to address the quality of reservoir. Geological data and analysis completed earlier provided technical confirmation of an excellent quality reservoir at Jade and Topaz prospects.

The Company decided to address this further via Post Stack Seismic Inversion. The Company engaged China Offshore Services Limited (**'COSL'**) to carry out this project. In order to achieve the most comprehensive and robust result from the Seismic Inversion Project, the Company requested access from CNOOC to the log data of a crucial well, LH-23-1-1d, located approximately 12 km southwest of the Jade prospect in a permit operated by CNOOC. CNOOC agreed to provide the data, resulting in increased technical confidence in the results of the seismic inversion project. The LH-23-1-1d well intersected both carbonate and sandstone reservoirs with oil pay.

Analysis of the seismic inversion data confirmed potentially excellent reservoir properties with porosities in the highly favourable range of 20-30% and 1 Darcy permeability at both the Jade and Topaz prospects.

12-Month Extension for First Phase Exploration Drilling

The initial contractual term called Geophysical Service Agreement (**'GSA'**) was for two years with a work programme commitment of acquisition, processing and interpretation of 500km^2 of 3D seismic data. Having successfully completed the committed work program for the GSA, the Company exercised its option to enter a PSC on the Block, on pre-negotiated terms, with CNOOC. The PSC was signed on 30 September 2018 with the date of commencement of implementation of the PSC being 13 December 2018. The first phase of the contract is for 2.5 years with a commitment to drill one exploration well to a depth of 2,500m or to the Basement Formation.

Due to the COVID-19 situation and the resultant global control policies, the Company proactively engaged with CNOOC and applied for a 12-month extension to the first phase of the exploration period for the PSC. In June 2020 Empyrean announced that CNOOC had granted the 12-month extension as requested. As a result, the first phase of the exploration period for the PSC has been extended to 12 June 2022. The Company is taking all the necessary steps to ensure the safe drilling of the well as soon as is practicable.

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

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

The Duyung PSC covers an offshore permit of approximately 1,100km^2 in the prolific West Natuna Basin. The main asset in the permit is the Mako shallow gas discovery with 23 feet of gas bearing excellent reservoir quality rock with high permeability sands in the multi Darcy range. The gas is of high-quality being close to 100% methane.

In early 2019, both the operator, Conrad Petroleum, and Empyrean divested part of their interest in the Duyung PSC to AIM-listed Coro Energy Plc (**'Coro'**). Following the transaction, Empyrean's interest reduced from 10% to 8.5% interest in May 2020, having received cash and shares from Coro. As part of this transaction Coro funded US$10.5 million of the costs of the successful 2019 drilling programme. Empyrean also received cash consideration of US$295,000 and consideration shares in Coro with a value of US$185,000 for the transfer to Coro of 1.5% of its at the time 10% interest in the Duyung PSC. In May 2020 the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process West Natuna Exploration Limited (**'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.

Mako Resource Audit Confirms Significant Upgrade

Following on from the highly successful apprasial drilling campaign during October and December 2019 , Conrad engaged Gaffney, Cline and Associates ('**GCA**') to complete an independent resource audit for the Mako Gas Field, further to the updated internal resource estimates prepared by Conrad in May 2020.

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

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

Results of the Updated Resource Audit

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

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

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

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

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.

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

The drilling application for the Borba Prospect had previously been approved by both the County and from California Department of Geological and Geothermal Resources, however with the outbreak of COVID-19 the travel restrictions and the uncertainty of being able to execute a drilling campaign safely and without interruption caused the commencement of any planned drilling at Borba to be placed on hold.

Subsequent to the reporting period, Sacgasco Limited (ASX:SGC) (**'Sacgasco'**) advised that it intended to commence drilling at Borba prior to the end of the 2020 calendar year. Empyrean notified Sacgasco that it will not be participating in the proposed drilling of the Borba prospect under the current timeframes and terms proposed by Sacgasco.

Riverbend Project (10%)

The Cartwright No.1 well is located in Jasper County, Texas, USA and is currently virtually suspended producing only nominal amounts of gas condensate.

Little or no work has been completed on the project in the year and no budget has been prepared for 2020/21 whilst the Company focuses on other projects. The Company fully impaired the carrying value of the asset and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

Eagle Oil Pool Development Project (58.084% WI)

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

Little or no work has been completed on the project in the year and no budget has been prepared for 2020/21 whilst the Company focuses on other projects. The Company has fully impaired the carrying value of the asset and any subsequent expenditure, mainly for license fees, has been expensed through the profit and loss statement.

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

Definitions

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

Bcf: Billions of cubic feet

MMbbl: Million Barrels of Oil

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

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Gajendra Bisht M.Sc. (Tech) in Applied Geology
Executive Director (Technical)
22 December 2020

Statement of Comprehensive Income
For the Period Ended 30 September 2020

	Notes	6 Months to 30 September (unaudited) 2020 US$'000	6 Months to 30 September (unaudited) 2019 US$'000	Year Ended 31 March (audited) 2020 US$'000
Revenue		**-**	**-**	-
Administrative expenditure				
Administrative expenses		**(146)**	(153)	(326)
Compliance fees		**(89)**	(87)	(214)
Directors' remuneration		**(197)**	(186)	(388)
Foreign exchange differences		**(9)**	(18)	(34)
Total administrative expenditure		**(441)**	(444)	(962)
Operating loss		**(441)**	(444)	(962)
Finance (expense)/income		**(4)**	-	43
Impairment of oil and gas properties	*3*	**(2)**	(47)	(47)
Fair value revaluation		**-**	30	-
Loss on sale of investment		**-**	-	(29)
Loss from continuing operations before taxation		**(447)**	(461)	(995)
Tax benefit		**-**	-	716
Loss from continuing operations after taxation		**(447)**	(461)	(279)
Total comprehensive loss for the year		**(447)**	(461)	(279)
Loss per share from continuing operations (expressed in cents)				
- Basic	*2*	**(0.10)c**	(0.11)c	(0.06)c
- Diluted	*2*	**(0.10)c**	(0.11)c	(0.06)c

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

Statement of Financial Position

As at 30 September 2020

	Notes	6 Months to 30 September (unaudited) 2020 US$'000	6 Months to 30 September (unaudited) 2019 US$'000	Year Ended 31 March (audited) 2020 US$'000
Assets				
Non-Current Assets				
Oil and gas properties: exploration and evaluation	*3*	**14,184**	9,351	9,586
Investments	*4*	**-**	3,266	4,404
Total non-current assets		**14,184**	12,617	13,990
Current Assets				
Trade and other receivables		**39**	45	35
Corporation tax receivable		**358**	-	358
Cash and cash equivalents		**833**	472	189
Total current assets		**1,230**	516	582
Liabilities				
Current Liabilities				
Trade and other payables		**470**	468	1,170
Provisions		**78**	54	78
Total current liabilities		**548**	522	1,248
Net Current Assets/(Liabilities)		**682**	(6)	(666)
Net Assets		**14,866**	12,611	13,324
Shareholders' Equity				
Share capital	*5*	**1,398**	1,278	1,291
Share premium reserve		**29,408**	27,304	27,811
Warrant and share based payment reserve		**438**	99	153
Retained losses		**(16,378)**	(16,070)	(15,931)
Total Equity		**14,866**	12,611	13,324

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

Statement of Cash Flows

For the Period Ended 30 September 2020

		6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	Notes	2020 US$'000	2019 US$'000	2020 US$'000
Operating Activities				
Payments for operating activities		**(422)**	(430)	(579)
Receipt of corporation tax		**-**	-	358
Net cash outflow from operating activities		**(422)**	(430)	(221)
Investing Activities				
Payments for exploration and evaluation		**(857)**	(323)	(557)
Payments for investments		**-**	(36)	(953)
Proceeds from disposal of investments		**-**	120	276
Net cash outflow for investing activities		**(857)**	(239)	(1,234)
Financing Activities				
Issue of ordinary share capital and warrants		**2,094**	826	1,375
Payment of equity issue costs		**(163)**	-	(29)
Net cash inflow from financing activities		**1,932**	826	1,346
Net decrease in cash and cash equivalents		**653**	157	(109)
Cash and cash equivalents at the start of the year		**189**	332	332
Forex loss on cash held		**(9)**	(17)	(34)
Cash and cash equivalents at the end of the period		**833**	472	189

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

Statement of Changes in Equity
For the Period Ended 30 September 2020

	Share Capital US$'000	Share Premium Reserve US$'000	Warrant and SBP Reserve US$'000	Retained Loss US$'000	Total Equity US$'000
Balance at 1 April 2019	**1,232**	**26,524**	**69**	**(16,958)**	**10,867**
Loss after tax for the period	-	-	-	(461)	(461)
Total comprehensive lossfor the period	-	-	-	(461)	(461)
Contributions by and distributions to owners					
Shares issued in the period	46	780	-	-	826
Share based payment expense	-	-	30	-	30
Derivative settlement	-	-	-	1,349	1,349
Total Contributions by and distributions to owners	**46**	**780**	**30**	**1,349**	**2,205**
Balance at 30 September 2019	**1,278**	**27,304**	**99**	**(16,070)**	**12,611**
Balance at 1 April 2019	**1,232**	**26,524**	**69**	**(16,958)**	**10,867**
Loss after tax for the year	-	-	-	(279)	(279)
Total comprehensive loss for the year	-	-	-	(279)	(279)
Contributions by and distributions to owners					
Shares issued in the period	59	1,316	-	-	1,375
Equity issue costs	-	(29)	-	-	(29)
Share based payment expense	-	-	84	-	84
Derivative settlement	-	-	-	1,306	1,306
Total Contributions by and distributions to owners	**59**	**1,287**	**84**	**1,306**	**2,736**
Balance at 1 April 2020	**1,291**	**27,811**	**153**	**(15,931)**	**13,324**
Loss after tax for the period	-	-	-	(447)	(447)
Total comprehensive loss for the period	-	-	-	(447)	(447)
Contributions by and distributions to owners					
Shares and warrants issued	107	1,760	227	-	2,094
Equity issue costs	-	(163)	-	-	(163)
Share based payment expense	-	-	58	-	58
Total Contributions by and distributions to owners	107	1,597	285	-	1,989
Balance at 30 September 2020	**1,398**	**29,408**	**438**	**(16,378)**	**14,866**

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

Notes to the Financial Statements
For the Period Ended 30 September 2020

Basis of preparation

The Company's condensed interim financial statements for the six months ended 30 September 2020 have been prepared in accordance with International Financial Reporting Standards ('**IFRS'**) as adopted by the European Union and Companies Act 2006. The principal accounting policies are summarised below. The financial report is presented in the functional currency, US dollars and all values are shown in thousands of US dollars (US$'000). The financial statements have been prepared on a historical cost basis and fair value for certain assets and liabilities. The same accounting policies, presentation and methods of computation are followed in these financial statements as were applied in the Company's latest audited financial statements for the year ended 31 March 2020.

The financial information for the period ended 30 September 2020 does not constitute the full statutory accounts for that period. They have not been reviewed by the Company's auditor. The Annual Report and financial statements for the year ended 31 March 2020 have been filed with the Registrar of Companies. The independent auditor's report on the Annual Report and financial statements was unqualified and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006, but did draw attention to a material uncertainty relating to going concern.

Nature of business

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

Going concern

The Company's principal activity during the year has been the acquisition and development of its exploration projects. The Company had a cash balance of US$0.83m at 30 September 2020 (31 March 2020: US$0.19m), net current assets of US$0.68m at 30 September 2020 (31 March 2020: net current liabilities of US$0.67m) and net operating cash outflows of US$0.42m at 30 September 2020 (31 March 2020 outflows: US$0.22m).

The Directors have prepared cash flow forecasts for the Company covering the period to 31 December 2021 and show that the Company will require further funding within the next 12 months. The Directors have an appropriate plan to raise additional funds as and when it is required, either through the sale of existing assets, through joint ventures of existing assets or through further equity or debt funding. In addition the entering into an Equity Facility Agreement with Long State Investment Limited provides Empyrean with a fully flexible funding facility and enables it to access capital to fund its ongoing working capital, if required and subject to the administrative conditions of the agreement.

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.

Notes to the Financial Statements (continued)
For the Period Ended 30 September 2020

Note 1. Segmental Analysis

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

Details	China US$'000	Indonesia US$'000	USA US$'000	Corporate US$'000	Total US$'000
30 September 2020					
Revenue from continued operations	**-**	-	-	-	**-**
Segment result					
Unallocated corporate expenses	-	-	-	(441)	**(441)**
Operating loss	**-**	**-**	**-**	**(441)**	**(441)**
Finance expense	-	-	-	(4)	**(4)**
Impairment of oil and gas properties	-	-	(2)	-	**(2)**
Loss before taxation	**-**	**-**	**(2)**	**(445)**	**(447)**
Tax benefit	**-**	**-**	**-**	**-**	**-**
Loss after taxation	**-**	**-**	**(2)**	**(445)**	**(447)**
Total comprehensive loss for the financial year	**-**	**-**	**(2)**	**(445)**	**(447)**
Segment assets	6,202	3,969	4,013	-	**14,184**
Unallocated corporate assets	**-**	-	**-**	1,230	**1,230**
Total assets	**6,202**	**3,969**	**4,013**	**1,230**	**15,414**
Segment liabilities	-	-	-	-	**-**
Unallocated corporate liabilities	**-**	-	**-**	548	**548**
Total liabilities	**-**	**-**	**-**	**548**	**548**

EMPYREAN
ENERGY PLC

Notes to the Financial Statements (continued)

For the Period Ended 30 September 2020

Details	China US$'000	Indonesia US$'000	USA US$'000	Corporate US$'000	Total US$'000
30 September 2019					
Revenue from continued operations	-	-	-	-	**-**
Segment result	**-**	**-**	**-**	**-**	**-**
Unallocated corporate expenses	-	-	-	(444)	**(444)**
Operating loss	**-**	**-**	**-**	**(444)**	**(444)**
Impairment of oil and gas properties	-	-	(47)	-	**(47)**
Fair value revaluation	-	30	-	-	**30**
Profit/(Loss) before taxation	**-**	**30**	**(47)**	**(444)**	**(461)**
Tax benefit	-	-	-	-	-
Profit/(Loss) after taxation	**-**	**30**	**(47)**	**(444)**	**(461)**
Total comprehensive income/(loss) for the financial year	**-**	**30**	**(47)**	**(444)**	**(461)**
Segment assets	5,479	3,266	3,872	-	**12,617**
Unallocated corporate assets	-	-	-	516	**516**
Total assets	**5,479**	**3,266**	**3,872**	**516**	**13,133**
Segment liabilities	-	295	-	-	**295**
Unallocated corporate liabilities	-	-	-	227	**227**
Total liabilities	**-**	**295**	**-**	**227**	**522**

Details	China US$'000	Indonesia US$'000	USA US$'000	Corporate US$'000	Total US$'000
31 March 2020					
Revenue from continued operations	-	-	-	-	**-**
Segment result	**-**	**-**	**-**	**-**	**-**
Unallocated corporate expenses	-	-	-	(962)	**(962)**
Operating loss	**-**	**-**	**-**	**(962)**	**(962)**
Finance income	-	-	-	43	**43**
Impairment of oil and gas properties	-	-	(47)	-	**(47)**
Loss on sale of investment	-	(29)	-	-	**(29)**
Loss before taxation	**-**	**(29)**	**(47)**	**(919)**	**(995)**
Tax benefit	-	-	-	716	**716**
Loss after taxation	**-**	**(29)**	**(47)**	**(203)**	**(279)**
Total comprehensive loss for the financial year	**-**	**(29)**	**(47)**	**(203)**	**(279)**
Segment assets	5,679	4,404	3,907	-	**13,990**
Unallocated corporate assets	-	-	-	582	**582**
Total assets	**5,679**	**4,404**	**3,907**	**582**	**14,572**
Segment liabilities	-	480	-	-	**480**
Unallocated corporate liabilities	-	-	-	768	**768**
Total liabilities	**-**	**480**	**-**	**768**	**1,248**

Notes to the Financial Statements (continued)

For the Period Ended 30 September 2020

Note 2. 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 469,699,133 (2019: 431,260,240).

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2020	**2019**	**2020**
Loss per share from continuing operations			
Loss after taxation from continuing operations	**US$(447,000)**	US$(461,000)	US$(279,000)
Loss per share – basic	**(0.10)c**	(0.11)c	(0.06)c
Loss after taxation from continuing operations adjusted for dilutive effects	**US$(447,000)**	US$(461,000)	US$(279,000)
Loss per share – diluted	**(0.10)c**	(0.11)c	(0.06)c

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

Note 3. Oil and Gas Properties: Exploration and Evaluation

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2020 US$'000	**2019 US$'000**	**2020 US$'000**
Balance brought forward	**9,586**	9,075	9,075
Additions[(a)]	**651**	323	558
Transfers[(b)]	**3,949**	-	-
Impairment[(c)]	**(2)**	(47)	(47)
Net book value	**14,184**	9,351	9,586

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

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

Notes to the Financial Statements (continued)

For the Period Ended 30 September 2020

Conrad Petroleum Ltd, which currently had a 90% effective interest in the Duyung PSC, each through shareholding in WNEL.

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

In May 2020 the final Indonesian regulatory approvals for the transfer of title of the 15% direct interest in the Duyung PSC to Coro were received. As part of this completion process WNEL made a direct transfer of its interest in the Duyung PSC to Empyrean and the other owners, who now hold their interest in the Duyung PSC directly. As a result of this direct ownership, the Company's interest in the Duyung PSC is no longer classified under IFRS 9 as a financial asset at fair value through profit or loss and now falls under IFRS 6 (Exploration for and Evaluation of Mineral Resources). The carrying value post-disposal of US$3.95 million at May 2020 has been transferred to Note 3 - Oil and Gas Properties: Exploration and Evaluation. Please refer to Note 4 - Investments for details on the fair value assessment of the project at transfer date.

(c) In light of current market conditions, little or no work has been completed on the Riverbend or Eagle Oil projects in the period and no substantial project work is forecast for either project in 2020/21 whilst the Company focuses on other projects. Whilst the Company maintains legal title it has continued to fully impair the carrying value of the asset at 30 September 2020.

Project	Operator	Working Interest	2020 Carrying Value US$'000	2019 Carrying Value US$'000
Exploration and evaluation				
China Block 29/11	Empyrean Energy	100%*	**6,202**	5,222
Sacramento Basin	Sacgasco	25-30%	**4,013**	3,853
Duyung PSC	Conrad Petroleum	8.5%	**3,969**	-
Riverbend	Huff Energy	10%	**-**	-
Eagle Oil Pool Development	Strata-X	58.084%	**-**	-
			14,184	9,075

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

Note 4. Investments

	6 Months to 30 September (unaudited)		Year Ended 31 March (audited)
	2020 US$'000	2019 US$'000	2020 US$'000
Balance brought forward	**4,404**	3,200	3,200
Additions[a]	**25**	36	1,389
Disposals[b]	**(480)**	-	(185)
Transfers[b]	**(3,949)**	-	-
Fair value revaluation	**-**	30	-
Total investments	**-**	3,266	4,404

Notes to the Financial Statements (continued)

For the Period Ended 30 September 2020

(a) The Company acquired a 10% working interest in the Duyung PSC, Indonesia during the 2018 financial year. For further information on additional work performed on the Duyung PSC during the period, please refer to the Operational Review.

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

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

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

The carrying value post-disposal of US$3.95 million at May 2020 has been transferred to Note 3 - Oil and Gas Properties: Exploration and Evaluation. The fair value of the project has been assessed at transfer date and there has been no change from the assessment made at 31 March 2020, when the carrying value pre-disposal of US$4.4 million was deemed to approximate fair value based on the purchase agreement detailed above, including costs capitaised since the agreement was entered into. While the successful appraisal drilling program conducted during 2019/20 resulted in a substantial increase in the contingent resources of Mako gas field, there are, in the Board's opinion, several milestones required to be achieved before an updated fair value of the project can be reliably and objectively assessed. These include steps required for contingent resources to be converted to reserves at final investment decision (FID) and also the steps required to finalise a gas sales agreement, which has been delayed by the current COVID-19 pandemic and resultant disruptions. Given COVID-19 and the current uncertainty and volatility in the energy markets, attempting to model fair value at this point in time would be intrinsically difficult and subject to a number of contingencies.

Notes to the Financial Statements (continued)
For the Period Ended 30 September 2020

Note 5. Share Capital

	6 Months to 30 September (unaudited) 2020 US$'000	2019 US$'000	Year Ended 31 March (audited) 2020 US$'000
Issued and fully paid			
489,430,615 (2019: 442,930,910) ordinary shares of 0.2p each	**1,398**	1,278	1,291
Opening balance (2020 number: 447,597,577)	**1,291**	1,232	1,232
Subscription - 14 April 2020 (number: 11,741,429)	**30**	-	-
Open Offer/Subscription - 12 May 2020 (number: 11,858,275)	**30**	-	-
Placements - 11 Sep 2020 (number: 18,233,334)	**47**	-	-
Exercise of options - prior year (number: 15,000,000)	**-**	37	38
Placements - prior year (number: 8,322,467)	**-**	9	21
Closing balance (2020 number: 489,430,615)	**1,398**	1,278	1,291

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

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

Share options and warrants

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

	Weighted Average Exercise Price 2020	Number of Options and Warrants 2020	Weighted Average Exercise Price 2019	Number Of Options and Warrants 2019
Outstanding at the beginning of the year	**£0.145**	**5,500,000**	£0.042	17,500,000
Issued during the year[(a)(b)]	**£0.088**	**17,233,334**	£0.125	3,000,000
Exercised during the year	**-**	**-**	£0.020	(15,000,000)
Cancelled during the year[(a)]	**£0.175**	**(2,500,000)**	-	-
Outstanding at the end of the year	**£0.094**	**20,233,334**	£0.145	5,500,000

(a) On 15 September 2020, 2,500,000 unlisted options were issued to the Company Secretary, Jonathan Whyte. The options have an exercise price of £0.075, expire on 10 September 2023 and have a vesting date of 15 September 2021. 2,500,000 options held by My Whyte, expiring in January 2021, were cancelled in lieu of the award of the new options. On 11 September 2020, 500,000 unlisted options were issued to Long State Investments as part of activating the £10 million equity placement facility. The options have an exercise price of £0.1014 and expire on 17 September 2023. Options are being expensed over the life of the options, resulting in a share based payment expense of US$58,000 to 30 September 2020 (US$30,000 to 30 September 2019).

Notes to the Financial Statements (continued)

For the Period Ended 30 September 2020

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

Valuation and assumptions of options and warrants at 30 September 2020

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

The options and warrants outstanding at 30 September 2020 have an exercise price in the range of £0.075 to £0.125 (2019: £0.125 to £0.17) and a weighted average remaining contractual life of 2.14 years (2019: 1.77 years). None of the outstanding options and warrants at 30 September are exercisable at period end.

Note 6. Events After the Reporting Date

Significant events post reporting date were as follows:

In October 2020 Sacgasco announced its intentions to drill the Borba prospect in the Sacramento Basin, onshore California. Empyrean subsequently notified the market that under the current timeframes and terms currently proposed by Sacgasco it would not be participating in the proposed drilling program.

In December 2020 the Company announced that announced that further significant work had been completed to update the Plan of Development in respect of the Mako Gas Field (**'Mako POD'**), specifically by incorporating important and extensive data collected during the appraisal drilling program. As part of this work SKK Migas (the Indonesian regulator) accepted the significantly uplifted estimates of gas in place (**'GIIP'**), which are broadly in line with the independent resource audit by Gaffney Cline and Associates completed and announced in May 2020, and that these volumes will form part of the updated Mako POD, which is currently being prepared.

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.