

This announcement contains inside information

Empyrean Energy Plc / Index: AIM / Epic: EME / Sector: Oil & Gas

Empyrean Energy plc

Capital raising, Debt Restructure and Company Update

30 May 2023

Empyrean Energy plc ("**Empyrean**" or the "**Company**"), the oil and gas development company with interests in China, Indonesia and the United States, is pleased to announce a successful capital raise and debt restructuring as well as an update on future activities at the Mako Gas Field at the Duyung PSC (Empyrean 8.5%) ("**Mako**") and the Topaz prospect at its Block 29/11 permit (Empyrean 100%), offshore China ("**Topaz**").

HIGHLIGHTS

- **£1.52 million raised at a price of 0.8p**
- **Placement oversubscribed**
- **Mako Gas Sales Agreement binding terms expected late Q2 and sell down news expected early Q3**
- **Joint regional oil migration study with CNOOC team to be completed**
- **3D seismic inversion project to discriminate light oil from water to commence at Topaz with a specialist seismic consultancy with expertise in seismic inversion**
- **Convertible Note debt restructure to reduce face value of the Convertible Note and secure extended moratorium on interest**
- **Management participation in the capital raising and agreement to sacrifice one-third of salary for new equity to minimise cash burn ahead of key developments**

Empyrean is the operator of Block 29/11 in China and has 100% working interest during the exploration phase. In the event of a commercial discovery, its partner, China National Offshore Oil Company ("**CNOOC**"), may assume a 51% participating interest in the development and production phase.

Capital Raising

Empyrean is pleased to advise that it has entered into binding subscription agreements to issue 189,753,783 new Ordinary Shares of 0.2p each in the Company (the "**New Ordinary Shares**") at a price of 0.8p per New Ordinary Share (the "**Issue Price**"), raising £1,518,030 (before costs) (the "**Subscription**").

The Issue Price represents a 22.3% discount to the price of the Company's ordinary shares of 0.2p each (the "**Shares**") as at close of business on 26 May 2023 (1.03p) and a 33.5% discount to the volume weighted average price of the Shares for the ten days prior to close of business 26 May 2023 (1.12p) ("**10 Day VWAP**").

Empyrean advises that the Board has resolved to issue 2,887,500 Shares to advisors of the Company in lieu of part of the fees incurred for the capital raising (the "**Advisor shares**").

The Subscription is being completed under the Company's existing authorities and is not subject to the approval of shareholders. Following the Subscription and issue of the Advisor shares, the Company's enlarged issued share capital will comprise 981,073,175 Shares. This figure may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, securities of the Company under the Financial Conduct Authority's Disclosure and Transparency Rules.

Of the total raised under the Subscription, CEO and Managing Director of Empyrean, Tom Kelly, has subscribed for 6,250,000 New Ordinary Shares for a total consideration of £50,000. Following his participation in the Subscription, Mr Kelly has an interest in 95,138,888 Shares, representing 9.69% of the enlarged issued share capital of the Company. In addition, Technical Director of Empyrean, Gaz Bisht, has subscribed for 1,850,000 New Ordinary Shares for a total consideration of £14,800. Following his participation in the Subscription, Mr Bisht has an interest in 33,671,429 Shares, representing 3.43% of the enlarged issued share capital of the Company. Further, Company Secretary of Empyrean, Jonathan Whyte, has subscribed for 500,000 New Ordinary Shares for a total consideration of £4,000. Following his participation in the Subscription, Mr Whyte has an interest in 673,572 Shares, representing 0.07% of the enlarged issued share capital of the Company.

The funds raised from the Subscription will be used as follows:

- for the completion of joint regional oil migration studies with CNOOC at Topaz;
- for the completion of a 3D seismic inversion study aimed to discriminate between oil and water in the reservoir at Topaz;
- for ongoing prospect, licensing fees and permit costs;
- for post Jade well consultancy, analysis and residual exploration costs;
- for 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

Application will be made for the New Ordinary Shares and the Adviser Shares to be admitted to trading on AIM. Admission is expected to take place on 12 June 2023. The New Ordinary Shares and the Adviser Shares will rank pari passu with existing Shares in issue.

Future Activities

Mako Gas Field

As previously announced, Conrad Asia Energy (**"Conrad"**), the operator and 76.5% partner in Mako has commenced a sell down process with a global investment bank in order to fund the development of Mako. Mako is the largest undeveloped gas accumulation in the immediate region and Conrad have said that industry interest in the project and sell down process is encouraging. Mako has received government approval for a Plan of Development. A Gas Sales Agreement is currently in advanced stages of negotiation and a binding terms sheet is expected between the partners, a Singaporean buyer and SKK Migas (the Indonesian regulator) in the near term.

Topaz Prospect

Empyrean 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 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 intends to complete 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 take approximately 4 months to complete.

Secondly, Empyrean will conduct a 3D seismic inversion project focussing on Topaz. The 3D seismic inversion project will utilise the oil properties, reservoir temperature, reservoir pressure and water salinity data from CNOOC oil discovery wells combined with reservoir porosity and physical data from Empyrean well logs and core to maximise the effectiveness of the inversion project outcomes. The aim of the 3D 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 take approximately 3 months to complete.

Debt Restructuring

In December 2021, the Company announced that it had entered into a Convertible Loan Note Agreement with a Melbourne-based investment fund (the **"Lender"**), pursuant to which the Company issued a convertible loan note to the Lender and received gross proceeds of £4.0 million (the **"Convertible Note"**).

As announced in May 2022, the Company and the Lender then amended the key repayment terms of the Convertible Note, which at that time included the right by the Lender to redeem the Convertible Note within 5 business days of the announcement of the results of the Jade well at Block 29/11. The face value of the loan notes was reset to £3.3m with interest to commence and accrue at £330,000 per calendar month from 1 December 2022.

The Company and the Lender have, in conjunction with and conditional upon the completion of the Subscription, now reached agreement 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;
7. In the event that the sale process being run on behalf of the operator, Conrad, does not result in an offer being

... in the event that the sale process being run on behalf of the operator, namely, 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.

Salary Sacrifice

While the Company awaits the anticipated signing of the GSA and the completion of the sell down process noted above, two of its Directors, Tom Kelly and Gaz Bisht, together with its Company Secretary, Jonathan Whyte, have 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 Subscription Price (0.8p per New Ordinary Share) and will be issued to the relevant participants at the end of each month starting June 2023. 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.

Issue of Warrants

Empyrean advises that the Board has resolved to issue 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.

Empyrean also advises that the Board has resolved to issue 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 have been 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 are to be issued in two equal tranches of 5,000,000. The exercise price of the first tranche of Incentive Warrants is 1.5p each, which represents an approximate 25% premium to the volume weighted average price of the Shares for the ten days prior to the date of grant. The exercise price of the second tranche of Incentive Warrants is 2.0p each, which represents an approximate 66% premium to the volume weighted average price of the Ordinary Shares for the ten days prior to the date of grant.

The technical information contained in this announcement has been reviewed by Empyrean's Executive Technical director, Gaz Bisht, who has over 32 years' experience as a hydrocarbon geologist and geoscientist.

Empyrean CEO, Tom Kelly, stated:

"Empyrean is very pleased with the outcome of this capital raising and is grateful for the continued support from its shareholders. We now look forward with great interest to the conclusion of Gas Sales Agreement 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. Energy demand and gas demand are both forecast to continue to grow.

In China, we will use the very latest technology to further de-risk the very large 890 million barrel (P10) target at Topaz. Following success on the regional oil migration study and 3 seismic inversion project, we will continue our preparations for drilling within the November - May 2024 drilling weather window."

For further information please contact the following:

Empyrean Energy plc

Tom Kelly

Tel: +61 6146 5325

Cenkos Securities plc (Nominated Advisor and Broker)

Neil McDonald

Tel: +44 (0) 20 7297 8900

Pearl Kellie

First Equity (Join Broker)

Jason Robertson

Tel: +44 (0) 20 7330 1883

NOTIFICATION AND PUBLIC DISCLOSURE OF TRANSACTIONS BY PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES AND PERSONS CLOSELY ASSOCIATED WITH THEM

1	Details of the person discharging managerial responsibilities/person closely associated	
a)	Name:	Thomas Kelly
2	Reason for the Notification	
a)	Position/Status:	Managing Director/CEO
b)	Initial notification/ Amendment:	Initial Notification
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor	
a)	Name:	Empyrean Energy Plc
b)	LEI:	213800ZRH1WBHEWDF57
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted	
a)	Description of the financial instrument, type of instrument:	Ordinary shares of 0.2p each ("Shares")
	Identification code:	GB00B09G2351
b)	Nature of the transaction:	Subscription for Shares
c)	Price(s) and Volume(s):	Price Volume

c)	Price(s) and Volume(s):	Price	Volume
d)	Aggregated Information: - Aggregated Volume - Price	0.8p N/A (Single transaction)	6,250,000
e)	Date of the Transaction:	30 May 2023	
f)	Place of the Transaction:	London Stock Exchange, AIM (LON:EME)	

1	Details of the person discharging managerial responsibilities/person closely associated		
a)	Name:	Gaz Bisht	
2	Reason for the Notification		
a)	Position/Status:	Technical Director	
b)	Initial notification/ Amendment:	Initial Notification	
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor		
a)	Name:	Empyrean Energy Plc	
b)	LEI:	213800ZRH1WBHEW DFA57	
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted		
a)	Description of the financial instrument, type of instrument: Identification code:	Ordinary shares of 0.2p each ("Shares") GB00B09G2351	
b)	Nature of the transaction:	Subscription for Shares	
c)	Price(s) and Volume(s):	Price 0.8p	Volume 1,850,000
d)	Aggregated Information: - Aggregated Volume - Price	N/A (Single transaction)	
e)	Date of the Transaction:	30 May 2023	
f)	Place of the Transaction:	London Stock Exchange, AIM (LON:EME)	

1	Details of the person discharging managerial responsibilities/person closely associated								
a)	Name:	Jonathan Whyte							
2	Reason for the Notification								
a)	Position/Status:	Company Secretary							
b)	Initial notification/ Amendment:	Initial Notification							
3	Details of the issuer, emission allowance market participant, auction platform, auctioneer or auction monitor								
a)	Name:	Empyrean Energy Plc							
b)	LEI:	213800ZRH1WBHEWDFA57							
4	Details of the transaction(s): section to be repeated for (i) each type of instrument; (ii) each type of transaction; (iii) each date; and (iv) each place where transactions have been conducted								
a)	Description of the financial instrument, type of instrument: Identification code:	Warrants over ordinary shares of 0.2p each ("Shares") GB00B09G2351							
b)	Nature of the transaction:	(i) Subscription for Shares (ii) Grant of 10,00,000 Incentive Warrants over Shares with an expiry date of 30 May 2026.							
c)	Price(s) and Volume(s):	(i) Price Volume 0.8p 500,000 (ii) <table><tr><th>Exercise Price(s)</th><th>Volume(s)</th></tr><tr><td>£0.015</td><td>5,000,000</td></tr><tr><td>£0.02</td><td>5,000,000</td></tr></table>		Exercise Price(s)	Volume(s)	£0.015	5,000,000	£0.02	5,000,000
Exercise Price(s)	Volume(s)								
£0.015	5,000,000								
£0.02	5,000,000								
d)	Aggregated Information: - Aggregated Volume - Price	N/A (Single transaction)							
e)	Date of the Transaction:	30 May 2023							
f)	Place of the Transaction:	London Stock Exchange, AIM (LON:EME)							

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