



Empyrean Energy PLC - EME Proposed Return of Value to Shareholders
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This announcement contains inside information

Empyrean Energy PLC

Proposed Return of Value to Shareholders of 7.9 pence per Ordinary Share by way of one B Share for each Ordinary Share and Notice of General Meeting

Empyrean Energy PLC ("**Empyrean**" or the "**Company**") today announces that it proposes to return 7.9 pence to Shareholders in respect of each Ordinary Share held. Details of the Return of Value will be set out in the circular to Shareholders which is expected to be despatched to Shareholders later today ("**Circular**").

Return of Value

The Return of Value involves the creation and capitalisation of B Shares from monies standing to the credit of the Company's share premium account and the Reduction of Capital by a court process.

To effect the Return of Value:

- Shareholders will be issued with one B Share for each Ordinary Share held by them at 5.00p.m. on 19 October 2016.
- On 9 November 2016, a Court hearing is scheduled to confirm the Return of Value. Subject to such confirmation, the B Shares will be cancelled pursuant to the Reduction of Capital

and holders of the B Shares will be paid the capital paid up on the B Shares (being 7.9 pence per B Share).

Payments in respect of the Return of Value are expected to be made during the week beginning 14 November 2016.

The Return of Value (including the creation and capitalisation of the B Shares and the Reduction of Capital) requires the approval of Shareholders, which will be sought at a General Meeting of Shareholders to be held at the offices of BDO London, 55 Baker Street, London W1U 7EU at 8.30 a.m. on 19 October 2016.

A copy of the Circular containing more information in relation to the Return of Value and Reduction of Capital and the Notice of General Meeting will be available on the Company's website at www.empyreanenergy.com.

Terms used in this announcement but which are otherwise undefined shall have the same meanings as set out in the Circular. This announcement and the summary of the Proposed Return of Value should be read in conjunction with the Circular.

DETAILS OF RETURN OF VALUE

1. Introduction

On 22 February 2016, the Company announced the completion of the sale of the Sugarloaf AMI Project for a total purchase price of US\$66.315 million, as adjusted. The Company received net cash proceeds of approximately US\$17.693 million (including the deposit of US\$6.150 million) after applying the proceeds to (i) repay the Company's existing debt facility with Macquarie Bank, (ii) settle payments due to Marathon Oil Company for outstanding expenses, (iii) make agreed payments under the terms of the PSA to the Withholding Tax Escrow Account and (iv) settle the US based advisory and legal expenses of the Sale.

The Company announced on 17 August 2016 that it received an amount of US\$9.724 million, which comprises the sum of US\$10.725 million, (being 15 per cent. of an anticipated maximum consideration of US\$71.5 million under the terms of the PSA) reduced for the current year of tax by US\$1.001 million which has been remitted to the IRS in the US.

As further announced on 22 August 2016, the Company received the first tranche of funds held in escrow to secure the representation, warranty and indemnity obligations under the PSA, namely, the sum of US\$2.519 million.

The Board is now pleased to confirm that it proposes to return approximately £17,524,874.39 in aggregate to Shareholders from the net proceeds of the Sale. This return of cash is proposed to be completed as follows:

7.9 pence per Ordinary Share held at the Record Time to be returned to Shareholders through the issue of a new class of B Shares which the Company will cancel pursuant to the Reduction of Capital and holders will be entitled to receive the Capital Repayment of 7.9 pence per B Share held so cancelled.

2. The B Share Scheme

Under the terms of the B Share Scheme, Shareholders will receive one B Share for each corresponding Ordinary Share held at the Record Time. It is expected that the B Shares will be cancelled pursuant to the Reduction of Capital on 9 November 2016 and that the Capital Repayment will be made in respect of each cancelled B Share. Subject to the Reduction of Capital, this will occur during the week beginning 14 November 2016.

This structure should generally result in the majority of UK tax payers receiving their cash proceeds on cancellation of the B Shares as capital for taxation purposes. Shareholders should read Part V of the Circular which sets out a general summary guide to certain potential tax consequences in the UK. **If Shareholders are subject to taxation in a jurisdiction other than the UK, are non-UK domiciled or are in any doubt as to your tax position, you should consult an appropriate independent professional adviser.**

Shareholders should read Part III of the Circular which sets out further details of the B Share Scheme and Part IV of the Circular which sets out the rights and restrictions attached to the B Shares.

3. Recommendation and intentions of the Directors

The Directors believe that the passing of the Resolutions is most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, the Directors unanimously recommend that Shareholders vote in favour of the Resolutions, as they intend to do in respect of their aggregate beneficial holdings of 24,654,896 Ordinary Shares, representing approximately 11.11 per cent of the Ordinary Shares in issue.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS FOR RETURN OF VALUE

	<i>2016</i>
Date of the Circular	3 October
Latest time and date for receipt of completed Forms of Proxy to be valid at the General Meeting	8.30 a.m. on 17 October
General Meeting	8.30 a.m. on 19 October
Announcement of result of General Meeting	19 October
Record Time for entitlements to B Shares	5.00 p.m. on 19 October
Anticipated date of allotment and issue of B Shares	20 October
Ordinary Shares commence trading ex-dividend	20 October

Court hearing in respect of directions	27 October
Court hearing to confirm Return of Value	9 November
Effective Date for Return of Value	9 November
Credit CREST accounts or despatch cheques in respect of the Capital Repayment on the B Shares	Week beginning 14 November

Notes:

- (1) References to times in this announcement are to London time, England (unless otherwise stated).
- (2) The timing of the events in the above timetable and in the rest of this announcement is indicative only and may be subject to change. In particular, certain of the events in the above timetable are conditional upon, amongst other things, the approval of the Capital Resolution to be proposed at the General Meeting and the confirmation of the Reduction of Capital by the Court.
- (3) If any of the above times or dates should change, the revised times and/or dates will be notified by an announcement to an RIS.

DEFINITIONS

"B Shares"	the B Shares of 7.9 pence each in the capital of the Company carrying the rights and restrictions summarised in Part IV of the Circular
"B Share Scheme"	the return of 7.9 pence per Ordinary Share pursuant to the allotment, issue and cancellation of the B Shares
"Capital Repayment"	the proposed repayment of 7.9 pence per B Share
"Capital Resolution"	Resolution 1 set out in the Notice of General Meeting pursuant to which the Return of Value is to be implemented
"certificated form"	an ordinary share recorded on a Company's share register as being held in certificated form (namely, not in CREST)
"Company" or "Empyrean"	Empyrean Energy PLC, incorporated in England and Wales with registered number 5387837
"Court"	the High Court of Justice in England and Wales
"Court Order"	the order of the Court confirming the Reduction of Capital
"CREST"	the relevant system (as defined in the CREST Regulations) in respect of which Euroclear is the operator (as defined in the CREST Regulations)
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001/3755) (as amended)

"Directors" or "Board"	the directors of the Company as at the date of this announcement whose names appear on page 5 of the Circular
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Form of Proxy"	the form of proxy for use in relation to the General Meeting enclosed with the Circular
"General Meeting"	the General Meeting of the Company to be held at 8.30 a.m. on 19 October 2016, notice of which is set out at the end of the Circular
"IRS"	Internal Revenue Service in the US
"London Stock Exchange"	London Stock Exchange PLC
"Notice of General Meeting"	the notice convening the General Meeting as set out at the end of the Circular
"Ordinary Shares"	ordinary shares of 0.2p each in the capital of the Company
"PSA"	the Purchase and Sale Agreement in relation to the Sale
"Record Time"	5.00 p.m. on 19 October 2016 (or such other time and/or date as the Directors may determine)
"Reduction of Capital"	the proposed cancellation of the B Shares as described in the Circular
"Resolutions"	the resolutions to be proposed at the General Meeting to, amongst other matters, implement the Return of Value as set out in the Notice of General Meeting
"Return of Value"	the allotment and issue of B Shares to be cancelled pursuant to the Reduction of Capital by the Company on 9 November 2016, or such later date as the Directors may determine
"RIS"	a regulatory information service approved by the London Stock Exchange for the distribution of announcements to the public
"Sale"	the completion of the sale of the Sugarloaf AMI Project as announced on 22 February 2016
"Shareholders" or "Empyrean Shareholders"	the registered holders of Ordinary Shares or B Shares, as the context so requires

"Sterling", "£" or "pounds"	pounds sterling, the basic unit of currency in the UK
"Sugarloaf AMI Project"	the Sugarloaf AMI Development
"UK" or "United Kingdom"	the United Kingdom of Great Britain and Northern Ireland
"uncertificated form"	an ordinary share recorded on a company's share register as being held in uncertificated form in CREST and title which, by virtue of the CREST Regulations, may be transferred by means of CREST
"United States", "United States of America" or "US"	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all areas subject to its jurisdiction
"US\$"	the United States dollar, the basic unit of currency of the United States of America

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This announcement does not constitute or form any part of an offer to sell or the solicitation of an offer to subscribe for any securities or an invitation to participate in the B Share Scheme in or from any jurisdiction in or from which or to or from whom, it is unlawful to make such offer or participate under applicable securities laws or otherwise.

****ENDS****

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