

**29 December 2006**

**Empyrean Energy Plc**

("Empyrean" or the "Company"; Ticker: (EME))

**Interim Results for the six months ended 30 September 2006**

Empyrean today announces its interim results for the period ended 30 September 2006. Please find below the Chairman's statement and the interim accounts.

**CHAIRMAN'S STATEMENT**

I am pleased to announce that in the period since our Annual Report was published, Empyrean has made significant progress both with its drilling programme at Sugarloaf and the continued identification of developing energy resources, such as Margarita, in regions of low political risk.

Having only commenced drilling during the period, testing is planned at the Sugarloaf Hosston Prospect following the interpretation of wireline logs which identified gas saturated sands that may result in a potential reservoir.

To complement its existing portfolio of projects, the Company entered into an agreement on 5 December 2006 to farm in to Project Margarita, located in Texas, USA. Drilling on this project commenced earlier this month.

Preparations are also underway at the Glantal Prospect to implement a seismic programme in Q1 2007, while further testing is required at the Eagle Oil Pool Development Prospect.

**Sugarloaf Hosston – Texas, USA**

During the period, drilling commenced at the Sugarloaf-1 well located in the onshore Gulf Coast Basin in Texas, reaching a total depth of 6,371 metres. Wireline logs were successfully run over the open hole section of the Sugarloaf-1 well between 5,182 metres and total depth. A five inch production liner has since successfully set and cemented the Sugarloaf-1 well at 6,034 metres and was tied back into the casing at 5,183 metres.

Interpretation of wireline logs over the primary target indicates that an aggregate of 27.4 metres of potential reservoir are gas saturated and may be capable of commercial production after fracture stimulation.

Preparation is now taking place for the fracture stimulation and testing. The market will be informed of timings as soon as Empyrean is advised by the operator.

Empyrean is earning a 7.5% interest until payout, and the interest reverts to a 6% working interest thereafter.

**Project Margarita – Texas, USA**

On 5 December 2006, Empyrean announced that it had entered into an agreement with the Wandoo Joint Venture (Sun Resources NL - Victoria Petroleum NL - Wandoo Energy LLC), to earn a 44%

interest in the Project Margarita which is located along the Gulf Coast in Texas, USA. Drilling commenced earlier this month at the El Viejito Prospect.

Preliminary work completed by the Joint Venture included interpretation of 530 square kilometres of 3D seismic. A number of leads have been recognised in the prospective stratigraphic/structural settings at various depths ranging from 1,000 metres to 4,000 metres. Having refined the shallow leads through reservoir engineering data from nearby producing analogues, the Wandoo Joint Venture has concluded that the prospect has a high outcome probability of success on drilling.

The El Viejito #1 well is the first of six back-to-back shallow wells planned under the current drilling programme. This programme is a precursor to the commencement of a drilling programme focused on more substantial prospects at a greater depth.

### **Eagle Oil Pool Development Project – California, USA**

Victoria Petroleum NL, as operator for the Eagle North-1 well on the Eagle Oil Pool Development Project located in the San Joaquin Basin in California, is investigating the alternatives for this project, including the possibility of a new horizontal completion. The target zone for re-entry and side track will be the 177 metres of the lower Gatchell oil sands in the horizontal well bore over the interval from 4,209 metres to 4,386 metres.

Since spudding the well early in the year total depth was reached at 4,219 metres. Wireline evaluations of the targeted Gatchell sands indicated oils saturation over a 21 metre interval from 4,143 meters to 4,164 metres with interpreted net oil pay of 13.4 metres. In the opinion of the operator, the wireline log character was similar to that seen in the Gatchell oil sands that produced oil at Mary Bellochi-1, 366 metres to the southeast of the Eagle North-1 well, which have produced at rates up to 223 barrels of oil and 0.7 million cubic feet of gas per day.

The timing of further operations at Eagle are unclear at this stage.

Empyrean has the opportunity to earn a 38.5% interest in the Eagle Oil Pool Development Project by contributing 55% to the total costs of Eagle North-1.

### **Glantal Gas Project - Germany**

Recent drilling of the Glantal-1 well, located in the Neues Bergland Permit near Frankfurt was able to establish that the required seal quality lithology was present on the massive Pfalzer Anticline. Although testing results from the Glantal-1 well itself were disappointing, further exploration is required to test all of the anticline adequately.

Recently the operator, Pannonian International Ltd, a wholly-owned subsidiary of Galaxy Energy Corporation (AMEX: GAX) confirmed that an application to extend the Neues Bergland Permit had been successful.

Preliminary preparations are now underway to implement a seismic programme over selected portions of the anticline to enable the prioritisation of drill targets. The seismic programme is expected to commence Q1 2007.

Empyrean has the opportunity to earn 52% working interest in the Glantal Prospect.

## **Results**

During the six months to 30 September 2006, the Company made a loss before and after tax of £263,537. Exploration costs of £1,659,943 for the period have been capitalised, which relate to both exploration expenditure at the Glantal Prospect, together with expenditure on the current drilling programmes at both Eagle Oil and Sugarloaf Hosston.

While Empyrean has accomplished a great deal in a short period of time, the Company intends to further accelerate its efforts going forward. The management and employees remain dedicated to growing Empyrean into a substantial player in the oil and gas sector and creating value for shareholders.

Empyrean looks forward to reporting further on the progress of each project in both the USA and Germany in the New Year.

**Patrick Cross**  
**Chairman**  
**29 December 2006**

## **For further information**

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**EMPYREAN ENERGY PLC**  
**INCOME STATEMENT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

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	6 months to 30 September 2006 (unaudited) £'000	From Incorporation 10 March 2005 to 30 September 2005 (unaudited) £'000	Year ended 31 March 2006 (audited) £'000
Administrative expenses	(303)	(251)	(760)
<b>Operating loss</b>	<b>(303)</b>	<b>(251)</b>	<b>(760)</b>
Interest receivable	39	19	71
<b>Loss on ordinary activities before taxation</b>	<b>(264)</b>	<b>(233)</b>	<b>(689)</b>
Taxation on loss on ordinary activities	-	-	-
<b>Loss for the financial year</b>	<b>(264)</b>	<b>(233)</b>	<b>(689)</b>
Basic loss per share expressed in pence (please refer to Note 3)	(0.75)p	(0.98)p	(2.5)p

**EMPYREAN ENERGY PLC**  
**BALANCE SHEET**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

	6 months to 30 September 2006 (unaudited)	From Incorporation 10 March 2005 to 30 September 2005 (unaudited)	Year ended 31 March 2006 (audited)
	£'000	£'000	£'000
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	5,520	662	3,860
Tangible assets	7	9	7
	<b>5,527</b>	<b>671</b>	<b>3,867</b>
<b>Current assets</b>			
Other receivables	326	58	239
Cash	1,188	2,964	3,210
	<b>1,514</b>	<b>3,022</b>	<b>3,449</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Other payables	(20)	(33)	(123)
	<b>1,496</b>	<b>2,089</b>	<b>3,326</b>
<b>Net current assets</b>	<b>7,021</b>	<b>3,660</b>	<b>7,193</b>
<b>Net assets</b>	<b>7,021</b>	<b>3,660</b>	<b>7,193</b>
<b>Shareholders' equity</b>			
Called up share capital	71	61	70
Share premium account	7,756	3,829	7,665
Other reserves	147	3	147
Retained loss	(953)	(233)	(689)
<b>Total Equity</b>	<b>7,021</b>	<b>3,660</b>	<b>7,193</b>

**EMPYREAN ENERGY PLC**  
**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

	6 months to 30 September 2006 (unaudited)	From Incorporation 10 March 2005 to 30 September 2005 (unaudited)	Year ended 31 March 2006 (audited)
	£'000	£'000	£'000
<b>Net cash outflow from operating Activities</b>	<b>(394)</b>	<b>(241)</b>	<b>(769)</b>
Interest received	39	19	71
<b>Net cash inflow from returns on investments</b>	<b>39</b>	<b>19</b>	<b>71</b>
Payment to acquire intangible assets	(1,738)	(696)	(3,854)
Payment to acquire tangible assets	(3)	(10)	(12)
<b>Net cash outflow from capital expenditure</b>	<b>(1,741)</b>	<b>(707)</b>	<b>(3,866)</b>
<b>Net cash outflow before financing</b>	<b>(2,096)</b>	<b>(929)</b>	<b>(4,564)</b>
Issue of ordinary share capital	94	4,230	8,146
Share issue costs	(20)	(337)	(372)
<b>Net cash inflow from financing</b>	<b>74</b>	<b>3,893</b>	<b>7,774</b>
<b>Increase/(decrease) in cash</b>	<b>(2,022)</b>	<b>2,964</b>	<b>3,210</b>

**EMPYREAN ENERGY PLC**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

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	<b>Called up share capital</b>	<b>Share premium</b>	<b>Other Reserves</b>	<b>Retained Loss</b>	<b>Total Shareholders Equity</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares issued during the period	70	8,076	-	-	8,146
Share issue expense	-	(411)	-	-	(411)
Equity-settled share-based payments	-	-	127	-	127
Equity-settled share issue expenses	-	-	20	-	20
Loss for the period	-	-	-	(689)	(689)
<b>Balance at 31 March 2006</b>	<b>70</b>	<b>7,665</b>	<b>147</b>	<b>(689)</b>	<b>7,193</b>
Shares issued during the period	1	93	-	-	94
Share issue expense	-	(2)	-	-	(2)
Loss for the period	-	-	-	(264)	(264)
<b>Balance at 30 September 2006</b>	<b>71</b>	<b>7,756</b>	<b>147</b>	<b>(953)</b>	<b>(7,021)</b>

**EMPYREAN ENERGY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

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**1. Basis of preparation**

The interim results have not been audited but were the subject of an independent review carried out by the Company's auditors, Chapman Davies LLP. Their review confirmed that the figures were prepared using applicable accounting policies and practices consistent with those adopted in the statutory accounts for the year ended 31 March 2006. The figures for the year ended 31 March 2006 have been extracted these accounts, which have been directed with the Registrar of Companies and contained an unqualified audit report.

The financial information contained in this document does not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. In the opinion of the directors the financial information for this period fairly presents the financial position, result of operations and cash flows for this period.

**2. Segmental Analysis**

All administration costs were incurred by the Company in the United Kingdom.

Capitalised exploration, evaluation and development expenditure can be analysed by the following geographical segments:

	6 months to 30 September 2006 (unaudited) £'000	From Incorporation 10 March 2005 to 30 September 2005 (unaudited) £'000	Year ended 31 March 2006 (audited) £'000
Continental Europe	2,559	662	2,027
North America	2,961	-	1,833
	<b>5,520</b>	<b>662</b>	<b>3,860</b>

**3. Earnings per share**

The calculation of earnings per share is based on the loss after taxation divided by the weighted average number of share in issue during the period:

	6 months to 30 September 2006 (unaudited) £'000	From Incorporation 10 March 2005 to 30 September 2005 (unaudited) £'000	Year ended 31 March 2006 (audited) £'000
Net loss after taxation (£'000)	(264)	(233)	(689)
Weighted average number of ordinary shares used in calculating basic earnings per share	35,252,083	23,812,306	27,310,455
Basic loss per share (expressed in pence)	(0.75)p	(0.98)p	(2.5)p

As the inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be antidilutive and, as such, a diluted loss per share is not included.

**EMPYREAN ENERGY PLC**  
**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE PERIOD ENDED 30 SEPTEMBER 2006**

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**4. Called Up Share Capital**

The authorised share capital of the Company and the called up and fully paid amounts at 30 September 2006 were as follows:

	<b>£'000</b>
<b>Authorised</b>	
1,000,000,000 ordinary shares of 0.2p each	<u>2,000,000</u>
<b>Issued and fully paid</b>	
35,311,052 ordinary shares of 0.2p each	<u>70,622</u>

**Share options and warrants**

The following equity instruments have been issued by the Company and have not been exercised at 30 September 2006:

	<b>Number of ordinary shares</b>	<b>Exercise price</b>	<b>Expires</b>
Incentive options	1,250,000	35 pence	31 December 2008
Incentive options	250,000	40 pence	31 December 2008
IPO Warrants	1,173,333	35 pence	27 July 2007