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If you sell or transfer, or have sold or transferred, all of your shares in the Company, this document and the enclosed Form of Proxy should be passed as soon as possible to the purchaser or transferee, or to the stockbroker, bank or other agent or person through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you sell or transfer, or have sold or transferred, any part of your shares in the Company, you should retain these documents.

This document should be read as a whole. Your attention is drawn to the letter from the Chairman which is set out on pages 8 to 14 of this document and which recommends you to vote in favour of the Resolution to be proposed at the General Meeting referred to below.



(incorporated and registered in England and Wales under number 5387837)

**Proposed Sale of Oil & Gas Assets
And
Notice of General Meeting**

The Directors, whose names and functions appear on page 3 of this document, and the Company, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notice of a General Meeting of the Company to be held at The Royal Institution of Great Britain, 21 Albemarle Street, London W1S 4BS at 10.00 a.m. on 9 February 2016 is set out at the end of this document. A Form of Proxy in respect of the General Meeting is enclosed with this document and to be valid, must be completed, signed and returned in accordance with the instructions printed thereon and should be returned as soon as possible and, in any event, so as to be received by the Company's registrars, Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF as soon as possible, but in any event so as to be received not later than 48 hours before the time of the General Meeting (excluding any day which is not a working day), being 10.00 a.m. on 5 February 2016 together with any power of attorney or other authority (or a notarially certified copy thereof) under which it is signed. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting in person at the General Meeting should they so wish. Please refer to the detailed notes contained in the Notice of General Meeting and the Form of Proxy.

Cenkos Securities plc, which is authorised and regulated in the United Kingdom by the FCA, is the Company's nominated adviser and broker. Cenkos' responsibilities as the Company's nominated adviser and broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person. Cenkos is acting exclusively for the Company and nobody else in connection with the Transaction and will not regard any other person (whether or not a recipient of this document) as a client in relation to the Transaction and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cenkos or for providing advice in relation to the Transaction or any matters referred to in this document.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. Neither the London Stock Exchange nor the UK Listing Authority has approved or examined the contents of this document. This document does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for, Ordinary Shares in any jurisdiction.

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DIRECTORS AND ADVISERS

Directors	Dr Patrick Cross Thomas Kelly Frank Brophy John Laycock	<i>Non-Executive Chairman Chief Executive Officer Technical Director Financial Director</i>
Company Secretary	Amanda Wilton-Heald	
Registered Office	200 Strand London WC2R 1DJ	
Principal Business Office	Level 11 London House 216 St Georges Terrace Perth WA6000 Australia GPO Box 2517 Perth WA 6831 Australia	
Nominated Adviser & Broker	Cenkos Securities plc 66 Hanover Street Edinburgh EH2 1EL <i>and</i> 6. 7. 8 Tokenhouse Yard London EC2R 7AS	
Solicitors to the Company	Kerman & Co LLP 200 Strand London WC2R 1DJ	
Financial PR Adviser	St Brides Partners Limited 3 St Michael's Alley London EC3V 9DS	
Registrars	Capita Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU	

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<i>Event</i>	<i>Date</i>
Announcement of the Transaction via RIS	18 January 2016
Posting of this document and the Form of Proxy	22 January 2016
Latest time and date for receipt of Forms of Proxy for use at the General Meeting	10.00 a.m. on 5 February 2016
General Meeting	10.00 a.m. on 9 February 2016
Expected Closing of the Transaction	approximately 16 February 2016

Notes:

1. References to times in this document are to London time, England (unless otherwise stated).
2. The timing of the events in the above timetable and in the rest of this document 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 Resolution to be proposed at the General Meeting, and other conditions being satisfied pursuant to the PSA Agreement.
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

The following definitions apply throughout this document and the accompanying Form of Proxy, unless the context otherwise requires:

<i>"Act"</i>	the Companies Act 2006 (as amended)
<i>"AIM"</i>	the AIM market operated by the London Stock Exchange
<i>"AIM Rules"</i>	the 'AIM Rules for Companies' published by the London Stock Exchange governing the admission to, and the operation of, AIM
<i>"Articles"</i>	the Articles of Association of the Company
<i>"Board" or "Directors"</i>	the directors of the Company whose names are set out on page 3 of this document
<i>"Business Day"</i>	a day (other than a Saturday or Sunday) on which commercial banks are open for general business in London, England
<i>"Capita Asset Services"</i>	a trading name of Capita Registrars Limited
<i>"Cenkos"</i>	Cenkos Securities plc, which is authorised and regulated by the Financial Conduct Authority
<i>"CEP II"</i>	Carrier Energy Partners II, LLC, a Delaware corporation, with offices at 77 Sugar Creek Center Boulevard, Suite 550, Sugar Land, Texas 77478
<i>"CEP II EF, LP"</i>	the newly formed subsidiary of CEP II to serve as the legal entity for the Transaction
<i>"Circular" or "this document"</i>	this document dated 22 January 2016
<i>"Closing"</i>	subject to certain conditions being met, the Closing of the Transaction shall occur on the later of (i) the fifth business day following Shareholder approval at a General Meeting and (ii) the thirty-first day after the date of the PSA Agreement
<i>"Closing Date"</i>	the date of Closing
<i>"Company" or "Empyrean"</i>	Empyrean Energy plc (incorporated in England and Wales with registered number 5387837)
<i>"Deposit"</i>	10 per cent, of the Purchase Price
<i>"Effective Date"</i>	1 October 2015
<i>"FCA"</i>	the Financial Conduct Authority of the United Kingdom
<i>"Form of Proxy"</i>	the form of proxy for use in relation to the General Meeting enclosed with this document
<i>"FSMA"</i>	the Financial Services and Markets Act 2000 (as amended) of the United Kingdom
<i>"General Meeting"</i>	the General Meeting of the Company to be held at The Royal Institution of Great Britain, 21 Albemarle Street, London W1S 4BS at 10.00 a.m. on 9 February 2016, notice of which is set out at the end of this document
<i>"London Stock Exchange"</i>	London Stock Exchange plc

<i>"Macquarie"</i>	Macquarie Bank Limited
<i>"Macquarie Facility"</i>	the existing loan facility between the Company and Macquarie
<i>"Marathon Oil Company" or "Marathon"</i>	a subsidiary of US major, Marathon Oil Corporation (NYSE:MRO)
<i>"Notice"</i>	the notice of General Meeting set out at the end of this document
<i>"Official List"</i>	the official list maintained by the United Kingdom Listing Authority
<i>"Ordinary Shares"</i>	ordinary shares of 0.2 pence each in the issued share capital of the Company
<i>"Posting"</i>	the posting of the Circular and Form of Proxy
<i>"PSA Agreement"</i>	the conditional purchase and sale agreement dated 14 January 2016 entered into by the Company and CEP II EF, LP
<i>"Purchase Price"</i>	US\$61,500,000, as adjusted in accordance with the PSA Agreement
<i>"Regulatory Information Service" or "RIS"</i>	one of the regulatory information services authorised by the United Kingdom Listing Authority to receive, process and disseminate regulatory information in respect of listed companies
<i>"Registrar"</i>	Capita Asset Services of The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
<i>"Resolution"</i>	the resolution as set out in the Notice which is contained at the end of this document
<i>"Shareholders"</i>	the holders of Ordinary Shares
<i>"Superior Proposal"</i>	any bona fide offer made by a third party that, if consummated, would result in such party (or its shareholders) controlling the Company or owning, directly or indirectly, all or substantially all of the Asset, which the Board reasonably determines in good faith, inter alia, to be more favourable to its shareholders
<i>"Transaction"</i>	the conditional PSA Agreement entered into by the Company with CEP II EF, LP to dispose of all of its right, title and interest in the Sugarloaf AMI Project operated by Marathon
<i>"UK Prospectus Rules"</i>	the Prospectus Rules of the United Kingdom issued by the FCA under Part VI of the FSMA
<i>"United Kingdom" or "UK"</i>	the United Kingdom of Great Britain and Northern Ireland
<i>"United Kingdom Listing Authority" or "UKLA"</i>	the FCA, acting in its capacity as the competent authority for the purposes of Part IV of the FSMA
<i>"£"</i>	Pounds Sterling, the lawful currency of the United Kingdom
<i>"US\$"</i>	United States Dollars, the lawful currency of the United States of America

TECHNICAL GLOSSARY

The following definitions apply throughout this document and the accompanying Form of Proxy, unless the context otherwise requires:

<i>“Austin Chalk”</i>	the shale formation overlying the Eagle Ford Shale
<i>“boe”</i>	barrels of oil equivalent
<i>“D&M report”</i>	an independent appraisal and report prepared by DeGolyer & MacNaughton, effective to 30 June 2015
<i>“Eagle Ford Shale”</i>	shale formation underlying much of southern Texas in the United States
<i>“Eagle Oil Pool Development Project”</i>	the Company’s 58.084 per cent. working interest in a target based in the San Joaquin Basin in southern California
<i>“possible reserves” or “3P reserves”</i>	unproved reserves which analysis of geological and engineering data suggests are less likely to be recoverable than probable reserves but with at least a 10 per cent. probability that the quantities actually recovered
<i>“probable reserves” or “2P reserves”</i>	reserves which, based on the available evidence and taking into account technical and economic factors, have at least a 50 per cent chance of being produced
<i>“prospective resources”</i>	those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations
<i>“proven reserves” or “1P reserves”</i>	reserves which, based on the available evidence and taking into account technical and economic factors, have at least a 90 per cent chance of being produced
<i>“reserves”</i>	those quantities of petroleum which are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions, reference should be made to the full PRMS definitions for the complete definitions and guidelines
<i>“resources”</i>	contingent and prospective resources, unless otherwise specified
<i>“Riverbend Project”</i>	the Company’s 10 per cent. working interest in the Wilcox Formation in the Cartwright Well in onshore Texas
<i>“Sugarloaf AMI Project”</i>	the Sugarloaf AMI development operated by Marathon Oil located in Karnes County, onshore Texas, USA, in the liquids rich core of the Eagle Ford Shale in which the Company has a 3 per cent. working interest
<i>“WI”</i>	a working interest

LETTER FROM THE CHAIRMAN



(incorporated and registered in England with registered number 5387837)

Directors

Dr Patrick Cross (Non-Executive Chairman)
Thomas Kelly (Chief Executive Officer)
Frank Brophy (Technical Director)
John Laycock (Financial Director)

Empyrean Energy plc
200 Strand
London WC2R 1DJ

Registered Number: 5387837

22 January 2016

To Shareholders and, for information purposes only, to holders of options and warrants to subscribe for Ordinary Shares

Dear Shareholder,

1. Introduction

On 18 January 2016, the Company announced that it had entered into a conditional purchase and sale agreement with Carrier Energy Partners II, LLC, a Delaware corporation, through its wholly owned subsidiary, CEP II EF, LP, to dispose of all of its right, title and interest in the Sugarloaf AMI development (the “**Sugarloaf AMI Project**” or the “**Asset**”) for an initial cash consideration of US\$61,500,000. The Company may also receive, in certain circumstances further set out below, a contingent consideration of up to a maximum of US\$10,000,000. Empyrean currently has a 3 per cent. working interest in the Sugarloaf AMI Project, which is operated by Marathon Oil Company.. CEP II is a Houston, Texas based private oil and gas company focused on the acquisition and exploitation of upstream assets. Backed with an equity commitment from Riverstone Holdings LLC, its primary objective is to partner with select operators that are developing both unconventional and conventional reservoirs in North America.

Subject to Closing, the Transaction has an effective date of 1 October 2015 and is expected to close in the first quarter of 2016. Following the Transaction, the Company’s portfolio will comprise a 58.084 per cent. WI in the Eagle Oil Pool Development Project, located in the San Joaquin Basin in southern California; a 7.5 per cent. WI in two producing wells and lesser interests in another six producing wells located in the Sugarloaf Block A operated by ConocoPhillips and; a 10 per cent. WI in the Riverbend Project, located in the Tyler and Jasper counties, onshore Texas, further details of which are outlined below.

The value of the Transaction means that at, and subject to, Closing, the Transaction would be deemed to be a disposal resulting in a fundamental change of business of the Company under Rule 15 of the AIM Rules. Accordingly, Closing of the Transaction is conditional, amongst other matters, on the approval of Shareholders at a General Meeting and a notice convening the General Meeting at The Royal Institution of Great Britain, 21 Albemarle Street, London W1S 4BS at 10.00 a.m. on 9 February 2016 to consider the Resolution set out at the end of this document.

The purpose of this document is to provide you with information about the background to and the reasons for the Transaction and to explain why the Board considers it to be in the best interests of the Company and its Shareholders as a whole and, further, why the Directors recommend that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

Further details of the Transaction are set out in paragraph 3 below under the heading “*Principal terms of the Transaction*” together with, at paragraph 5 below, details of the Company’s ongoing activities and strategy following completion of the Transaction.

2. Overview of the assets subject to the Transaction

The Sugarloaf AMI Project is a development project covering approximately 24,000 gross acres in Karnes County, onshore Texas, USA, in the liquids rich core of the Eagle Ford Shale. As outlined above, the Company currently has a 3 per cent. WI in the Sugarloaf AMI Project, which is operated by Marathon, with approximately 290 gross wells in production and an inventory of a further 26 wells drilling and/or in various stages of completion as at 23 December 2015. Average daily production net to Empyrean's interest after royalties from the Sugarloaf AMI Project during the three months to 30 September 2015 was 1,250 boe.

The target in any well is any one of four formations; the Lower Eagle Ford Shale, which has been the major producer to date, the Austin Chalk, which was appraised and delineated for development during late 2013 and 2014, the Upper Eagle Ford Shale, which is expected to become increasingly important, and the upper portion of the Lower Eagle Ford Shale.

Aggregate production net to Empyrean after royalties and costs for the six months to 30 September 2015 ("H1 2015") was 224,182 boe. Revenues attributable to the Sugarloaf AMI Project in H1 2015 (excluding any general corporate or financing costs) totalled US\$5,790,000 (H1 2014: US\$7,534,000) and net profit before tax was US\$3,525,000 (H1 2014: US\$4,323,000). As disclosed in the Company's interim results announced on 31 December 2015, the Company's revenues for H1 2015 totalled US\$6,033,000 (H1 2014: US\$7,911,000) and net profit before tax was US\$1,830,000 (H1 2014: US\$2,705,000).

On 13 October 2015, the Company announced that an updated reserves report by DeGolyer and MacNaughton had highlighted a further significant increase in the Company's Reserves and Resources at the Sugarloaf AMI Project as set out below:

- 13.84% increase in Proven Reserves (1P) to 6.58 MMboe (5.78 MMboe to 31 December 2014)
- 9.77% increase in Probable Reserves to 7.53 MMboe (6.86 MMboe to 31 December 2014)
- 11.63% increase in Proven plus Probable Reserves (2P) to 14.11 MMboe (12.64 MMboe to 31 December 2014)
- 10.90% increase in Proven plus Probable plus Possible Reserves (3P) to 23.19 MMboe (20.91 MMboe to 31 December 2014)
- 2P Reserves plus 2C Resources up 0.65% to 15.59 MMboe (15.49 MMboe to 31 December 2014)
- NPV (10) of 1P Reserves valued at approximately US\$45.7m (US\$43.8m to 31 December 2014)
- NPV (10) of 2P Reserves valued at approximately US\$135.9m (US\$121.7m to 31 December 2014)
- NPV (10) of 3P Reserves valued at approximately US\$294.7m (US\$263.5m to 31 December 2014)

3. Principal terms of the Transaction

Pursuant to the terms of the PSA Agreement, the Company has conditionally agreed to sell to CEP II and CEP II has agreed to buy, through its wholly owned subsidiary, CEP II EF, LP, as of the Effective Date, all of the Company's rights, interests and title in the Sugarloaf AMI Project (less certain excluded assets) for a purchase price of US\$61,500,000 in cash plus certain contingent payments (if any) and less any agreed adjustments in accordance with the terms of the PSA Agreement.

The principal terms of the PSA Agreement are as follows:

Conditions to Closing

Closing of the PSA Agreement is conditional on, *inter alia*:

- the approval of the PSA Agreement and the transactions contemplated by it by the shareholders of the Company;
- the approval of the PSA Agreement and the transactions contemplated by it by the Board; and
- the aggregate amount of the downward adjustment of the Purchase Price at Closing to reflect any payment obligations owed by the Company for disputes relating to title defects or environmental defects (as determined pursuant to the terms of the PSA Agreement) not exceeding 12.5 per cent. of the Purchase Price.

Subject to certain conditions being met and there being no exercise of the termination rights under the PSA Agreement, the Closing of the Transaction shall occur on the later of (i) the fifth business day following Shareholder approval at a General Meeting and (ii) the thirty-first day after the date of the PSA Agreement.

Escrow of Funds

Upon Closing, the Company and CEP II have agreed that 10 per cent. of the Purchase Price will be deposited with an escrow agent to secure the indemnity obligations of the Company under the PSA Agreement and any payment obligations owed by the Company for disputes relating to title defects or environmental defects. Subject to any deductions or holding back in accordance with the terms of the PSA Agreement, half of the escrowed funds will be distributed to the Company six months following Closing and the balance of such funds will be released to the Company twelve months following Closing.

Contingent Payments

The Company will be entitled to certain additional payments in relation to the Transaction in the following circumstances and calculated in the manner agreed in the PSA Agreement:

- if the average New York Mercantile Exchange strip price of light sweet crude oil (WTI) for the calendar period of 1 January 2016 until 30 June 2016 or 1 July 2016 until 31 December 2016 exceeds US\$55.00 per barrel (the “**First Contingency**”), then CEP II shall pay to the Company an additional US\$1,000,000 for every whole dollar in excess of US\$55.00 per barrel (collectively, the “**First Contingent Payment**”); provided, however, the First Contingent Payment shall not exceed US\$5,000,000; and
- if the average New York Mercantile Exchange strip price of light sweet crude oil (WTI) for the calendar period of 1 January 2017 until 30 June 2017 or 1 July 2017 until 31 December 2017 exceeds US\$60.00 per barrel (the “**Second Contingency**”), then CEP II shall pay to the Company an additional US\$1,000,000 for every whole dollar in excess of US\$60.00 per barrel (collectively, the “**Second Contingent Payment**”) provided the Second Contingent Payment shall not exceed US\$5,000,000. If there is no First Contingent Payment, this shall not preclude a Second Contingent Payment if the Second Contingency is met.

Withholding Tax

Under US taxation regulation, an amount equal to either (a) US\$7,150,000, (being 10 per cent. of the anticipated maximum consideration of US\$71,500,000) if Closing occurs on or before 16 February 2016 or, following recent changes to tax regulation, (b) US\$10,725,000 (being 15 per cent. of the anticipated maximum consideration of US\$71,500,000) if Closing occurs after 16 February 2016, is required to be withheld in respect of potential tax liabilities in relation to the Company’s US operations, including the gain made on the disposal of the Asset. An amount equal to (a) or (b) above, depending on the Closing Date will be paid to the IRS unless, as is intended, a Withholding Certificate Application, which provides a detailed estimated assessment of the Company’s actual tax liability, is lodged by Empyrean before Closing, in accordance with Treasury Regulation Section 1.1445-1(c)(2)(i)(B), in which case an amount equal to (a) or (b) above will be placed into a special tax escrow at Closing pending approval of the Withholding Certificate Application by the IRS. Thereafter, the amount included on the Withholding Certificate Application (or other approved amount) will, once accepted by the IRS (who generally respond within 90 days), be paid to the IRS to meet the tax liability and the balance of the amount held in the special tax escrow may be returned to the Company. Separately, U.S. tax withholding shall apply with respect to any amount released to the Company from the indemnity escrow (which shall be segregated from the tax escrow), or with respect to the First Contingent Payment or the Second Contingent Payment, if applicable (in each case, at a rate of 10 per cent. If Closing occurs on or before 16 February 2016 or, at a rate of 15 per cent. If Closing occurs after 16 February 2016).

Deposit

In accordance with the PSA Agreement, CEP II has deposited with the Company the sum of 10 per cent. of the Purchase Price which shall be applied toward the Purchase Price if Closing occurs. If Closing does not occur, the Deposit shall be returned to CEP II with any interest or earnings accrued unless the Company is entitled to retain such Deposit pursuant to the terms of the PSA Agreement.

Representations and warranties

The Company has given certain representations and warranties to CEP in connection with the disposal including without limitation, authority and capacity to enter into the PSA Agreement and implement the Transaction, and the status of the assets which are the subject of the Transaction.

Indemnity

The Company has agreed to indemnify CEP II, its affiliates, and all of its and their respective shareholders, partners, members, directors, officers, managers, employees, agents and representatives from liabilities arising, amongst others,

from excluded assets and liabilities under the PSA Agreement, any breach of representation or warranty given by the Company, and agreed taxes allocable to the Company.

CEP II has agreed to indemnify the Company, its affiliates, and all of its and their respective shareholders, partners, members, directors, officers, managers, employees, agents and representatives from liabilities arising, amongst others, the assumed obligations under the PSA Agreement, certain environmental defects, and any breach of representation or warranty given by CEP II.

Termination Rights

The PSA Agreement and the transactions contemplated by it may be terminated in the following circumstances:

- (a) by agreement of CEP II and the Company;
- (b) by either party if Closing has not occurred by 18 March 2016;
- (c) by either party if the Board no longer recommends the PSA Agreement in certain circumstances; and
- (d) by either party if the Company enters into an agreement with respect to a Superior Proposal.

Termination Fee

In the event that the PSA Agreement is terminated because the Board no longer recommends the PSA Agreement or the Company enters into an agreement with respect to a Superior Proposal, the Company must return the Deposit to CEP II and pay a termination fee of US\$7,000,000 within 5 Business Days of such termination.

Governing law and jurisdiction

The PSA Agreement is governed and construed in accordance with the laws of the state of Texas and, save as set out in the PSA Agreement, the parties submit to the exclusive jurisdiction of the courts situation in the City of Houston, Harris County, Texas.

4. Background to and reasons for the Transaction

Despite the current low oil price environment, the continued activity and interest in corporate and asset acquisitions concerning high quality Eagle Ford Shale assets have demonstrated that assets such as the Sugarloaf AMI Project remain in demand. This activity, together with recent reserves updates by Emyrean and other partners in the Asset, have had positive implications on the underlying value of the Company's principal asset.

The Board has for some time been focused on maximising the commerciality of the Sugarloaf AMI Project and, alongside its experienced major partners, of demonstrating its future upside potential. The Board launched a strategic review and formal sale process in July 2014 and, whilst that process did not result in the Company receiving any proposal which the Board believed appropriately valued either the Company or its assets at that time, the Board has continued to explore a number of different strategies to maximize value for Shareholders, resulting in the Transaction. Accordingly, the Board believes that the Transaction offers Shareholders a timely opportunity to realise the value of the Asset at a time when the challenges facing the resources sector may otherwise prevent them from doing so and the additional financing required to support the Company's continued participation in the development of the Asset in the current low oil price environment would, in the opinion of the Board, incur unfavorable cost and/or dilution when compared to the Transaction.

5. Ongoing activities and strategy

The value of the Transaction means that at, and subject to, Closing, it would be deemed to be a disposal resulting in a fundamental change of business of the Company under Rule 15 of the AIM Rules. However, although the Asset has been the prime focus of the Company's recent activities, the Company still retains three other projects which will continue to be managed carefully by the Board:

Eagle Oil Pool Development Project

Emyrean participates in a 58.084 per cent. WI in the Eagle Oil Pool Development Project, located in the San Joaquin Basin in southern California. The primary target is the Gatchell Sand, which was encountered and had good oil shows during an exploratory well, the Eagle North-1 well, in 2006. Mechanical failure prevented a valid test being completed during operations on the Eagle North-1 well. In addition to the Gatchell Sand, Emyrean believes that the shallower Monterey Shale is also a valid and promising target.

No appraisal operations have recently been undertaken, as the Company has focused its resources on the development at the Sugarloaf AMI, however the Board views this project as an exciting opportunity and it is anticipated that a vertical well test of the Gatchell sands followed by a horizontal appraisal well would be an appropriate way forward, once the petroleum economic environment improves. The Company retains a large working interest in this project that would allow it to consider strategies such as farming out part or all of its interest in order to reduce any risk of appraisal operations, whilst possibly being able to retain a significant working interest. The project is operated by TSX and ASX-listed Strata-X Energy Ltd, who are presently undertaking a program to re-lease the main project area.

Sugarloaf Block A

Empyrean holds a 7.5 per cent. WI in two producing wells and lesser interests in another six producing wells located in the Sugarloaf Block A operated by ConocoPhillips. At present all eight wells are producing gas, condensate and NGL's (natural gas liquids). Empyrean has the right to participate in the drilling of further wells in locations that it has already earned a working interest.

Empyrean participated in the drilling of the first well as part of a farm-in agreement in May 2007 (Kunde #3). This well was also the first to produce in April 2008. Empyrean decided not to participate in further exploration drilling in Block A after the drilling of the fifth well, Marlene Olson#1 in 2008.

However, in more recent times Empyrean has elected to participate, albeit at much reduced working interests, in the drilling and completion of another seven wells which partly fall within Empyrean's acreage. These are the Baker Trust 4, Marlene Olson 3, Lucille Klein A1, and Marlene Olson #4, 5, 6 and 7 wells. The last five wells were spudded in 2014 and Marlene Olson #5, 6 and 7 commenced producing in April 2015. The more recently drilled wells have all measured total depths of greater than 20,000 ft. The AFE's are consequently substantially higher than the shallower wells of the AMI/Block B and average around US\$10.6 million (drilling and completion). Empyrean has a working interest of 0.852273% in these wells, three of which commenced production on 8 April 2015. Production continues to be from the Lower Eagle Ford Shale and rates have been maintained at a fairly consistent level for the more recently producing Marlene Olson wells 5, 6 and 7. During September 2015 the three wells were producing at well head between 11,371 and 15,169 barrels of condensate and 63,017- 70,674 msc.ft of gas.

Lucille Klein A1, recently re-named Kunde Unit A B1, is the eighth well drilled in which Empyrean has an interest (WI 3.154661%) and has been the best producer to date. It reached a measured TD of 19,325' and commenced production on 17 July 2014. For the first complete month of production in August 2014 the well produced 48,874 msc.ft of gas and 17,100 barrels of condensate. A year later in September 2015, it produced 10,236 barrels of condensate and 37,955 msc.ft of gas. No further drilling or an increase in the number of producing wells has occurred during 2015 in which Empyrean holds an interest.

Riverbend Project

Empyrean participates in a 10 per cent. WI in the Riverbend Project, located in the Tyler and Jasper counties, onshore Texas. This project has produced from the Wilcox Formation in the Cartwright Well that has been suspended from production since October 2014 pending a recovery in commodity prices.

Ongoing Strategy

The Company has a strong and experienced executive and non-executive team with extensive experience in the oil and gas industry. Accordingly, the Board,, following Closing of the Transaction, intends to continue to work to maximize the commerciality of its remaining assets as well as seeking new investment opportunities.

The Company's ongoing working capital requirements are expected to be covered by the terms of the Transaction and the Directors believe that the financial position and outlook for the Company is robust.

6. Use of Proceeds from the Transaction

Following Closing of the Transaction the Company will have certain liabilities, including:

- Payment of US tax liabilities in relation to its US operations, including the gain made on the disposal of the Asset. As set out above, Empyrean intends to lodge, in accordance with Treasury Regulation Section 1.1445-1(2)(i)(B), a Withholding Certificate Application including an assessment of the Company's actual tax liability. Such application is currently being prepared, and it is estimated that tax of approximately US\$3,600,000 will be payable by the Company following the

Closing of the Transaction. Following receipt of the Withholding Certificate Application, the IRS generally responds within 90 days to confirm whether it is in agreement of the analysis set out therein.

- Repayment of the Macquarie Facility which, as of 30 September 2015, totaled US\$19,670,000. Macquarie has provided the Company with an extension of the scheduled repayment of US\$1,000,000 due on 31 December 2015 such that the required repayment date has been amended and an estimate of the total principle and interest that will become due to Macquarie as at the anticipated Closing of the Transaction is approximately US\$21,600,000.
- Outstanding Joint Interest Billings owed to Marathon, and expenses incurred on the Sugarloaf AMI Project up to the Effective Date, which total approximately US\$5,200,000.

It is the Company's intention that following the settling of its US taxes, which, assuming the Withholding Certificate Application is lodged, is expected to take place in the second quarter of 2016, and the repayment of all other debts, including any costs of the Transaction, and retention of sufficient funds to meet the Company's strategic goals and ongoing expenses, the Board will consider the most efficient manner in which to return surplus funds to Shareholders.

7. Details of the General Meeting

As described above, the value of the Transaction is such that it is classified as a fundamental change of business for the purpose of Rule 15 of the AIM Rules and Shareholder approval for the Transaction is required to be obtained at a General Meeting. A notice convening the General Meeting is set out at the end of this document.

The General Meeting is to be held at The Royal Institution of Great Britain, 21 Albemarle Street, London W1S 4BS at 10.00 a.m. on 9 February 2016 and Shareholders will be asked to consider and, if thought fit, approve the following Resolution which will be proposed as an ordinary resolution:

"THAT, for the purpose of Rule 15 of the AIM Rules, the proposed sale by the Company of certain rights, interests and title in the Sugarloaf AMI Project on the terms of the PSA Agreement entered into by the Company and CEP II EF, LP as further described in the Circular be approved with such revisions and amendments as the Directors may approve and the Directors be authorised to take all such steps as any of them may consider necessary or desirable in order to implement and give full effect to the intentions of the parties under the PSA Agreement (including by waiver or variation of the terms and conditions of the PSA Agreement)."

8. Action to be taken by Shareholders

A Form of Proxy for use at the General Meeting is enclosed.

Whether or not you intend to be present at the General Meeting, you are requested to complete the Form of Proxy in accordance with the instructions therein and return it to the Company's Registrars, Capita Asset Services, as soon as possible and in any event not later than 10.00 a.m. on 5 February 2016, being 48 hours before the time of the General Meeting (excluding non-working days). The completion and return of the Form of Proxy will not preclude you from attending the General Meeting and voting in person if you wish to do so.

9. Irrevocable Undertakings

The Company confirms that it has received irrevocable undertakings from certain Shareholders to vote in favour of the Transaction in respect of a total of 23.6 per cent. of the Company's issued share capital. This includes irrevocable undertakings from Tom Kelly, Chief Executive Officer, who is interested in 20,881,563 Ordinary Shares, representing approximately 9.4 per cent. of the Company's issued share capital, and Messrs Knight, Appleby and Farthing who are interested, in aggregate, in a further 31,552,595 Ordinary Shares, representing approximately 14.2 per cent of the Company's issued share capital.

10. Recommendation

Your Board considers the Transaction and passing of the Resolution to be in the best interests of the Company and Shareholders as a whole.

Accordingly, the Directors unanimously recommend that the Shareholders vote in favour of the Resolution as they intend to in respect of their entire beneficial holdings of Ordinary Shares amounting to, in aggregate, 24,354,896 Ordinary Shares, representing approximately 11 per cent. of the existing issued share capital of the Company (including the

20,881,563 Ordinary Shares held by Tom Kelly, in respect of which an irrevocable undertaking to vote in favour of the Transaction has been received). These Ordinary Shares, when combined with other irrevocable undertakings referred to in paragraph 9 above, bring the total aggregate number of Ordinary Shares committing to vote in favour of the transaction to 55,907,491, representing approximately 25.2 per cent. of the existing issued share capital of the Company.

Yours faithfully,

Dr Patrick Cross
Chairman
Empyrean Energy plc

NOTICE OF GENERAL MEETING

EMPYREAN ENERGY PLC

Registered in England and Wales with number 5387837

NOTICE is hereby given that a General Meeting (the "**General Meeting**") of Empyrean Energy plc (the "**Company**") will be held at The Royal Institution of Great Britain, 21 Albemarle Street, London W1S 4BS at 10.00 a.m. on 9 February 2016 to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution:

Terms used in this notice shall have the same meanings as defined in the circular to shareholders of the Company dated 22 January 2016 ("**Circular**") unless the context requires otherwise.

THAT, for the purpose of Rule 15 of the AIM Rules, the proposed sale by the Company of certain rights, interests and title in the Sugarloaf AMI Project on the terms of the PSA Agreement entered into by the Company and CEP II EF, LP as further described in the Circular be approved with such revisions and amendments as the Directors may approve and the Directors be authorised to take all such steps as any of them may consider necessary or desirable in order to implement and give full effect to the intentions of the parties under the PSA Agreement (including by waiver or variation of the terms and conditions of the PSA Agreement).

By Order of the Board

Amanda Wilton-Heald

Company Secretary

200 Strand, London WC2R 1DJ

Dated 22 January 2016

Notes:

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at 6.00 p.m. on 5 February 2016 shall be entitled to attend and vote at the General Meeting. Changes to entries on the register of members after this time will be disregarded in determining the right of any person to attend or vote at the meeting.
2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the General Meeting and you should have received a proxy form with this notice of General Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
3. A proxy does not need to be a member of the Company but must attend the General Meeting to represent you. Details of how to appoint the Chairman of the General Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the General Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact the Company Secretary at the address set out in note 5.

The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

5. To appoint a proxy using the proxy form, the form must be:
 - a. completed and signed;
 - b. sent or delivered to Capita Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU or by hand (during normal business hours only) to Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - c. received by them no later than 10.00 a.m. on 5 February 2016.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a notarially certified copy of such power or authority) must be included with the proxy form.

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

7. As at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting, the Company's issued share capital comprised 221,833,853 Ordinary Shares.
8. Save as referred to above, each Ordinary Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting is 221,833,853.

CREST procedures, limitations and system timings please refer to the CREST Manual. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5) (a) of the Uncertificated Securities Regulations 2001. In any case your proxy form must be received by the company's registrars no less than 48 hours before the time appointed for the holding of the meeting.

- (4) Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.
- (5) If the appointor is a corporation, the form of proxy must be under its common seal or under the hand of an officer or attorney duly authorised.
- (6) The appointment of a proxy does not preclude a member from attending and voting at the meeting.
- (7) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote of the other registered holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members.
- (8) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (SI 2001/3755). Reg. 41(1) and (2), only those shareholders on the Register of Shareholders at 6.00 p.m. on 5 February 2016 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. If the meeting is adjourned by more than 48 hours, then to be so entitled, shareholder must be entered on the Company's Register of Shareholders at the time which is 48 hours before the time appointed for holding the adjourned meeting or, if the Company gives notice of the adjourned meeting, at the time specified in that notice.
- (9) You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you should contact the Company's Registrar at the address given in Note 2 above and make necessary arrangements.
- (10) A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the Resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.
- (11) As at 5.00 p.m. on the day immediately prior to the date of posting of this notice of General Meeting, the Company's issued share capital comprised 221,833,853 Ordinary Shares. Each Ordinary Share carries the right to one vote at a general meeting of the Company, and therefore the total number of voting rights in the Company as at the time and date given above is 221,833,853.