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Empyrean Energy PLC - EME Update on Strategic Review; Termination of FSP
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Empyrean Energy PLC ("Empyrean" or "the Company") Update on Strategic Review and Termination of Formal Sale Process

Empyrean Energy Plc, the profitable US onshore oil, gas and condensate exploration, development and production company with assets in Texas and California, announced on 10 July 2014, that it had launched a review of strategic options and the commencement of a formal sale process (the "FSP" or the "Process") under the City Code on Takeovers and Mergers (the "City Code").

The objective of the Process was to consider a number of strategic options available to the Company and to enable it to capitalise on recent, increased levels of corporate activity and industry interest in the region around its flagship project, the Sugarloaf AMI in the prolific Eagle Ford Shale, Texas ("Sugarloaf" or the "Project"), which is operated by Marathon Oil Company ("Marathon").

The Company has conducted a thorough and exhaustive review through its advisers, Macquarie Capital and Cenkos Securities plc, and has been encouraged by the significant level of interest from, and engagement with, potential counterparties throughout the Process, as well as the receipt of a number of indicative proposals which the Company has sought to clarify and finalise over recent months. However, the significant uncertainty caused by prevailing market conditions has resulted in no proposals being received to date which the Board of Empyrean (the "Board") believes appropriately value either the Company or its assets or which it believes might lead to a transaction which could be completed in a reasonable period of time. Specifically, the benchmark price for West Texas Intermediate crude oil has fallen by over 50% since the commencement of the Process and, as widely reported, this has resulted in companies across the sector reducing capital expenditure and delaying investment decisions pending an improvement or stabilisation in underlying commodity pricing.

As a result, the Board has decided to terminate the FSP with immediate effect and believes its continuation will unnecessarily prolong shareholder uncertainty with no immediate

prospect of a satisfactory outcome. The Panel on Takeovers and Mergers has confirmed that the Company is no longer in an offer period under the City Code and, accordingly, the requirement to make disclosures under Rule 8 of the City Code has now ceased.

Empyrean's Strategy:

The Board remains focussed on maximising value for its shareholders and, having particular regard to the current lower oil price environment, it is confident in the on-going execution of its strategy as an independent company.

The Board believes that shareholder value is best maintained and enhanced through its continued participation in the Project and through growing the Company's asset base and production profile.

The Company remains well-positioned to benefit from Marathon's rapid and highly-efficient drilling programme at Sugarloaf and to capitalise on the significant additional upside available from initiatives such as the further development of the Austin Chalk formation, further down-spacing and the recently-commenced 'stac and frac' pilot targeting the Austin Chalk, Upper Eagle Ford and Lower Eagle Ford formations.

Furthermore, the Board believes that the economics of the Project remain robust for Empyrean in the current oil price environment, and that this will improve through a recovery in the oil price or a reduction in on-going drilling and operational costs as the service providers adapt pricing to reflect the lower levels of activity across the sector.

Whilst the Company fully expects that further funding will be required to finance the on-going development of its interest in Sugarloaf, it continues to benefit from the support of its existing lender, Macquarie Bank Limited ("**Macquarie**"). In early January, the Company drew down a further US\$6 million under Tranche B of its loan facility with Macquarie and subsequently completed its scheduled repayment of an amount totaling US\$2 million. This repayment was made from sales proceeds received from production.

The Company continues to actively assess its capital structure and its cost base to ensure that it is as efficient as possible and that the Company is well placed to seek alternative financing to lower its cost of capital, thereby mitigating the impact of a lower price oil environment and increasing the returns for its shareholders.

**** ENDS ****

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