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Empyrean Energy plc ("Empyrean" or the "Company")

Strategic Review

Commencement of Formal Sale Process

Introduction

Empyrean today announces that it is launching a review of strategic options open to the Company to maximise value for shareholders.

Empyrean is an AIM quoted (Ticker: EME), profitable, US on-shore oil and gas development and production company focussed primarily on the advancement of its assets in Texas and California. The Company's portfolio represents a mix of assets at various stages of development.

Its flagship project is the Sugarloaf AMI in the prolific Eagle Ford Shale, Texas, ("**Sugarloaf**" or the "**Project**") which is operated by US major Marathon Oil Company, and where it has a 3% working interest in approximately 24,000 gross acres centrally positioned in the liquids rich core of the Eagle Ford Shale. Empyrean has an interest in 128 gross producing wells with full development expected to reach over 500 wells and further upside potential from the Austin Chalk development that may be in the order of a further 300 wells.

Other assets include a 57.2% interest in the Eagle Oil Pool Development Project located in the San Joaquin Basin, southern California. The Basin is a proven oil and gas province. Additionally, Empyrean has a 7.5% interest in the Sugarloaf Block A operated by ConocoPhillips in the Eagle Ford Shale, and a 10% working interest in the Riverbend Project in Texas currently producing from the Wilcox formation.

Review of options

Recent corporate acquisitions around Sugarloaf have demonstrated that high quality Eagle Ford Shale assets are in demand. This activity, together with recent reserve updates by Empyrean and other partners in the Project, have had positive implications on the underlying value of the Sugarloaf asset.

The board of Empyrean (the "**Board**"), which has been focussed on maximising the commerciality of the Sugarloaf asset alongside its experienced major partners and on demonstrating its future upside potential, has now resolved to consider a number of strategic options to allow the Company to capitalise on recent, increased levels of corporate activity and industry interest in the region and to maximise value for its shareholders.

These options may include a farm down or disposal of existing assets or a corporate transaction such as a merger with or acquisition of the Company's securities by a third party or a sale of the business. Discussions in relation to a merger with a third party or a sale of the Company will take place within the context of a "formal sale process" in accordance with Note 2 on Rule 2.6 of the City Code on Takeovers and Mergers (the "**Code**").

The formal sale process

The Company has appointed Macquarie Capital to conduct the formal sale process only and Cenkos Securities plc as its joint financial adviser and adviser under Rule 3 of the Code to oversee the process. Accordingly, parties with a potential interest in making an offer for, merging with or proposing other forms of corporate transaction with, Empyrean should contact Cenkos Securities plc or Macquarie Capital (contact details as set out below).

Any interested party will be required to enter into a non-disclosure agreement with the Company on reasonable terms satisfactory to the Board, before being permitted to participate in the process. Following execution of an agreed non-disclosure agreement, the Company intends to provide interested parties with information materials on the Company. Following receipt of the materials, interested parties shall be invited to submit proposals to the Company. Interested parties who submit a proposal of interest to the Board may be invited into the next phase of the process.

The Board reserves the right to alter any aspect of the process as outlined above or to terminate it at any time and will make further announcements as appropriate. The Board reserves the right to reject any approach or terminate discussions with any interested party or participant at any time.

The Board confirms that, prior to the date of this announcement and the commencement of the formal sale process, it has not received any approach nor is it in discussions with any party or participant at this time regarding the sale of the Company.

The Panel on Takeovers and Mergers (the "**Takeover Panel**") has granted a dispensation from the requirements of Rules 2.4(a), 2.4(b) and 2.6(a) of the Code such that any interested party participating in the formal sale process will not be required to be publicly identified as a result of this announcement (subject to note 3 to Rule 2.2 of the Code) and will not be subject to the 28 day deadline referred to in Rule 2.6(a) of the Code, for so long as it is participating in the formal sale process. Interested parties should note Rule 21.2 of the Code, which will prohibit any form of inducement fee or other offer-related arrangement, and that the Company, although it may do so in the future, has not at this stage requested any dispensation from this prohibition under Note 2 of Rule 21.2 of the Code.

This announcement is not an announcement of a firm intention to make an offer under Rule 2.7 of the Code and there can be no certainty that an offer will be made, nor as to the terms on which any offer will be made.

Following this announcement, the Company is now considered to be in an "offer period" as defined in the Code, and the dealing disclosure requirements listed below will apply. A further announcement will be made as and when appropriate.

For further information please visit www.empyreanenergy.com or contact the following:

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In accordance with Rule 30.4 of the Code, a copy of this announcement will be available on the Company's website at www.empyreanenergy.com as soon as possible and in any event no later than 12:00 noon (London time) on 11 July 2014 (being the business day following the date of this announcement). The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Cenkos Securities plc is acting exclusively as financial adviser to Empyrean and no one else in connection with the matters described in this announcement. In connection with such matters, Cenkos Securities plc, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person other than Empyrean for providing the protections afforded to clients of Cenkos Securities plc or for providing advice in connection with the matters described in this announcement or any matter referred to herein.

Macquarie Capital is acting exclusively as financial adviser to Empyrean and no one else in connection with the matters described in this announcement. In connection with such matters, Macquarie Capital, its affiliates and their respective directors, officers, employees and agents will not regard any other person as their client, nor will they be responsible to any other person other than Empyrean for providing the protections afforded to clients of Macquarie Capital or for providing advice in connection with the matters described in this announcement or any matter referred to herein.

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to this announcement or otherwise. The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

Rule 2.10 Disclosure

In accordance with Rule 2.10 of the Code, Empyrean confirms that it has 221,433,853 ordinary shares of 0.2 pence each in issue and admitted on AIM, a market operated by the London Stock Exchange under the UK ISIN Code: GB00B09G2351.

Disclosure requirements of the Code

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) of the Code applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) of the Code applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3 of the Code.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Code).




Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

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