

This announcement contains inside information

Empyrean Energy PLC / Index: AIM / Epic: EME / Sector: Oil & Gas

Empyrean Energy PLC (“Empyrean” or the “Company”)

Multi Project Farm-In in Sacramento Basin, California

- **Farming in to a portfolio of multi-trillion cubic feet (‘Tcf’) gas projects onshore USA - fits strategy to build a robust exploration portfolio with both onshore and offshore assets which is geographically diverse**
 - **25% of Dempsey Prospect, targeting 1 Tcf conventional gas, to be drilled Q3 2017**
 - **10% of Alvares Appraisal Prospect, targeting 2 Tcf gas**
 - **25% of Dempsey Trend AMI, including at least three large Dempsey style follow up prospects**
- **Package includes extensive geological database including access to 2D & 3D seismic, existing surface infrastructure and some minor production**

Empyrean is pleased to announce that it has entered into an agreement with Sacgasco Limited (ASX: SGC) (“Sacgasco”), a Sacramento Basin-focused natural gas developer and producer, to farm-in to a package of gas projects in the Sacramento Basin, onshore California (the “Farm-In”). The package includes two mature, multi-Tcf gas prospects, ‘Dempsey’ and ‘Alvares’, and an Area of Mutual Interest (the “Dempsey Trend AMI”) that includes at least three already identified, large Dempsey-style follow up prospects. Having recently acquired interests in two offshore Asian oil and gas assets, this agreement diversifies the Company in terms of its geographical focus, and adds an onshore asset to its portfolio.

Dempsey

Dempsey is a large structure mapped with 3D seismic and interpreted by Sacgasco to have the potential to hold a prospective resource of over 1 Tcf of gas in up to seven stacked target reservoirs. The Company plans to commence a 3,200 metre (~10,500 feet) combined appraisal and exploration well, Dempsey-1, in Q3 2017 to evaluate this prospect. The proposed Dempsey-1 well cross-section will be available within the version of the announcement uploaded to the Company’s website.

Aside from compelling technical merit, the Dempsey-1 well location sits next to existing gas metering and surface infrastructure that is owned by the joint venture. This will allow for any gas discovery to be tested and connected into the local pipeline at relatively low cost and in an accelerated timeframe. This early potential for short-term cash flow in the event of a commercial discovery would be significant for the joint venture and for the state of California where gas demand is high and approximately 90% of consumption is imported from other states. Gas produced in the Sacramento Basin currently prices at a 10-15% premium to Henry Hub Gas Prices.

Empyrean has agreed to pay an amount of US\$10,000 now, with a further US\$90,000 (collectively “the Dempsey Deposit”) upon signing a definitive Farm-out Agreement (the “Farm-Out Agreement”) and Joint Operating Agreement (“JOA”) with Sacgasco in order to secure Empyrean's right to participate in the Dempsey Prospect. Empyrean is then required to pay US\$1,500,000 by 17 June 2017 (the “Dempsey Consideration”) towards the dry hole cost (i.e. up to the point of testing and running production casing or abandonment) of the Dempsey-1 Well to earn its 25% Working Interest (“WI”) in the Dempsey Prospect. If the Dempsey-1 well costs exceed US\$3,200,000 then Empyrean will pay 25% of any further costs under standard JOA terms.

Assuming completion of the Farm-In and the payment of both the Dempsey Deposit and the Dempsey Consideration, the interests in the Dempsey Gas Project will be: Sacgasco (Operator): 55%; Bombora Natural Energy Pty Ltd: 10%; Xstate Resources Limited (ASX: XST): 10%; and Empyrean: 25%.

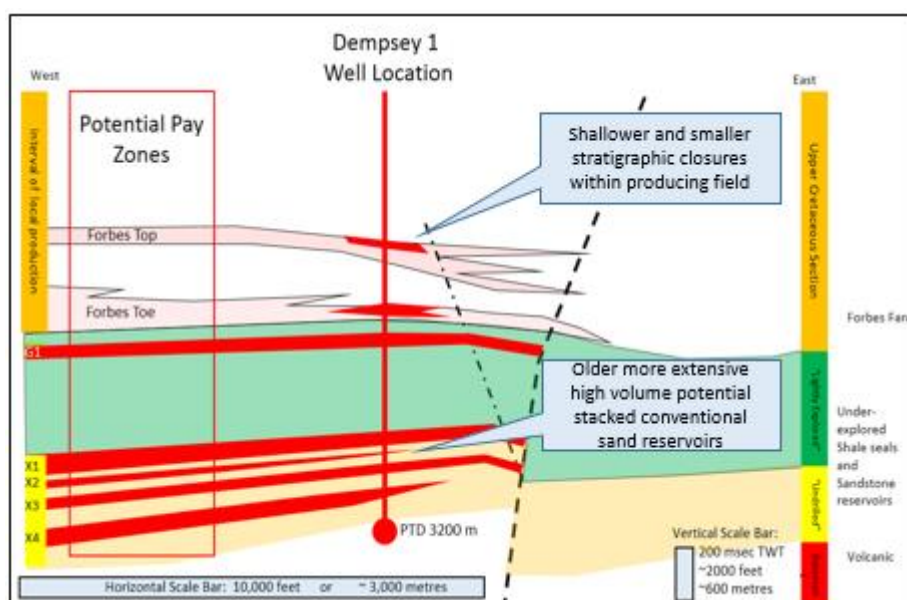


Figure 1: Cross Section through Proposed Dempsey 1 well

Alvares

Alvares is a large structure mapped with 2D seismic and interpreted by Sacgasco to hold prospective resources of over 2 Tcf estimated potential recoverable gas. A well drilled by American Hunter Exploration Limited in 1982 for deeper oil intersected 5,000ft of gas shows. No valid flow test was conducted due to equipment limitations and the deeper oil target failing. However minor gas flows to surface were recorded even with these limitations.

Empyrean has agreed to pay 13.33% of the dry hole well costs (i.e. to testing and setting of production casing or abandonment) in the next Alvares appraisal well to earn a 10% WI in the Alvares prospect. Empyrean’s 13.33% earn-in is capped at a total well cost for Alvares of US\$10,000,000, after which Empyrean will pay 10% of the costs moving forward (the “Alvares Consideration”). Empyrean has also agreed to pay US\$20,000 upon

signing the Farm-out Agreement and JOA to reimburse Sacgasco for back costs associated with leasing and permitting the Alvares prospect. The joint venture partners have decided that drilling a well at the Dempsey Prospect is a first ranking priority before any proposal or decision to drill a well at Alvares will be made. The possibility of using the existing well bore to sidetrack and get a valid flow test, thus reducing costs will be examined.

Assuming completion of the Farm-In and the payment of both the Alvares Deposit and the Alvares Consideration, the interests in the Alvares Gas Project will be: Sacgasco (Operator): 59%; Bombora Natural Energy Pty Ltd: 10%; Xstate Resources Limited (ASX: XST): 21%; and Empyrean: 10%.

Dempsey Trend AMI

The Dempsey Trend AMI is an Area of Mutual Interest extending to approximately 250,000 acres and containing the Dempsey prospect (described above) as well as at least three other, Dempsey-style prospects which have been identified on existing seismic. Empyrean will provide technical assistance to Sacgasco to further mature prospects within the Dempsey Trend AMI in order to earn a 25% WI. In addition, Empyrean will have an option to participate in the already identified prospects on the following basis:

- Prospect #1: EME pays 50% of dry hole cost (i.e. to testing and setting production casing or abandonment) to earn 25% WI
- Prospect #2: EME pays 37.5% of dry hole cost (i.e. to testing and setting production casing or abandonment) to earn 25% WI
- Prospect #3: EME pays 37.5% of dry hole cost (i.e. to testing and setting production casing or abandonment) to earn 25% WI

Strategy and Funding

The Company has worked to secure a range of strategic opportunities and to allow it significant optionality on the route forward in each project, with minimal up front commitment. The Board is therefore currently assessing all projects in which the Company has an option to participate – most notably the acquisition of a further 10 per cent. interest in the Duyung PSC, Indonesia, and the other projects in the Sacramento basin which are outlined in this announcement. Each such project will require additional funding to be secured over and above the Company's existing resources.

Accordingly, the Board will continue to assess the Company's progression of, and participation in, the various opportunities available to it in view of the Company's financial and other resources. No decision has been made at this time as to which project represent the best use of further funding (if any) and shareholders should note that there is no guarantee that such further funding will be available in order to allow the Company to acquire the additional interest in the Duyung PSC or to participate in the projects outlined above.

However, as previously announced, the Board of Empyrean intends to use its reasonable endeavours to place those shares not taken up pursuant to the recently-closed Open Offer, amounting to 43,141,912 ordinary shares of 0.2p each ("Ordinary Shares"), at not less than the 3.5p per Ordinary Share, in order to raise up to the maximum proceeds under the Open Offer. The Board also has additional authority to issue further Ordinary Shares which may be utilised at its discretion to secure additional funding for the Company.

Tom Kelly, Empyrean CEO, commented:

"Empyrean is excited to be working alongside Sacgasco in the highly productive and prospective Sacramento Basin. We hope to help Sacgasco leverage many determined years of pre-drilling geological exploration and experience to unlock the potential that these large conventional gas prospects hold. The Sacramento Basin projects package adds balance to Empyrean's portfolio in a number of important ways. Firstly, it provides geographical balance - Empyrean has had operations in California and the USA since 2005 and is very comfortable with the framework for oil and gas exploration and development in this part of the world. Secondly, it provides an onshore focus for the Company - Empyrean's Pearl River Mouth Basin Oil Project, in China and its Duyung PSC, in Indonesia are both offshore hydrocarbon exploration projects with transformational upside potential. Adding an onshore USA project with similar transformational upside potential helps to build a robust exploration portfolio. Thirdly, we are spreading the statistical risk across our portfolio by choosing excellent, potentially transformational targets in countries that have strong demand for any discovered hydrocarbons. And lastly, we have added a project that includes surface infrastructure with the first high impact well to be drilled shortly that can provide the Company with almost instant cash flow should the well be successful. The next three months will be very exciting for our Company with potentially transformational drilling and 3D seismic on all three of Empyrean's new projects."

Gary Jeffery, Sacgasco's Managing Director, commented:

"Sacgasco welcomes Empyrean to the joint venture. They have a highly successfully track record of exploring in the USA and rewarding their shareholders with positive exploration and development outcomes. Their extensive experience will be highly complementary to the Sacgasco joint venture and, based on our dealings with them to date, we believe the Empyrean team will be a great fit as we look forward to unlocking the true potential of the Sacramento Basin."

"The recent farm-outs provide Sacgasco with the financial capacity to move forward with the drilling of Dempsey. Planning for spud of the Dempsey-1 well is now well underway. Our extensive portfolio of Sacramento Basin Assets continues to attract interest from other companies and additional farm outs are currently under consideration."

"Sacgasco is committed to building a world-class natural gas business in the energy-hungry Californian market, and we look forward to providing our shareholders with further updates as we realize this exciting phase in the Company's development."

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The information contained in this announcement was completed and reviewed by the Company's Technical Director, Mr Frank Brophy, who has over 40 years' experience as a petroleum geologist.

Notes to Editors

About Empyrean Energy Plc (LON: EME)

Empyrean is a London AIM listed oil and gas explorer with three potentially high impact new projects. Empyrean has a 1800km² offshore oil permit located in the Pearl River Mouth Basin, China where it will commence 3D seismic Q2, 2017 to further mature two large oil prospects, Jade and Topaz. The permit is directly South East of the billion barrel+ Lihua Oil Field operated by CNOOC and two recent discoveries to the permits West and South further enhance the merit of Jade and Topaz. Empyrean is operator and holds 100% of the exploration rights through to commercial discovery where CNOOC have a back-in right to 51%.

Empyrean also has a 10% interest in West Natuna Exploration Limited that holds 100% of the Duyung PSC in offshore Indonesia and is targeting the Mako Shallow Gas Discovery that has an independently verified 2C and 3C gas resource of between 430-650 Bcf recoverable gas. Empyrean is able to increase its interest in Duyung to 20% by paying a further US\$2m by 26 May 2017. The Mako South-1 well is being planned to take core, run a full suite of modern logs and conduct a flow test commencing June 2017.

Empyrean also has a joint venture with ASX listed Sacgasco Limited on a suite of projects in the Sacramento Basin, onshore California, USA. The joint venture will be drilling and testing the Dempsey Prospect, a 1 Tcf gas target in Q3, 2017.

www.empyreanenergy.com

About Sacgasco Limited (ASX. SGC)

Sacgasco Limited (ASX: SGC) is an Australian-based energy company focused on conventional gas exploration in the Sacramento Basin, onshore California. SGC has an extensive portfolio of gas prospects at both exploration and appraisal stages, including multi-Tcf opportunities. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market in North America. SGC is of the view that the size of the prospects in California have the potential to supply both the domestic Californian gas market and export LNG markets.

www.sacgasco.com
