



Imperial Corporation Limited  
Level 7  
151 Macquarie Street  
Sydney NSW 2000  
Ph: 9251 1846  
Fax: 9251 0244  
**(ASX: IMP)**  
Shares on issue: 162,623,254  
[www.imperialcorporation.com.au](http://www.imperialcorporation.com.au)

## ASX Announcement – Acquisition and Operations Update, plus Drilling program

**10 January 2011**

Imperial Corporation Limited is pleased to provide the following update on operations:

### **Areas of Operations – Oil and Gas Production**

With completion of the recent US\$60.25 million acquisition through the Company's 92% owned subsidiary, Empire Energy USA LLC, the Company now has four distinct areas of oil and gas operations in the USA, these are as follows:

#### **1. Kansas – Central Kansas Uplift oil production**

Part of the recent acquisition completed in December 2010, around 20,000 acres, mostly HBP, holding around 268 producing oil wells. Net production is approximately 580Bbl/d. A drilling program is expected to commence early in 2011.

Following a review of the newly acquired operations, management believes only two to three additional employees of varying level of responsibility will be required to assume control of operations.

#### **2. North Dakota – Bakken Potential**

Part of the recent acquisition completed in December 2010. This area comprises of 17,000 acres of non-operated oil leases in which the Company hold a 27% NRI. Numerous drilling targets are available, with significant drilling being undertaken nearby.

#### **3. Mayville – New York gas production and Marcellus/Utica Shale Potential**

Over 300,000 acres, of which around 60% hold Marcellus or Utica shale formations, plus 1,800 gas wells in New York and Pennsylvania as a result of the US\$38 million acquisition in December 2009. Net production is approximately 5,200 Mcf/d.

#### 4. Hawthorne – Pennsylvania gas production

160 gas wells in Hawthorne Pennsylvania acquired as a result of a US\$9.35 million acquisition in December 2006. On July 2, 2010 Empire Energy sold approximately 5,800 acres of shale rights for US\$24.6 million. Net production is approximately 800 Mcf/d.

#### Drilling Program – 2011

Over 2011 Empire Energy will seek to commence a drilling program focused in the recently acquired assets in the Kansas Uplift Region. The Company is targeting to drill a minimum of 6 wells in 2011. Drilling will be done by third party contractors.

Targets are oil bearing strata's in the Kansas City-Lansing and Arbuckle Formations. With the pairing of 3D seismic technology with shallow oil targets, the pinpointing of structural closures will reduce development risk. The previous Operator demonstrated around 90% success basis in its drilling operations over a 4 year period. The target depth is around 4,200ft per well with each well to cost approximately US\$400,000. Timing of the drilling program will be dependent upon the following:

- weather conditions;
- completion of interpretation of engineering and seismic data acquired with the acquisition; and
- finalisation of contracting arrangements

As noted in the Company's announcement of December 29, 2010, Empire Energy acquired at least 31 Pud and 56 Probable locations for future drilling programs. In addition studies for water flood opportunities are being pursued.

#### Oil Production Hedging

Following the December 23<sup>rd</sup>, 2010 acquisition, Empire Energy hedged approximately 70% of forecast oil production for a period of 5 years, at an average price of US\$90.00/Bbl. In addition the Company hedged approximately 75% of current natural gas production for 2015 at a price of \$5.45/Mcf.

#### Comments

Imperial's Executive Chairman, Mr Bruce McLeod, said:

***“Empire Energy has the financial facilities available to commence drilling immediately. The expected program will take advantage of any seismic and geological work that has been recently undertaken, while at the same time Empire Energy will develop a longer term major capital expenditure program to increase oil production over 2011/12 when we expect to experience increasing oil prices.*”**

***Under the terms of the Company's Credit Facility a defined hedge program is required. In addition within Empire's growth and development strategy an active hedging program for future oil and gas production is implemented to ensure the borrowing base is fully hedged. This strategy reduces uncontrolled market risk, but allows any unforeseen increase or bubble in prices of oil and gas to be capitalized upon through Empires expanding inventory of proved and probable oil and gas development locations.***

***In the short term this hedging strategy enables management to focus on growth through:***

- (i) the development of its current proved oil reserves, which should gradually move the oil volumes hedged to a target of around 50% of forecast production; and***
- (ii) the pursuit of additional acquisitions, as opposed to being constrained by potentially volatile oil and gas markets.***

***A further announcement will be made concerning the Company's development and financing program towards the end of the month.***

## **About Imperial Corporation**

Imperial Corporation's focus is the development of an oil and gas exploration and production company, ultimately to seek listing on a North American Stock Exchange.

In early 2007, Imperial Corporation established Empire Energy in the USA and currently holds around 92% of its issued capital. Empire Energy is an oil and natural gas producer and also operates a small oil and gas field service operation. Total combined reserves for the enlarged group will be published at the end of this financial year, being December 31.

Empire Energy implemented a US\$100 million credit facility with Macquarie Bank Limited in early 2008 for the sole purpose of acquiring and developing oil and gas assets in the USA. This facility has been increased to US\$150 million.

For more information:

Bruce McLeod  
Executive Chairman  
Imperial Corporation Limited  
+61 2 9251 1846

*The information in this announcement which relates to reserves is based on information compiled by:*

- 1. Operations existing prior to December 2010 acquisition - Mr Allen Barron, of Ralph E Davis Associates Inc, Houston, Texas. Mr Barron is a certified professional engineer with over 40 years experience.*
- 2. Operations acquired in December 2010 - an independent reserve report made available by LaRoche Petroleum Consultants, Houston, as a component of the data made available by the vendor for the asset sale process. Empire Energy is currently undertaking its own independent review which will be available at the end of the current financial year (December 31, 2010).*