IMPERIAL

ABN 29 002 148 361
and its Controlled Entities

2009 ANNUAL REPORT

CONTENTS

COMPANY INFORMATION

Directors
B W McLeod (Executive Chairman)
D H Sutton
K A Torpey

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Telephone: (02) 9251 1846
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Auditors
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Secretary
D L Hughes

Bankers
Australian & New Zealand Banking Group Limited

Solicitors
Chang, Pistilli & Simmons
Level 13
95 Pitt Street
Sydney NSW 2000

Stock Exchange Listings

Australia
Australian Securities Exchange
(Home Exchange Brisbane Queensland)

IMP - Ordinary Shares

United States of America
New York OTC Market: Code: IMPGY
OTC#: 452869103
Sponsor: Bank of New York
1 ADR for 20 Ordinary shares

EXECUTIVE CHAIRMAN'S REVIEW OF OPERATIONS

Imperial Corporation Limited ("Imperial" or "the Company") is pleased to announce its annual review for the 12 months to 30 June 2009, plus an update on significant subsequent events that have occurred since the financial year end. The Company continues to pursue the expansion of its hydrocarbon production and development assets in the Appalachian Basin, USA.

In early 2008 Imperial withdrew from the asset acquisition program due to excessive values, partially due to high energy prices over early 2008, leading to inflated asset prices. Also massive revaluations of Marcellus Shale acreage led to many regions of the Appalachian Basin being excessively difficult to fund. However with the global economic crisis and decrease in energy prices, values of many assets have now returned to more acceptable levels which has enabled the Company to continue towards its long term objectives.

Major events over the 12 month period include:

- Empire Energy continuing its drilling development program of shallow Devonian gas wells. To date 15 successful wells have been completed. The remaining 3 wells are to be completed over the next 6 weeks.
- Hedging of an estimated 70% of production for the new wells was implemented for a period of 3 years, at a floor price of $6.00 and a ceiling of $7.25/Mcf for the 5 winter months.
- Funding for the new wells has been provided under the US$100 million Macquarie Bank Credit Facility. (Amount drawn down approximately US$10 million with US$ 90 million remaining).
- The successful completion of the takeover of Bemax Resources Limited which provided the Company with approximately $14.9 million in cash in August 2008. From these proceeds the Company was then able to repay $4.75 million dollars in loans which were raised pursuant to the structured financial arrangement to refinance the original margin lending facility. The profit on sale was $6,387,674.
- Empire Energy developing offers to acquire oil and gas assets in the Appalachian Basin region. Empire Energy remains in varying stages of negotiation with parties interested in selling, reorganising or entering into joint venture arrangements. Each acquisition is subject to due diligence programs.
- In June 2009 the Company raised $1,298,815 before costs through a private placement. This placement was completed to take advantage of the favourable market conditions at the time in order to raise capital to enable the Company to pursue its strategy to acquire additional oil and gas assets.
- In September 2009 the Company executed a tenement sale agreement to sell ML1361 in Cobar district of NSW, for 2,750,000 fully paid ordinary shares in the issued capital of Peel Exploration Limited. In addition Peel will replace the environmental bond held by the Company.

Moving forward a number of key events include:

- In September 2009 the Company forwarded a notice to shareholders that it proposed to hold a General meeting of the Company on 21 October to ratify 185,544,945 past issued shares and 61,848,315 unlisted options issued in the relation to the private placement held in June 2009. Approval will also be sought for the Company to allot and issue up to 500,000,000 fully paid ordinary shares. The preapproval of the allotment of these shares will enable the Company to respond quickly to additional capital requirements that may arise during the negotiation stage of additional asset purchases.
- As the Company continues to negotiate the acquisition of additional oil and gas assets the Board is reviewing opportunities to enable all shareholders to participate in any significant acquisitions that the Company seeks to undertake.

IMPERIAL RESOURCES LLC 100%

In March 2006 the Company's wholly owned subsidiary, Imperial Resources LLC ("Imperial Resources") in joint venture with American Natural Resources LLC ('ANR') commenced a natural gas development programme at Carrolltown, Cambria County, Pennsylvania, USA. This was Imperial's initial entry into the USA natural gas production industry. ANR is the operator of the joint venture.

The first 20 development wells undertaken by the Joint Venture have all been successful, and are expected to produce gas to that of a "typical" Indiana, PA, shallow Devonian well. Imperial holds a 75% working interest, generating a 60.9375% net revenue interest in the joint venture.

EXECUTIVE CHAIRMAN'S REVIEW OF OPERATIONS (Continued)

EMPIRE ENERGY USA LLC 75%

To consolidate the Company's operations in the north east USA, focus is now based around developing and building the assets of Empire Energy. The focus of Empire Energy is to:

- target and acquire independent hydrocarbon producers in the northern portion of the Appalachian Basin (New York, Pennsylvania, Ohio, West Virginia, Kentucky), the oldest oil and gas producing region in the USA;
- identify and acquire small to medium sized oil and gas assets (between US$5-$100 million) that have current production and cash flow, as well as upside in potential acreage development;
- aggregate a number of centralised producing wells to achieve economies of scale in operations and capital expenditure;
- leverage off the extensive local contact network of the shareholders and management to ensure active deal flow;
- continue to build field service operations for virtually all aspects of well development, which has now allowed individual well costs to be reduced by approximately 25%, leading to a greatly improved netback per well and control over timing; and
- achieve higher netbacks and economic returns through more effective product marketing.

FUTURE

To provide future capital growth as well as generating ongoing cashflow, the Board is focusing on the development and growth of Empire Energy. As noted, the strategy is to aggregate small to medium size oil and gas assets in the Appalachian Basin. Following the initial acquisition a number of other potential acquisitions have been reviewed.

After some setbacks during the 2008 period the Company is now on target to move forward towards its achievable goals with several acquisitions currently under negotiation. The medium term strategy of Empire Energy is to aggregate sufficient energy related assets until a critical mass is achieved to enable an IPO or trade sale.

DIRECTORS' REPORT

In respect of the financial year ended 30 June 2009, the Directors of Imperial Corporation Limited present their report together with the Financial Report of the Company and of the consolidated entity, being the Company and its controlled entities, and the Auditor's Report thereon.

Directors
The following persons held office as Directors of Imperial Corporation Limited at anytime during or since the end of the financial year:

B W McLeod	Executive Chairman
D H Sutton	Non-Executive Director
K A Torpey	Non-Executive Director
M K Maloney	Non-Executive Director Resigned 10 June 2009

All the Directors have been in office since the start of the financial year unless otherwise stated.

Principal Activities
During the year the principal continuing activities of the Consolidated Entity consisted of:

- The development of the Natural Gas Joint Venture in Cambria County, Pennsylvania, USA.
- The expansion of Empire Energy USA LLC to acquire additional oil and gas assets in the NE USA.
- Reviewing new investment and business opportunities in the resources sector to enhance shareholder value.

Review of Operations
The consolidated net profit of the consolidated entity after providing for income tax was $6,185,605 compared to a loss of $2,704,313 for the previous corresponding period.

The profit results from the following:
- Profit from the sale of the Company's 4.8% shareholding of Bemax Resources Limited of $6,387,674
- Gain of $1,001,951 on foreign currency translation.

Dividends
The Directors have not recommended the payment of a final dividend.

Significant Changes in State of Affairs
Significant changes in the state of affairs of the Consolidated Entity during the financial year were as follows:

<u>(i) Capital Structure</u>

Contributed equity of the company increased by $1,248,264 (from $60,726,964 to $61,975,228) during the financial year as a result of:

-	Issue of 978,267 ordinary shares at $0.01 pursuant to the exercise of unlisted options expiring 16 April 2010	$9,783
-	Issue of 185,544,945 ordinary shares at $0.007 in June 2009 pursuant to a private placement	$1,298,815
-	Transfer from option reserve on exercise of options	$10,704
		$1,319,302
-	Less transaction costs associated with previous share issues detailed above	($71,038)
		$1,248,264

<u>(ii) Disposal of Investment</u>

On 11 August 2008 the Company received $14,432,973 from Cristal Australia Pty Limited being the consideration from the takeover offer from the Company's 4.8% shareholding in Bemax Resources Limited.

The $4,750,000 raised pursuant to the structured financial arrangement to refinance the original margin lending facility was repaid from the share sale proceeds.

The original cost of the investment was $8,047,880.

DIRECTORS' REPORT (Continued)

Matters Subsequent to Balance Date

Subsequent to the end of the financial year Empire Energy commenced a new drilling programme of 8 wells.

Empire Energy has entered into a long term supply arrangement for a portion of the expected production, increasing the spot price by over 60%.

At the date of this report Empire Energy has successfully completed the drilling of 15 wells.

From well logging data all wells are considered commercial. The remaining 3 wells of the 8 well programme are expected to completed and turned online over the next 60 days.

On 18 September 2009 the Company executed a tenement sale agreement with Peel Exploration Limited.

The agreement provides for Peel Exploration Limited to purchase mining lease 1361 in the Cobar district of New South Wales for the following consideration:

- Issue of 2,750,000 fully paid ordinary shares in the issued capital of the purchaser
- Replacement of the environmental bond of $43,000. The purchase is subject to the following conditions precedent:
    - The purchaser conducting due diligence investigations
    - The renewal of the tenement in accordance with section 114 of the mining act
    - The consent of the minister for minerals and petroleum

On 22 September 2009 the Company forwarded a notice to shareholders that it proposed to hold a general meeting of members of the Company on 21 October 2009.

At that meeting shareholder approval is being sought for the following:

- Ratify the allotment and issue by the Company of 185,544,945 fully paid ordinary shares at $0.007 and 61,848,315 unlisted options exercisable at $0.009 prior to 12 December 2010 pursuant to a private placement on 15 June 2009.
- Approval for the Company to allot and issue up to 500,000,000 fully paid ordinary shares.

There were no other matters or circumstances that have arisen since 30 June 2009 that has significantly affected or may significantly affect:

a the operations, in financial years subsequent to 30 June 2009, of the Consolidated Entity; or
b the results of those operations; or
c the state of affairs, in financial years subsequent to 30 June 2009, of the Consolidated Entity.

Likely Developments
Except for information disclosed on certain developments and the expected results of those developments included in this report under Review of Operations, further information on likely developments in the operations of the Consolidated Entity and the expected results of those operations have not been disclosed in this report because the Directors believe it would be likely to result in unreasonable prejudice to the Consolidated Entity.

Information on Directors

Bruce William McLeod, B.Sc (Maths), M.Com (Econ) Age 56
Executive Chairman

Experience and Expertise
Mr McLeod has had extensive experience in the Australian capital markets. Over the past 15 years he has been involved in raising debt and equity capital for a number of property projects and companies, as well as the takeover and rationalisation of listed and unlisted companies. Prior to this he spent 6 years with BA Australia Limited, where he was Executive Director, responsible for the financial and capital markets operations.

Appointed a Director on 21 May 1996.

Special Responsibilities
Chairman of the Board

DIRECTORS' REPORT (Continued)

Other Current Directorships

Non-Executive Director of Carnegie Wave Energy Limited and Fall River Resources Limited.

Former Directorships in Last 3 Years
Bemax Resources Limited from October 2000 to July 2008.

David Henty Sutton, B.Com ASA ACIS Age 66
Non-Executive Director

Experience and Expertise
Mr Sutton has many years experience as a Director of companies in sharebroking and investment banking. He is a Director of Martin Place Securities Pty Limited, a licenced securities dealer where he is responsible for corporate finance and sharebroking activities. Appointed a Director of the Company on 17 January 1997.

Special Responsibilities
Member of Remuneration Committee

Other Current Directorships
Non-Executive Director of Fall River Resources Limited, Silver Mines Limited and Chairman of Sinovus Mining Limited.

Former Directorships in Last 3 Years
Non-Executive Director of Hudson Resources Limited.

***Kevin Anthony Torpey*, ** B.E., MIE Aus., CP Eng, FAusIMM, (CP) Age 70
Non-Executive Director

Experience and Expertise
Mr Torpey is a Chartered Professional Engineer and a graduate from Sydney University. Over the last 40 years he has been involved in the development of many diverse major projects involving oil, iron ore, aluminium, nickel, lead/zinc, uranium, magnesite, coal and gold, located locally and in Ireland and Indonesia. Generally these projects have been associated with major companies such as Consolidated Goldfields, EZ Industries, Alcan, International Nickel, Tara Minerals Limited (Ireland), Noranda, Denison Mines (Canada), Toyota, Mitsubishi and Iwatani. For the last 20 years his association has mainly been as a corporate officer initially as Managing Director of Denison Mines (Australia) and then Managing Director of Devex Limited. Over the last few years he has acted as a consultant to a number of companies involved in mining projects and new technologies. Appointed a Director of the Company on 26 November 1992.

Special Responsibilities
Member of Remuneration Committee

Other Current Directorships
Non-Executive Director of Latrobe Magnesium Limited

Former Directorships in Last 3 Years
None

Mark Kevin Maloney – Resigned 10 June 2009
Non-Executive Director

Experience and Expertise
Mr Maloney has been involved in the investment banking industry for over 13 years, the last 10 of which were spent in London. His most recent position was as head of equities for J P Morgan, Australia. He also held the same position for Goldman Sachs, being responsible for establishing this business in London in 2000.

Mr Maloney has an extensive knowledge of the financial markets and through his various management roles has experience in business development and growth. Serviced as a Director of the Company from 14 August 2007 until 10 June 2009.

Special Responsibilities
Nil

DIRECTORS' REPORT (Continued)

Other Current Directorships
Non-Executive Director of The MAC Group Limited and CEO and Managing Director of Tulla Group Pty Limited.

Former Directorships in Last 3 Years
None.

Company Secretary
The Company Secretary is Mr David Hughes. Mr Hughes was appointed to the position of Company Secretary on 11 November 1992. Before joining Imperial Corporation Limited he has held similar positions with other listed companies for over 20 years. He is currently acting as Company Secretary of the following other listed public companies:

Latrobe Magnesium Limited, Hudson Investment Group Limited, Hudson Resources Limited, Tiaro Coal Limited, Sinovus Mining Limited and Fall River Resources Limited.

Meetings of Directors
The number of Directors' meetings and number of meetings attended by each of the Directors of the Company during the financial year were:

	Directors' Meetings		Remuneration Committee Meetings	
Director	**Attended**	**Held Whilst in Office**	**Attended**	**Held Whilst in Office**
Mr B W McLeod	6	6	-	-
Mr D H Sutton	5	6	1	1
Mr K A Torpey	6	6	1	1
Mr M K Maloney	3	5	-	-

The Board has yet to appoint an audit committee. The matters that would normally be the responsibility of an audit committee are dealt with by the full Board of Directors.

Retirement, Election and Continuation in Office of Directors

Mr B W McLeod is the Director retiring by rotation at the next Annual General Meeting in accordance with Article 50.1 of the Company's Constitution and being eligible offers himself for re-election.

Remuneration Report - Audited
This report outlines the remuneration arrangements in place for Directors and Executives of Imperial Corporation Limited.

Remuneration Committee
The Remuneration Committee reviews and approves policy for determining executives remuneration and any amendments to that policy.

The Committee makes recommendations to the Board on the remuneration of Executive Directors (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The members of the Remuneration Committee during the period were:

- D H Sutton – Independent Non-Executive
- K A Torpey – Independent Non-Executive

The Committee meets as often as required but not less than once per year.

The Committee met once during the period and Committee member's attendance record is disclosed in the table of Directors Meetings shown above.

Executive Directors' and Executive Remuneration
Executive remuneration and other terms of employment are reviewed annually and are based predominantly on the past year's growth of the Company's net tangible assets and shareholder value, having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation and other bonuses and incentives linked to predetermined performance criteria. Executive Directors and executives are able to participate in an Employee Share Option Scheme.

DIRECTORS' REPORT (Continued)

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Consolidated Entity's operations. Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Performance Based Remuneration
As part of the Executive Directors' remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between executives and that of the Company and shareholders.

Performance in relation to the KPIs will be assessed annually, with bonuses being awarded depending on performance of the Company over the past year. Following the assessment, the KPIs will be reviewed by the Remuneration Committee in light of the desired and actual outcomes, and their efficiency assessed in relation to the Company's goals and shareholder wealth, before KPIs are set for the following year.

Non-Executive Directors' Remuneration
Remuneration of Non-executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time. Non-executive Directors are also able to participate in an Employee Share Option Scheme.

The Board undertakes an annual review of its performance and the performance of the Board Committees against goals set at the start of the year.

Details of the nature and amount of each element of the remuneration of each Director of Imperial Corporation Limited and each specified executive of the Company and the Consolidated Entity receiving the highest remuneration are set out in the following tables.

2009	**Base emolument $**	**Super contributions $**	**Bonus Payments $**	**Other Benefits $**	**Total $**
	Primary				
Directors					
B W McLeod	200,000	-	161,783	24,499	386,282
K A Torpey	20,000	1,800	-	-	21,800
D H Sutton	-	20,000	-	-	20,000
M K Maloney	20,000	1,800	-	-	21,800
Specified Executive of the Company					
D L Hughes	54,000	4,860	-	6,000	64,860

2008	**Base emolument $**	**Super contributions $**	**Bonus Payments $**	**Other Benefits $**	**Total $**
	Primary				
Directors					
B W McLeod	200,000	-	209,915	31,084	440,999
K A Torpey	20,000	1,800	-	-	21,800
D H Sutton	-	20,000	-	-	20,000
M K Maloney	17,500	1,575	-	-	21,800
Specified Executive of the Company					
D L Hughes	54,000	4,860	-	8,400	67,260

There is no other element of remuneration.

The base remuneration shown above for B W McLeod represents amounts paid to Eastern & Pacific Capital Pty Ltd for management consulting services. B W McLeod is a Director and shareholder of Eastern & Pacific Capital Pty Ltd.

For B W McLeod, the percentage of remuneration based on performance was 42% (2008: 48%). Refer above for discussion on performance based remuneration.

DIRECTORS' REPORT (Continued)

Service Agreements
Remuneration and other terms of employment with Mr B W McLeod (Executive Chairman) have been formalised in a service agreement dated 20 September 2006. The terms of this agreement are as detailed below:

- Term of agreement – 3 years commencing 1 July 2006 extended 12 months from 1 July 2009
- Base salary of $200,000 per annum to be reviewed annually by the remuneration committee
- Payment of termination benefits apply other than for gross misconduct.
- Performance based incentive bonus based upon annual performance set against key performance indicators.
- Other benefits include provision of fully maintained motor vehicle and participation in the Company's executive option plan.

There are no other service agreements in place formalising the terms of remuneration of directors or specified executives of the company and the consolidated entity.

Loans to Directors and Executives
There were no loans made to Directors or Specified Executives of the Company and the Consolidated Entity during the period commencing at the beginning of the financial year and up to the date of this report.

There are no loans outstanding at the date of this report.

Share Options Granted to Directors and Specified Executives
There were no options issued to Directors or Specified Executives of the Company during the financial year or during the period since the end of the financial year and up to the date of the report.

At the date of this report there were 10,000,000 unissued shares under option to Directors of the Company. These options are exercisable at $0.0047 (adjusted for rights issue) prior to 6 December 2010.

12.8. Directors' Interests and Benefits
The relevant interest of each director in the share capital of the Company as at the date of this report is:

Particulars of Interests in the Issued Capital of the Company
Directors

	Direct Interest		Indirect Interest	
Director	**Shares**	**Options**	**Shares**	**Options**
B W McLeod	5,104,167	-	71,117,386	-
D H Sutton	8,137,025	5,000,000	-	-
K A Torpey	1,416,667	5,000,000	22,320,477	-
M K Maloney	-	-	68,021,489	-
Specified Executives				
David L Hughes	17,867,986	-	1,395,718	-

Share Options
Granted – 61,848,315 options were granted over unissued shares during the financial year. These options exercisable at $0.09 and expiring 12 December 2010 were issued at no cost pursuant to a private placement on the basis of 1 option for each 3 shares subscribed for. No options were granted in the period since the year end of the financial year.

Exercised – 978,267 options expiring 16 April 2010 were exercised at $0.01 during the financial year. No options have been exercised in the period since the financial year and up to the date of this report.

Expiry – No options expired during or since the end of the financial year.

At the date of this report, the total number of unissued shares under option was 109,370,048. These options are exercisable on the following terms:

Number		**Exercise Price**	**Expiry Date**
10,000,000	Executive Options	$0.0047	6 December 2010
1,000,000	Executive Options	$0.0105	5 March 2013
36,521,733		$0.01	16 April 2010
61,848,315		$0.009	12 December 2010
109,370,048			

DIRECTORS' REPORT (Continued)

Directors' and Officers' Indemnities and Insurance
During the financial year Imperial Corporation Limited paid an insurance premium, insuring the Company's Directors (as named in this report), company secretary, executive officers and employees against liabilities not prohibited from insurance by the Corporations Act 2001.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

Proceedings on Behalf of the Company
No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Environmental Regulations
There are significant environmental regulations surrounding mining activities which have been conducted by Imperial. However, there has been no breach of these regulations during the financial year or in the period subsequent to the end of the financial year and up to the date of this report.

Declaration by the Chairman and Chief Financial Officer
The Directors have received and considered declarations from the Chairman and Company Secretary in accordance with Section 295A of the Corporations Act. The declaration states that in their opinion the Company's and Consolidated Entity's financial reports for the twelve months period ended 30 June 2009 present a true and fair view in all material aspects of the financial position and performance and are in accordance with relevant accounting standards.

Non-Audit Services
The Directors are satisfied that the provision of non-audit services during the period by the auditor (or by another person or firm on the auditors behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

Details of amounts paid or payable to the auditor for non-audit services provided during the period by the auditor and details relating to auditor independence are:

- Taxation compliance services $16,149

The audit firm is engaged to provide tax compliance services and internal control reviews. The Directors believe that given the size of the Company's operations and the knowledge of those operations by the audit firm that it is appropriate for the auditor to provide these services. The Directors are of the opinion that these services will not compromise the auditor's independence requirements of the Corporations Act 2001.

Auditors Independence Declaration Under Section 307 of the Corporations Act 2001
A copy of the Auditors Independence declaration as required under Section 307C of the Corporations Act 2001 is set out on page13 and forms part of the Directors Report for the twelve months period ended 30 June 2009.

Auditor
Nexia Court & Co continues in office in accordance with Section 327 of the Corporations Act 2001. No officers of the company were previously partners of the audit firm.

This report is made in accordance with a resolution of the Directors.

B W McLEOD
Director

Sydney 30th September 2009

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NEXIA INTERNATIONAL
CHARTERED ACCOUNTANTS
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LEAD AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the directors of Imperial Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

- no contraventions of any applicable code of professional conduct in relation to the audit.

Nexia Court & Co.

Nexia Court & Co
Chartered Accountants

David Gallery
Partner

Sydney
Dated: *30 September 2009*

CORPORATE GOVERNANCE STATEMENT

Overview

The company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the “Principles of Good Corporate Governance and Best Practice recommendations” set by the ASX Corporate Governance Council (“CGC”).

However, given the current size of both the Company’s operations and the Board of Directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

Where a recommendation has not been followed this fact has been disclosed together with the reasons for the departure.

Consistent with the ASX best practice recommendations, the company’s corporate government practices are regularly reviewed and are available on the Company’s website.

Compliance with ASX Corporate Governance Council best practice recommendations

The ASX listing rules requires public listed companies to include in their annual report a statement regarding the extent to which they have adopted the ASX Corporate Governance Council best practice recommendations.

This statement provides details of the company’s adoption of the best practice recommendations.

Principle 1 – Lay solid foundations for management and oversight

Companies should establish and disclose their respective roles and responsibilities of board and management.

Board Responsibilities

The Board of directors is accountable to shareholders for the performance of the group. In carrying out its responsibilities, the board undertakes to serve the interest of shareholders honestly, fairly and diligently.

The Board’s responsibilities are in encompassed in a formal charter published on the Company’s website. The charter is reviewed annually to determine whether any changes are necessary or desirable.

The responsibilities of the board include:

- Reporting to shareholders and the market;
- Ensuring adequate risk management processes exist and are complied with;
- Reviewing internal controls and external audit reports;
- Ensuring regulatory compliance;
- Monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company auditors;
- Reviewing the performance of senior management;
- Monitoring the Board composition, Director selection and Board processes and performance;
- Validating and approving corporate strategy;
- Reviewing the assumptions and rationale underlying the annual plans; and
- Authorising and monitoring major investment and strategic commitments.

Directors Education

The company issues a formal letter of appointment for new directors setting out the terms and conditions relevant to that appointment and the expectations of the role of the director.

The company also provides a formal induction process which provides key information on the nature of the business and its operations

Continuing education is provided via the regular Board updates provided by the divisional chief executives.

Role of Chairman and Chief Executive Officer (CEO)

The Chairman is also the Chief Executive Officer and is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring the Directors are properly briefed for meetings. The Chairman is also responsible for implementing the consolidated entity’s strategies and Board policies.

A formal charter is in place which lays out the duties and responsibilities of the CEO.

This charter also requires that the responsibilities and accountabilities of both the board of directors and the CEO are clearly defined. The assessment and monitoring of the CEO is the chief responsibility of the board.

Performance is assessed against pre-determined objectives on a regular basis.

The Chairman's other responsibilities include:

- Ensuring that general meetings are conducted efficiently and that shareholders have adequate opportunity to air their views and obtain answers to their queries.
- Present the view of the Board formally.

Principle 2 – Structure the board to add value

Companies should have a board of an effective composition, size and commitment to efficiently discharge its responsibilities and duties.

Composition of the Board

Currently the Board of Directors comprises three members, one executive non-independent Director, who is also the Chairman and Chief Executive Officer and two non-executive independent Directors.

In determining independence the board has regard to the guidelines of directors' independence in the ASX Corporate Governance Council and Best practice Recommendations and other best practice guidelines.

Each director's independent status is regularly assessed by the Board.

The Company does not comply with recommendations 2.2 and 2.3 which provides that the chair should be an independent Director and the role of the chair and CEO should not be exercised by the same individual.

At this stage of the Company's development, the board considers it is neither appropriate nor cost effective for there to be a majority of independent directors, an independent chairman and a separate CEO.

This matter continues to be under review and as circumstances allow, consideration will be given to the appropriate time to move to adopting the ASX Corporate Governance Guidelines.

The board considers that its composition provides for the timely and efficient decision making required for the company in its current circumstances.

The board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three directors and a maximum of seven.

Details of the members of the board, their experience, expertise and qualifications are set out in the Directors Report on pages 7 to 8.

The position/status and term in office of each Director at the date of this report is as follows: -

Name of Director	Position/Status	Term in Office
Bruce McLeod	Executive Chairman – Non-Independent	13 years 4 months
David Sutton	Non-Executive–Independent	12 years 8 months
Kevin Torpey	Non-Executive– Independent	16 years 10 months

The Board currently holds up to 12 scheduled meeting each year together with any ad hoc meetings as may be necessary. The Board met 6 times during the year and Directors attendance is disclosed on page 9 of the Director's Report.

Access to independent professional advice

All directors are required to bring an independent judgement to bear on Board decisions.

To facilitate this, each Director has the right of access to all relevant company information and to the Company's Executives. The directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of this resource is co-ordinated through the Chairman of the board.

Nomination committee

The Board has not yet formed a separate nominations committee and that all matters that would normally be the responsibility of a nominations committee are dealt with by the full Board of Directors.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reasons, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisors may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

For directors retiring by rotation, the board assesses that director before recommending re-election.

The Australian Securities Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers the Company and the Board are currently not of sufficient size to justify the establishment of a Separate Nomination Committee.

Board performance evaluation

The company has processes in place to review the performance of the board and its committees and individual directors. Each year the board of directors give consideration to broad corporate governance matters, including the relevance of existing committees and to reviewing its own and individual directors' performance. The Chairman is responsible for monitoring the contribution of individual directors and consulting with them in any areas of improvement.

Principle 3 – Promote ethical and responsible decision making

Companies should actively promote ethical and responsible decision making.

Code of conduct

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the consolidated entity.

The Company has established a code of conduct applicable to all Directors and employees. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behaviour and professionalism.

The shareholder communications strategy, the securities trading policy, the continuous disclosure policy collectively form a solid ethical foundation for the company's ethical practices.

Policy on dealing in Company securities

The Company has a policy on how and when the Directors and employees may deal in the Company's securities. The purpose of this policy is to ensure that the Directors and employees deal in the Company's securities in a manner which properly reflects their fiduciary duty, and that they do not transact in those securities whilst in possession of price sensitive information.

This policy requires all Directors and employees to seek approval from the Chairman and Company Secretary prior to dealing in the Company's securities.

The Company has introduced compliance standards and procedures to ensure that the policy is properly implemented. In addition there is also an internal review mechanism to assess compliance and effectiveness.

Details of both the Company's code of conduct and share trading policy have been posted on the Company's website.

Principle 4 – Safeguard Integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit Committee

No separate audit committee has been established and the role of the audit committee is undertaken by the full board of Directors.

The committee met twice during the year under review.

The committee has adopted a formal charter, a copy of the formal charter is posted on the Company's website.

The responsibilities of the Audit Committee include:

- reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring corporate risk management practices;
- review and approval of the consolidated entity's accounting policies and procedures;
- reviewing external audit plans;
- reviewing the nomination, performance and independence of the external auditors; and
- organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The audit committee has received confirmation in writing from the Chief Executive Officer and Chief Financial Officer that:

The company's Financial Report for the financial year ended 30 June 2009 present a true and fair view in all material respects of the Company's financial position and operational results and are in accordance with relevant accounting standards.

The structure of the audit committee does not comply with recommendation 4.2 in that it does not consist only of non-executive independent Directors and it is chaired by an independent chair, who is not chair of the board.

External auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. In fulfilling its responsibilities, the Board receives regular reports from management and the external auditors at least once a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

The current auditors, Nexia Court & Co., were appointed in 1992. The Australian accounting bodies' statement on professional independence requires mandatory rotation of audit partners for listed companies every five years. Nexia Court & Co. confirms that they conform with the requirements of the statement.

Nexia Court & Co. are required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Principle 5 – Making timely and balanced disclosure

Companies should promote timely and balanced disclosure of the matters concerning the company. The company promotes timely and balanced disclosure of any material matters concerning the company.

The company has a written policy on information disclosure that focuses on ensuring compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance.

The Company Secretary in consultation with the Chairman, is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

A copy of the Company's policy of continuous disclosure is posted on the Company's website.

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate their effective exercise of those rights.

Communication with shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company follows a communications strategy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company achieves this through the following avenues:

Regular mailings

The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available via an electronic link to the ASX web site, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year.

General meetings

All shareholders are invited to attend the Annual General Meetings which are held in Sydney. The full Board and senior executives are present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

The Company also posts corporate information in the Investor Section of its Company website at www.imperialcorporation.com.au

Principle 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

The Board oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

Management is required to provide monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment.

The Board regularly assesses the company performance in light of risks identified by such reports.

Management are also required to design implement and review the Company's risk management and internal control system. The Board reviews the effectiveness of the implementation of the Company's risk management and internal control system on a regular basis.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The chairman and chief financial officer have stated in writing to the board that:

- The Company's financial reports present a true and fair view in all material respects of the Company's financial position and operating results and are in accordance with relevant accounting standards.
- The integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently in all material respects.

The board requires this declaration to be made bi-annually.

Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that the relationship to performance is clear.

The Board has established a remuneration committee. The committee comprised the following members during the year:

- Mr D Sutton – Independent Non-Executive
- Mr K Torpey – Independent Non-Executive

Mr D Sutton is the Chairman of the remuneration committee.

The committee has adopted a formal charter. The main responsibilities of the Committee include: -

- review and approve the Group's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy;
- consider and make recommendations to the Board on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
- review and approve the design of all equity based plans;
- review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive Directors.

The Company does not comply with recommendation 8.1 in relation to the composition of the remuneration committee in that it does not have at least three members. At this stage of the Company's development the board considers it neither appropriate nor cost effective to adopt the ASX Corporate Governance guidelines.

This matter continues to be under review and as circumstances allow, consideration will be given to the appropriate time to move to adopting the ASX Corporate Governance Guidelines.

The committee met once during the year and the Committee Members attendance record is disclosed in the Table of Directors Meetings included in the Directors Report at page 9.

Executive Directors and executive remuneration

The remuneration committee reviews and approves the policy for determining executive's remuneration and any amendments to that policy.

Executive remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice.

Remuneration packages include basic salary, superannuation and the rights of participation in the Company's Employee Share Purchase Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of effectively managing the company's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Non-executive directors

Remuneration of Non-Executive Directors is determined by the Board based on relevant comparative independent expert advice and the maximum amount approved by shareholders from time to time.

Non-Executive Directors have the right to participate in the Company's Share Option Plan and Employee Share Purchase Plan.

Further information on directors and executive remuneration is included in the remuneration report which forms part of the directors' report.

INCOME STATEMENTS for the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Revenue	3(a)	1,287,264	1,191,927	-	-
Cost of sales		(208,226)	(175,773)	-	-
Gross Profit		1,079,038	1,016,154	-	-
Other Income	3(b)	201,600	118,640	101,239	62,865
Profit on sale of investment		6,411,874	569,017	6,411,874	569,017
Net gain/(Loss) on foreign currency		1,001,951	(903,129)	229,182	(524,422)
Impairment loss on available for sale assets		(589,955)	(565,580)	(53,867)	(164,000)
Impairment loss on inter-group loans		-	-	(54,206)	(3,533)
Depreciation and amortisation expense		(251,136)	(285,065)	(7,818)	(6,517)
Share of Profit/(Loss) on equity accounted investments		(180,407)	(430,624)	-	-
Employee benefits expense		(538,088)	(576,751)	(521,425)	(576,751)
Administration expenses		(603,357)	(667,837)	(571,025)	(658,289)
Profit /(Loss) before tax and finance costs		6,531,520	(1,725,175)	5,533,954	(1,301,630)
Add finance costs					
Finance Income	3(d)	776,168	428,666	288,043	15,469
Finance expense	3(d)	(1,122,083)	(1,407,804)	(1,122,083)	(1,407,804)
Profit /(Loss) before income tax		6,185,605	(2,704,313)	4,699,914	(2,693,965)
Income tax expense	6(a)	-	-	-	-
Profit/(Loss) after tax from operations		6,185,605	(2,704,313)	4,699,914	(2,693,965)
Profit/(Loss) attributable to minority interests		-	-	-	-
Profit/(Loss) for the year	25	6,185,605	(2,704,313)	4,699,914	(2,693,965)
Changes in fair value of equity securities available-for-sale	16	(5,979,625)	3,568,715	(6,320,216)	3,568,715
Exchange differences on translation of foreign operations	16	(44,613)	(70,214)	-	-
Net income/(expense) recognised directly in equity		(6,024,238)	3,498,401	(6,320,216)	3,568,715
Total recognised income and expense for the year attributable to equity holders of the parent		161,367	794,188	(1,620,302)	874,750

		Cent per share	Cent per share
Basic earnings per share	23	0.37	(0.17)
Diluted earnings per share	23	0.37	(0.17)

The above income statements should be read in conjunction with the accompanying notes.

BALANCE SHEETS as at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
CURRENT ASSETS					
Cash and cash equivalents	22(i)	8,421,250	166,489	8,281,709	96,638
Trade and other receivables	7	300,963	454,522	151,399	254,584
Assets classified as held for sale	8	-	14,432,973	-	14,432,973
TOTAL CURRENT ASSETS		8,722,213	15,053,984	8,433,108	14,784,195
NON-CURRENT ASSETS					
Trade and other receivables	7	1,327,571	763,874	5,645,027	6,353,454
Financial assets	8	4,589,062	4,060,811	1,008,653	740,057
Investments accounted for using the equity method	9	(2,996)	(2,996)	-	-
Plant and equipment	10	2,762,977	2,504,435	33,648	31,643
Mining Tenements	11	-	-	-	-
TOTAL NON-CURRENT ASSETS		8,676,614	7,326,124	6,687,328	7,125,154
TOTAL ASSETS		17,398,827	22,380,108	15,120,436	21,909,349
CURRENT LIABILITIES					
Trade and other payables	12	309,355	745,810	278,796	741,214
Financial liabilities	13	3,112,248	7,308,624	3,112,248	7,308,624
Provisions	14	46,285	43,662	37,645	35,022
TOTAL CURRENT LIABILITIES		3,467,888	8,098,096	3,428,689	8,084,860
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	13	-	1,750,000	-	1,750,000
TOTAL NON-CURRENT LIABILITIES		-	1,750,000	-	1,750,000
TOTAL LIABILITIES		3,467,888	9,848,096	3,428,689	9,834,860
NET ASSETS		13,930,939	12,532,012	11,691,747	12,074,489
EQUITY					
Contributed equity	15	61,975,228	60,726,964	61,975,228	60,726,964
Reserves	16	2,065,289	8,100,231	2,009,904	8,340,824
Accumulated losses	25	(50,109,578)	(56,295,183)	(52,293,385)	(56,993,299)
TOTAL EQUITY		13,930,939	12,532,012	11,691,747	12,074,489

The above balance sheets should be read in conjunction with the accompanying notes.

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 June 2009

Consolidated	Issued Capital	Reserves	Accumulated Losses	Total Equity
At 1 July 2007	60,575,754	4,090,663	(53,590,870)	11,075,547
Share issues	75,000	-	-	75,000
Share issue transaction costs	(5,855)	-	-	(5,855)
Total income/expense for period	-	4,091,633	(2,704,313)	1,387,320
Transfer from reserves	82,065	(82,065)	-	
At 30 June 2008	60,726,964	8,100,231	(56,295,183)	12,532,012
Share issues	1,308,598	-	-	1,308,598
Share issue transaction costs	(71,038)	-	-	(71,038)
Total income/expense for period	-	(6,024,238)	6,185,605	161,367
Transfer from reserves	10,704	(10,704)	-	-
At 30 June 2009	61,975,228	2,065,289	(50,109,578)	13,930,939

Company	Issued Capital	Reserves	Accumulated Losses	Total Equity
At 1 July 2007	60,575,754	4,351,514	(54,299,334)	10,627,934
Share issues	75,000	-	-	75,000
Share issue transaction costs	(5,855)	-	-	(5,855)
Total income/expense for period	-	4,071,375	(2,693,965)	1,377,410
Transfer from reserves	82,065	(82,065)	-	-
At 30 June 2008	60,726,964	8,340,824	(56,993,299)	12,074,489
Share issues	1,308,598	-	-	1,308,598
Share issue transaction costs	(71,038)	-	-	(71,038)
Total income/expense for period	-	(6,320,216)	4,699,914	(1,620,302)
Transfer from reserves	10,704	(10,704)	-	-
At 30 June 2009	61,975,228	2,009,904	(52,293,385)	11,691,747

The above statements of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENTS for the year ended 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		1,582,944	1,307,158	144,946	122,464
Payments to trade creditors and employees		(2,007,177)	(1,377,294)	(2,238,388)	(1,065,674)
Interest received		294,438	15,469	288,043	15,469
Interest paid		(590,401)	(1,011,848)	(590,401)	(1,011,848)
Net cash (used in)/provided by operating activities	22(ii)	(720,196)	(1,066,515)	(2,395,800)	(1,939,589)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payment for plant and equipment		(9,823)	(1,068)	(9,823)	(1,068)
Proceeds from sale of investments		14,476,472	683,392	14,476,475	683,392
Payments for investment in unlisted corporations		(51,555)	(57,250)	(51,555)	(57,250)
Payment for investment in listed corporations		(222,750)	(20,000)	(222,750)	(20,000)
Net cash used in investing activities		14,192,344	605,074	14,192,347	605,074
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from issue of shares		1,298,815	(160,247)	1,298,815	(160,247)
Proceeds from converting options		9,783	75,000	9,783	75,000
Costs associated with issuing equity		(71,038)	(5,855)	(71,038)	(5,855)
Repayment of borrowings		(6,230,309)	(5,290,209)	(6,380,000)	(5,290,209)
Proceeds from borrowings		-	4,945,660	370,351	4,945,660
Issue of convertible notes		-	-	-	-
Finance lease payments		(7,043)	(9,979)	(7,043)	(9,979)
Loan to other entities		(81,963)	(54,206)	1,323,075	(54,206)
Repayment of related party loans		(50,000)	31,094	(114,403)	981,047
Net cash provided by / (used in) financing activities		(5,131,755)	(468,742)	(3,570,460)	481,211
Net (decrease) / increase in cash held		8,340,393	(930,183)	8,226,087	(853,304)
Cash at the beginning of the financial year		115,501	1,025,426	45,650	898,954
Effect of exchange rate changes on cash and cash equivalents		(44,616)	20,258	-	-
CASH AT THE END OF THE FINANCIAL YEAR	22(i)	8,411,278	115,501	8,271,737	45,650

The above cash flow statements should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009

1 SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a Corporate Information

Imperial Corporation Limited ("Company") is a company domiciled in Australia, whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operation and principal activities of the consolidated entity are described in the Directors Report.

The financial report of the company for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of Directors on 30th September 2009.

b Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporation Act 2001 and Australian Accounting Standards. The Financial Report has also been prepared on a historical cost basis and is presented in Australian dollars.

It is also recommended that the financial report be considered together with any public announcements made by Imperial Corporation Limited and its controlled entities during the year ended 30 June 2009. In accordance with continuous disclosure obligations arising under both the Corporation Act 2001 and Australian Securities Exchange Listing Rules.

These consolidated financial statements are presented in Australian dollars, which is the company's functional and presentation currency and the functional and presentation currency of the majority of the group.

c Statement of compliance

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

A summary of the significant accounting policies of the group under AIFRS are disclosed in Note 1(d) below.

d Summary of Significant Accounting Policies

1. Basis of Consolidation

The consolidated financial statements comprise the financial statements of Imperial Corporation Limited and its subsidiaries ('the Group').

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

2. Foreign Currency Transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date.

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions. Foreign currency differences on translation are recognised directly in equity.

3. Plant and Equipment
Plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Plant and equipment are depreciated over their estimated useful lives using the straight line method as follows:

	2009	2008
- Plant and Equipment	10% – 20%	10% – 20%

Assets are depreciated from the date of acquisition. Profits and losses as sales of plant and equipment are taken into account in determining the results for the year.

Amortisation on the gas wells owned by the Group is determined using the unit of production method, based on the estimated total gas reserves for the wells. Estimates of gas reserve quantities provide the basis for the calculation of amortisation and impairment. Actual results could differ from these estimates.

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amount.

4. Borrowing Costs
Borrowing costs are recognised as an expense when incurred.

5. Recoverable amount of assets
At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Group makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset

6. Investments
All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Available-for-sale financial assets
Certain investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

7. Receivables
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written when identified.

8. Interest-bearing Liabilities
Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

9. Provisions – Employee Benefits

(i) Defined contribution plans
Obligations for contributions to accumulation plans are recognised as an expense in the Income Statement as incurred.

(ii) Wages, salaries, annual leave and non-monetary benefits
Liabilities for employee benefits for wages, salaries, annual leave and represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at reporting date including related on-costs, such as, workers compensation insurance, superannuation and payroll tax.

10. Payables
Trade and other payables are stated at cost.

11. Revenue Recognition

Other revenue is recognised as it accrues, or as disclosed in Note 6.

i. Sale of Natural Gas
Revenues from the sale of natural gas are recognised when natural gas has been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser on delivery, collection of revenue from the sale is reasonably assured, and the sales price is fixed or determinable.

ii Rental Income
Rental income is recognised in profit and loss on a straight line basis over the term of the lease.

iii Finance income
Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

12. Taxation
Income tax expense
Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation of settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

13. Other Taxes
Goods and Services Tax
Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

14. Share based Payment Transactions
The group provided benefits to directors and senior executives of the group through the executive share option plan whereby eligible participants render services in exchange for options over shares. There has been no share based payment transactions during the year.

15. New Standards & Interpretations not yet Adopted
The following standards, amendments to standards and interpretations have been identified as those which may impact the group in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- Revised AASB 3 Business Combinations changes the application of acquisition accounting for business combinations and the accounting for non-controlling (minority) interests. Key changes include: the immediate expensing of all transaction costs; measurement of contingent consideration at acquisition date with subsequent changes through the income statement; measurement of non-controlling (minority) interests at full fair value or the proportionate share of the fair value of the underlying net assets; guidance on issues such as reacquired rights and vendor indemnities; and the inclusion of combinations by contract alone and those involving mutuals. The revised standard becomes mandatory for the consolidated entity’s 30 June 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the consolidated entity’s financial report.
- AASB 8 Operating Segments introduces the “management approach” to segment reporting. AASB 8, which becomes mandatory for the consolidated entity’s 30 June 2010 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the consolidated entity’s Chief Operating Decision Maker in order to assess each segment’s performance and to allocate resources to them. Currently the group operates in two business and geographical segments. This may change under the revised standard.
- Revised AASB 101 Presentation of Financial Statements introduces as a financial statement (formerly “primary” statement) the “statement of comprehensive income”. The revised standard does not change the recognition, measurement or disclosure of transactions and events that are required by other AASBs. The revised AASB 101 will become mandatory for the group’s 30 June 2010 financial statements. The group has not yet determined the potential effect of the revised standard on the consolidated entity’s disclosures.
- Revised AASB 127 Consolidated and Separate Financial Statements changes the accounting for investments in subsidiaries. Key changes include: the remeasurement to fair value of any previous/retained investment when control is obtained/lost, with any resulting gain or loss being recognised in profit or loss; and the treatment of increases in ownership interest after control is obtained as transactions with equity holders in their capacity as equity holders. The revised standard will become mandatory for the consolidated entity’s 30 June 2010 financial statements. The consolidated entity has not yet determined the potential effect of the revised standard on the consolidated entity’s financial report.
- Revised AASB 123 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised AASB 123 will become mandatory for the group’s 30 June 2010 financial statements and is not expected to have any effect on the financial report.
- AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payment: Vesting Conditions and Cancellations changes the measurement of share-based payments that contain non-vesting conditions. AASB 2008-1 becomes mandatory for the consolidated entity’s 30 June 2010 financial statements. The group has not yet determined the potential effect of the amending standard on the consolidated entity’s financial report.

e Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's risk management policy sets out the Company's overall risk management framework and policies, including monthly review by the board of the Company's financial position and financial forecasts, and maintaining adequate insurances.

Principal financial instruments

The principal financial instruments are as follows:

- Cash and cash equivalents
- Trade and other receivables
- Intercompany balances
- Available for sale financial assets
- Trade and other payables

The group does not use derivative financial instruments, and has no off-balance sheet financial assets and liabilities at year-end.

Financial instrument risk exposure and management

In common with all other business, the group is exposed to risks that arise from its use of financial instruments. The main risks arising from the group's financial instruments are interest rate risk, liquidity risk, currency risk, share market risk and credit risk. This note describes the group's objectives, policies and processes for managing those risks and methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

General objective, policies and processes

The board has overall responsibility for the determination of the Group's risk management objectives and policies and has the responsibility for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The board receives monthly reports through which it reviews the effectiveness of the processes put in place and appropriateness of the objectives and policies it sets.

The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

- Credit Risk

Credit risk is the risk that the other party to the financial instrument will fail to discharge their financial obligation in respect of that instrument resulting in the Group incurring a financial loss. The Group's exposure to credit risk arises from potential default of the counter party with the maximum exposure equal to the carrying amount of these instruments.

Trade and other receivable balances are monitored on an ongoing basis with the Group's exposure to bad debts minimal.

The maximum exposure to credit risk at balance date is as follows:

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Trade and other receivables	1,628,534	1,218,396	5,796,426	6,608,038

The maximum exposure to credit risk at balance by country is as follows:

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
Australia	151,399	455,483	151,539	308,940
Unites States of America	1,477,135	762,913	5,644,887	6,299,098

- Liquidity Risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet its financial obligations in relation to financial instrument as and when they fall due.

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet it is liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 90 days.

Maturity Analysis	**Fair Value**	**Carrying Amount**	**Contractual Cash flows $**	**< 6 months $**	**6-12 months $**	**1-3 years $**
Consolidated 2009						
Current						
Trade and other payables	309,355	309,355	309,355	309,355		
Interest bearing liabilities	3,112,248	3,112,248	3,180,714	3,180,714		
Non-current						
Interest bearing liabilities						
Company 2009						
Current						
Trade and other payables	278,796	278,796	278,796	278,796		
Interest bearing liabilities	3,112,248	3,112,248	3,180,714	3,180,714		
Non-current						
Interest bearing liabilities	-	-	-			
Consolidated 2008						
Current						
Trade and other payables	745,810	745,810	745,810	745,810		
Interest bearing liabilities	7,308,624	7,308,624	7,308,624	4,610,199	2,698,425	
Non-current						
Interest bearing liabilities	1,750,000	1,750,000	1,750,000			1,750,000
Company 2008						
Current						
Trade and other payables	741,214	741,214	741,214	741,214		
Interest bearing liabilities	7,308,624	7,308,624	7,308,624	4,610,199	2,698,425	
Non-current						
Interest bearing liabilities	1,750,000	1,750,000	1,750,000			1,750,000

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009 (Continued)

- Market Risk

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments.

It is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

1) Interest rate risk

The Group does not apply hedge accounting. The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. The Groups exposure to interest rate risk at 30 June 2009 is set out in the following tables:

			Fixed Interest Maturing in			
	%	Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	Non-Interest Bearing	Total
CONSOLIDATED						
2009						
Financial Assets						
Cash and cash equivalents	2.75%	8,420,944			306	8,421,250
Trade and other receivables	-				300,963	300,963
Financial assets	-			3,577,413		3,577,413
		8,420,944	-	3,577,413	301,269	12,299,626
Financial Liabilities						
Trade & Other Payables	-				309,355	309,355
Interest-bearing liabilities	12%		3,112,248			3,112,248
			3,112,248		309,355	3,421,603
2008						
Financial Assets						
Cash and cash equivalents	2%	146,183			20,306	166,489
Trade and other receivables	-				454,522	454,522
Financial assets	12%			4,060,811	14,432,973	18,493,784
		146,183	-	4,060,811	14,907,801	19,114,795
Financial Liabilities						
Trade & Other Payables	-	-	-	-	745,810	745,810
Interest-bearing liabilities	12%	-	7,308,624	1,750,000	-	9,058,624
		-	7,308,624	1,750,000	745,810	9,804,434
COMPANY						
2009						
Financial Assets						
Cash and cash equivalents	2.75%	8,281,409			300	8,281,709
Trade and other receivables	-				151,399	151,399
Financial assets	-				1,008,653	1,008,653
		8,281,409	-	-	1,160,352	9,441,761
Financial Liabilities						
Payables	-				278,796	278,796
Interest-bearing liabilities	12%		3,112,248			3,112,248
			3,112,248		278,797	3,391,044

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009 (Continued)

	%	Floating Interest Rate	Fixed Interest Maturing in 1 Year or Less	Fixed Interest Maturing in Over 1 to 5 Years	Non-Interest Bearing	Total
COMPANY						
2008						
Financial Assets						
Cash and cash equivalents	2%	76,338	-	-	20,300	96,638
Trade and other receivables	-	-	-	-	254,584	254,584
Financial assets	-	-	-	-	740,057	740,057
		76,338	-	-	1,014,941	1,091,279
Financial Liabilities						
Trade & Other Payables	-	-	-	-	741,214	741,214
Interest-bearing liabilities	10.57%	-	7,308,624	1,750,000	-	9,058,624
		-	7,308,624	1,750,000	741,214	9,799,838

1) Currency risk

The Group's policy is, where possible to allow Group entities to settle liabilities denominated in their functional currency with the cash generated from their own operations in that currency. Where Group entities have liabilities denominated in a currency other than their functional currency (and have insufficient funds of that currency to settle them) cash already denominated in that currency will where possible, be transferred from elsewhere in the Group.

In order to monitor the continuing effect of this policy, the Group receives forecast, analysed by the major currencies held by the Group, of liabilities due for settlement and expected cash reserves.

At balance date the Group is exposed to currency risk for payables in United States Dollars.

- Share Market Risk

The company relies greatly on equity markets to raise capital for its exploration and magnesium project development activities, and is thus exposed to equity market volatility.

When market conditions require for prudent capital management, in consultation with its professional advisers the Group look to alternative sources of funding, including the sale of assets and joint venture participation.

	Consolidated 2009	Consolidated 2008	Company 2009	Company 2008
Investments				
Listed Companies				
White Cliff Nickel	10,000	17,000	10,000	17,000
Fall River Resources	22,000	36,000	22,000	36,000
Golden Cross Resources	14,720	17,787	14,720	17,787
Central Rand Gold	168,041	617,016	168,041	617,016
Shaw River Resources	667,333	-	667,333	-
Pepinnini Minerals Limited	22,750	-	22,750	-
Unlisted Companies				
Entermo Limited	25,000	25,000	25,000	25,000
Erin Holdings	78,805	27,250	78,805	27,250

Unlisted investments are hold at cost as no market valuation is available.

- Equity Risk

Equity price risk arises from investments in equity securities and Imperial Corporation Limited's issued capital.

With the sale of the Group's equity investment in Bemax Resources Limited for $14,432,973 in August 2008 the Group's equity risk is considered minimal and as such no sensitivity analysis has been completed.

Fair Value of Financial Assets and Liabilities

The fair value of all monetary financial assets and liabilities of Imperial Corporation Limited approximate their carrying value there were no off-balance financial assets and liabilities at year end.

Capital Risk Management

The Group considers its capital to comprise its ordinary share capital and reserves.

In managing its capital, the Group's primary objective as an explorer is to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. The Group has no debt hence has a nil ratio.

In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or consideration of debt the group considers not only its short-term position but also its long-term operational and strategic objectives.

3 REVENUE AND EXPENSES	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
a) Revenue				
Gas sales	1,287,264	1,191,927	-	-
b) Other Income				
Sundry revenue	139,195	70,962	38,834	15,187
Rental income	62,405	47,678	62,405	47,678
	201,600	118,640	101,239	62,865
c) Other Expenses				
Doubtful debts	23,500	2,976	23,500	2,976
Rental expense on operating lease	164,640	164,640	164,640	164,640
Exploration expenditure	20,866	-	20,866	-
Superannuation	28,460	24,135	28,460	24,135
d) Finance Income and Expense				
Interest income from other parties	294,438	27,086	288,043	15,469
Interest income from equity accounted investment	481,730	401,580	-	-
Total Interest Income	776,168	428,666	288,043	15,469
Interest paid	602,282	1,030,213	602,282	1,030,213
Fees and charges	519,801	377,591	519,801	377,591
Total Finance Costs	1,122,083	1,407,804	1,122,083	1,407,804
e) Individually significant items				
Profit on the sale of Bemax Resources Limited securities	6,387,674	-	6,387,674	-

4 DIRECTORS AND EXECUTIVE OFFICERS REMUNERATION

Determination of Remuneration of Directors

Remuneration of non-executive directors comprise fees determined having regard to industry practice and the need to obtain appropriate qualified independent persons.

Remuneration of the executive director is determined by the Remuneration Committee (refer statement of Corporate Governance Practices for further details).

In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility, consistent with the Company's level of operations.

Determination of Remuneration of Other Key Management Personnel

Remuneration of senior executives is determined by the Remuneration Committee (refer statement of Main Corporate Governance Practices for further details). In this respect, consideration is given to normal commercial rates of remuneration for similar levels of responsibility, consistent with the Company's level of operations.

Directors and Executive Officers Remuneration
Details of the nature and amount of each major element of the remuneration of each director of the Company and each named officer of the Company and the Consolidated Entity receiving the highest remuneration are:

4 DIRECTORS AND EXECUTIVE OFFICERS REMUNERATION (CONT'D)

2009	**Base emolument $**	**Super contributions $**	**Bonus Payments $**	**Other Benefits $**	**Total $**
	Primary				
Directors					
B W McLeod	200,000	-	161,783	24,499	386,282
K A Torpey	20,000	1,800	-	-	21,800
D H Sutton	-	20,000	-	-	20,000
M K Maloney	20,000	1,800	-	-	21,800
Specified Executive of the Company					
D L Hughes	54,000	4,860		6,000	64,860

2008	**Base emolument $**	**Super contributions $**	**Bonus Payments $**	**Other Benefits $**	**Total $**
	Primary				
Directors					
B W McLeod	200,000	-	209,915	31,084	440,999
K A Torpey	20,000	1,800	-	-	21,800
D H Sutton	-	20,000	-	-	20,000
M K Maloney	20,000	1,800	-	-	21,800
Specified Executive of the Company					
D L Hughes	54,000	4,860		8,400	67,260

* No consolidation figures have been disclosed as the figures for both Consolidated and the Company are the same.
* All of the above payments are short-term employee benefits with the exception of super contributions that are classified as post-employment benefits.

	Consolidated		**Company**	
	2009 $	**2008 $**	**2009 $**	**2008 $**
5 AUDITORS' REMUNERATION				
Auditing the year end financial statements				
- Nexia Court & Co	46,320	41,007	46,320	41,007
Half year review – Nexia Court & Co	33,862	23,078	33,863	23,078
Taxation services – Nexia Court & Co	16,150	13,455	16,149	13,455

6 INCOME TAX

a. Income Tax Expense

The amount of income tax expense/(benefit) attributable to the financial year differs from the amount of the prima facie income tax expense/(benefit) as follows:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Profit/(Loss) before income tax	6,185,605	(2,704,313)	4,699,914	(2,693,939)
Prima facie income tax/(benefit) @ 30% on the Loss before income tax	1,711,949	(811,294)	1,409,974	(808,182)
Non-deductible expenses	35,052	50,648	35,007	50,648
Deferred tax asset in relation to timing differences (recouped)/ not recognised	(16,659)	151,509	(16,659)	150,608
Benefit of tax and capital losses recouped not previously recognised	(1,730,342)	(170,705)	(1,428,322)	
Deferred tax asset in relation to tax losses not recognised	-	779,842	-	777,631
Income tax expense	-	-	-	-

An assessable capital gain of $6,422,874 (2008: $569,017) realised by the Company was partially offset by available capital losses.

b. Deferred tax assets not recognised relate to the following:

Tax losses	3,666,559	2,090,010	4,146,010	2,569,461
Timing differences	49,408	54,658	49,408	54,658
Capital losses	-	967,301	-	950,245

The potential benefit of the deferred tax asset attributable to tax losses will only be obtained if:

i the Consolidated Entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deduction for the loss to be realised; or

ii the Consolidated Entity continues to comply with the conditions for deductibility imposed by the law; and

iii no changes in tax legislation adversely affect the Consolidated Entity in realising the asset.

c. Dividend Franking Account

There are no franking account credits available as at 30 June 2009.

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
	$	**$**	**$**	**$**
7 TRADE AND OTHER RECEIVABLES				
Current				
Trade debtors	199,084	197,910	49,812	19,800
Other debtors	101,879	256,612	101,587	234,784
	300,963	454,522	151,399	254,584
Non-current				
Loans to related companies	1,486,199	922,522	14,119	17,436
Loans to controlled companies	-	-	18,428,060	19,078,964
Provision for diminution in value of Loans to related/controlled companies	(158,628)	(158,628)	(12,797,152)	(12,742,946)
	1,327,571	763,874	5,645,027	6,353,454

	Consolidated		Company	
	2009	**2008**	**2009**	**2008**
8 FINANCIAL ASSETS				
i Current				
Shares – Other Corporations				
- Listed available-for-sale (at fair value)	-	14,432,973	-	14,432,973
Non-current				
Shares – Other Corporations				
- Listed available-for-sale (at fair value)	904,844	687,803	904,844	687,803
- Unlisted (at cost)	4,567,528	3,774,588	15,719,165	15,667,610
Less accumulated impairment	(883,310)	(401,580)	(15,615,356)	(15,615,356)
	3,684,218	3,373,008	103,809	52,254
	4,589,062	4,060,811	1,008,653	740,057

Empire Energy LLC has the following share structure:

80,000 Series A Units
34,300 Series B Units
46,927 Series C Units

Only Series A shares are voting and the Group has a 50% share in Series A shares. The Group also owns 30% of Series B shares. These are non-voting, accumulating preference shares. The Group also owns all Series C shares. Series C shares are non-voting and have optional and agreed conversion rights related to certain changes in Empire Energy's ownership or capital structure. As a result of the 50% ownership of voting shares, the Group accounts for the investment in Empire Energy LLC using the equity method.

Empire Energy has a reporting date of 31 December. This is due to the company's incorporation in the US and the alignment of the reporting date with the US year end date.

8 FINANCIAL ASSETS (Continued)

ii Investments in Controlled Companies

	Country of Incorporation	Class of Share	Interest Held	
			2009 %	2008 %
Controlling Company				
Imperial Corporation Limited	Australia			
Controlled Companies				
Imperial Oil & Gas Pty Limited	Australia	Ordinary	100	100
Vodex Pty Limited	Australia	Ordinary	100	100
Mega First Mining NL	Vanuatu	Ordinary	100	100
Imperial Mining Investments Pty Limited	Australia	Ordinary	100	100
Jasinv Pty Limited	Australia	Ordinary	100	100
Jasrad Pty Limited	Australia	Ordinary	100	100
Imperial Technologies Pty Limited	Australia	Ordinary	100	100
Imperial Management Services Pty Limited	Australia	Ordinary	100	100
OzNetwork Pty Limited	Australia	Ordinary	80.86	80.86
Imperial Resources LLC	USA	Ordinary	100	100
Imperial Energy Pty Ltd	Australia	Ordinary	100	100

All entities are audited by Nexia Court & Co with the exception of Mega First Mining NL, a Company incorporated in Vanuatu.

iii Acquisitions and Disposals of Controlled Entities

Acquisitions
There were no acquisitions of controlled entities during the financial year.

Disposal
There were no disposals of controlled entities during the financial year.

Previous Financial – 2008
Acquisitions and Disposals
There were no acquisitions. Two non-operating subsidiaries ACN 053 015 606 Limited and May Day Mines Pty Ltd were liquidated during the 2008 financial year.

9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Class A Shares in Empire Energy USA LLC	(2,996)	(2,996)	-	-
Class B Shares in Empire Energy USA LLC	3,147,152	3,182,068	-	-
Class C Shares in Empire Energy USA LLC	1,095,394	916,535	-	-
Adjusted for shares of loss for the period	(180,407)	(430,624)	-	-
Impairment loss	(481,730)	(401,580)	-	-
	3,577,413	3,263,403	-	-
Less: Class B preference shares included in financial assets in Note 8	(2,485,015)	(2,349,864)	-	-
Less: Class C shares included in financial assets in Note 8	(1,095,394)	(916,535)	-	-
	(2,996)	(2,996)	-	-

10 PLANT AND EQUIPMENT

Non-Current

a Carrying Values

	Cost 2009 $	Cost 2008 $	Accumulated Depreciation 2009 $	Accumulated Depreciation 2008 $	Written Down Value 2009 $	Written Down Value 2008 $
Consolidated						
Plant & equipment – at cost	61,000	61,000	(61,000)	(61,000)	-	-
Office equipment – at cost	103,662	93,839	(90,800)	(88,404)	12,862	5,435
Leasehold improvements – at cost	68,846	68,846	(68,846)	(68,846)	-	-
Motor Vehicles – leased	36,150	36,150	(15,364)	(9,942)	20,786	26,208
Producing Gas Wells – at cost	3,639,106	3,044,904	(909,777)	(572,112)	2,729,329	2,472,792
	3,908,764	3,304,73	1,145,787	(800,303)	2,762,977	2,504,435
Company						
Plant & equipment - at cost	61,000	61,000	(61,000)	(61,000)	-	-
Office equipment – at cost	103,662	93,839	(90,800)	(88,404)	12,862	5,435
Leasehold improvements – at cost	68,846	68,846	(68,846)	(68,846)	-	-
Motor Vehicles – leased	36,150	36,150	(15,364)	(9,941)	20,786	26,208
	269,658	259,835	236,010	(228,192)	33,648	31,643

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009 (Continued)

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
10 PLANT AND EQUIPMENT (Continued)				
Office Equipment				
Carrying value at beginning	5,435	5,462	5,435	5,462
Additions	9,823	1,067	9,823	1,067
Disposals	-	-	-	-
Depreciation expense	(2,396)	(1,094)	(2,396)	(1,094)
	12,862	5,435	12,862	5,435
Motor Vehicles - leased				
Carrying value at beginning	26,208	31,630	26,208	31,630
Additions	-	-	-	-
Disposals	-	-	-	-
Amortisation	(5,422)	(5,422)	(5,422)	(5,422)
	20,786	26,208	20,786	26,208
Producing Gas Wells				
Carrying value at beginning	2,472,792	3,083,324	-	-
Additions	-	-	-	-
Transfer for Gas Wells under construction	-	-	-	-
Depreciation Expense	(235,061)	(278,548)	-	-
Effect of foreign exchange movements	491,598	(331,984)	-	-
	2,729,329	2,472,792	-	-
Gas Wells under construction				
Carrying value at beginning	-	1,034,210	-	-
Additions	-	-	-	-
Transfer to producing Gas Wells	-	-	-	-
Conversion to Class C shares in Empire Energy USA, LLC	-	(916,535)	-	-
Effect of foreign exchange movements	-	(117,675)	-	-
	-	-	-	-

11 MINING TENEMENTS

Mining Areas of Interest

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
Non-Current				
Development Phase				
- at cost	1,100,000	1,100,000	1,100,000	1,100,000
- less provision for amortisation	(1,100,000)	(1,100,000)	(1,100,000)	(1,100,000)
	-	-	-	-

The ultimate recoupment of the carrying values of these areas of interest is dependent on successful development and commercial exploitation, or alternatively, sale of the respective areas.

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009 (Continued)

12 TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Current				
Trade creditors	207,983	469,306	183,266	469,306
Other creditors	101,372	276,504	95,530	271,908
	309,355	745,810	278,796	741,214

13 INTEREST-BEARING LIABILITIES

Current				
Bank Overdraft	9,972	50,988	9,972	50,988
Finance lease liability	10,759	17,802	10,759	17,802
Other loans	48,861	4,701,190	48,861	4,701,190
Other loans – related party	42,656	38,644	42,656	38,644
Convertible notes	3,000,000	2,500,000	3,000,000	2,500,000
	3,112,248	7,308,624	3,112,248	7,308,624
Non-current				
Finance lease liability		-	-	-
Convertible notes	-	1,750,000	-	1,750,000
	-	1,750,000	-	1,750,000

14 PROVISIONS

Current				
Employee entitlements	46,285	43,662	37,645	35,022
	46,285	43,662	37,645	35,022

15 CONTRIBUTED EQUITY

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Issued Capital				
Balance as at 1/7/2008	60,726,964	60,575,754	60,726,964	60,575,754
Issued During Period Shares				
-Issue of 978,267 ordinary shares @ $0.01 pursuant to the exercise of options expiring 16 April 2010	9,783	-	9,783	-
-Issue of 185,544,945 ordinary shares @ $0.007 in June 2009 pursuant to a private placement	1,298,815	-	1,298,815	-
-Issue of 7,500,000 ordinary shares @ $0.01 pursuant to the exercise of options in June 2008	-	75,000	-	75,000
-Transfer from option reserve on exercise of options	10,704	82,065	10,704	82,065
Less costs associated with the share issues detailed above	(71,038)	(5,855)	(71,038)	(5,855)
Balance as at 30.06.09	61,975,228	60,726,964	61,975,228	60,726,964

All shares issued during the year were issued by Imperial Corporation Limited.

Share Options

Granted – 61,848,315 unlisted options were granted over unissued shares during the financial year. These options exercisable at $0.009 and expiring 12 December 2010 were issued free pursuant to a private placement on the basis of 1 option for each 3 shares subscribed for.

Exercised – 978,267 options expiring 16 April 2010 were exercised at $0.01 during the financial year. No options have been exercised in the period since the end of the financial year.

Expiry – No options expired during or since the end of the financial year.

Convertible Notes
- 1,250,000 $1.00 convertible notes were redeemed during the financial year
- The maturity date of a further 1,250,000 $1.00 convertible notes was extended until 31 December 2009

At balance date the Company had on issue, the following securities and/or rights to convert to securities : -

Shares
- 1,834,833,346 listed ordinary shares – IMP

Options
- 10,000,000 unlisted executive options exercisable at $0.0047 expiring 6 December 2010.
- 1,000,000 unlisted executive options exercisable at $0.0105 expiring 5 March 2013
- 36,521,733 unlisted options exercisable at $0.01 expiring 16 April 2010
- 61,848,315 unlisted options exercisable at $0.009 expiring 12 December 2010

Convertible Notes
- 750,000 $1.00 Convertible notes convertible at 100 shares for each note maturing 31 December 2009
- 1,750,000 $1.00 Convertible notes convertible at 40 shares for each note maturing 30 October 2009
- 500,000 $1.00 Convertible notes convertible at 68.9655 shares for each note, maturing 31 December 2009

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009 (Continued)

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
16 RESERVES				
Capital profit	-	-	170,469	170,469
Asset revaluation	607,279	607,279	607,279	607,279
Share Based payments	182,630	182,630	182,630	182,630
Fair value	639,636	6,959,851	639,636	6,959,851
Foreign currency translation reserve	(114,737)	(70,124)	-	-
Options	409,891	420,595	409,890	420,595
Equity accounted investment	340,589	-	-	-
	2,065,288	8,100,231	2,009,904	8,340,824
Movement in Reserves				
Fair Value Reserve				
Balance – 1 July 2008	6,959,851	3,391,136	6,959,851	3,391,136
Movement during period				
- Net change in the fair value of available for sale investments	67,459	3,568,715	67,459	3,568,715
- Transfer to profit on sale of investment	(6,387,674)	-	(6,387,674)	-
Balance – 30 June 2009	639,636	6,959,851	639,636	6,959,851
Foreign Currency Transaction Reserve				
Balance – 1 July 2008	(70,124)	(90,382)	-	-
Movement during period				
- Exchange differences on transaction of foreign operations	(44,613)	20,258	-	-
Balance - 30 June 2009	(114,737)	(70,124)	-	-
Option Reserve				
Balance – 1 July 2008	420,595	-	420,595	-
- Options issued	-	502,660	-	502,660
- Options exercised	(10,704)	(82,065)	(10,704)	(82,065)
Balance – 30 June 2009	409,891	420,595	409,891	420,595
Equity Accounted Investment Reserve				
Balance – 1 July 2008	-	-	-	-
Movement during period	-	-	-	-
- Post acquisition movement	340,589	-	-	-
Balance – 30 June 2009	340,589	-	-	-

Asset Revaluation and Capital Profits Reserve

The asset revaluation and capital profits reserves comprise historical changes to the fair value of assets held by the group. The has been no movement in either reserve in either the current or previous financial period.

Fair Value Reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale assets until the investment is derecognised.

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Equity Accounted Investment Reserve
The equity accounted investment reserve comprises post acquisition movements in the reserves of Empire Energy LLC attributable to movements in the fair value of derivative instruments.

Option Reserve
The option reserve comprises the value of options issued but not exercised at balance date.

17 CONTINGENT LIABILITIES

a Companies in the Imperial Corporation Limited group have a maximum contingent liability of $43,000 to provide guarantees to Government Authorities to secure rehabilitation commitments in respect of mining tenements. No provisions are included in the financial statements for these amounts.

b Imperial has provided certain tax indemnities to an Investor under Agreements relating to Research and Development of Vitrokele Core Technology.

18 COMMITMENTS FOR EXPENDITURE

Exploration and Mining Tenement Leases
In order to maintain current rights of tenure to exploration and mining tenements, the Company and the companies in the Consolidated Entity are required to outlay lease rentals and to meet the minimum expenditure requirements of the various Government Authorities. These obligations are subject to re-negotiation upon expiry of the relevant leases or when application for a mining licence is made. No expenditure commitments exist at 30 June 2009.

	Consolidated		Company	
i) Equipment Leases	**2009 $**	**2008 $**	**2009 $**	**2008 $**
Commitments in relation to equipment/motor vehicle leases contracted for at and subsequent to the reporting date but not recognised as liabilities:				
Not later than one year	17,223	12,974	17,223	12,974
Later than one year not later than two years	18,789	11,843	18,789	11,843
Later than two years not later than five years	56,366	-	56,366	-
More than five years	29,446	-	29,446	-
	121,824	24,817	121,824	24,817

The group has the option to acquire the leased assets at the agreed value on the expiry of the leases.

ii) Property Licence
The company has entered into a cancellable licence agreement over the occupation of office premises.
The leased assets are pledged as security over the lease commitment.

The term of the occupancy licence is for 59 months concluding 30 June, 2011.

	2009 $	**2008 $**	**2009 $**	**2008 $**
Licence fees in relation to this agreement are payable as follows:				
Within one year	185,198	178,075	185,198	178,075
Later than one year not later than two years	192,605	185,198	192,605	185,198
Later than two years not later than five years	-	192,605	-	192,605
	377,803	555,878	377,803	555,878

19 SHARE BASED PAYMENTS

a) Executive Option Plan

The establishment of the Imperial Corporation Limited executive option plan was approved by shareholders at a general meeting of members held on 18 May 2000. Persons eligible to participate include executive officers of the company or a subsidiary, including a director holding salaried employment or office in the company or subsidiary.
Options are granted under the plan for no consideration. Options are granted for a five year term and are fully vested.
Options granted under the plan carry no dividend or voting rights.
The exercise price of options is based on a minimum of the weighted average market price of shares sold in the ordinary course of trading on the ASX during the 5 trading days ending on the date the option is granted multiplied by 0.8.
Each option entitles the holder to subscribe for 1 unissued share.

Consolidated and Company – 2009
There were no options granted pursuant to the executive option plan during the current financial year.

Consolidated and Company – 2008
1,000,000 options were granted on 5 March 2008 to an eligible executive pursuant to the terms and conditions of the Imperial Corporation Limited Executive Option Plan. These options are unlisted and are exercisable at $0.105 at any time prior to 5 March 20013.
Set out below are summaries of options granted under the plan during previous periods.

Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted during year	Exercised during year	Expired during year	Balance at end of year
6 July 2000	6 July 2005	9 cents	14,350,000	-	-	14,350,000	-
6 December 2005	6 December 2010	.065 cents	-	49,000,000	35,000,000	-	10,000,000
6 December 2005	6 December 2010	.08 cents	-	15,000,000	15,000,000	-	-
5 March 2008	5 March 2013	1.05 cents	-	1,000,000	-	-	1,000,000
			14,350,000	65,000,000	50,000,000	14,350,000	11,000,000

The exercise price of the options granted on 6 December 2005 held at balance date have been adjusted by a given formula to 0.047 cents following the Pro-Rata Rights Issue to shareholders in June, 2006.

b) Expenses arising from share based payment transactions

Total expenses arising from share based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008
Options issued under executive option plan	-	10,268	-	10,268

20 SEGMENT INFORMATION

Primary Reporting – Business Segments

2009	Mining	Investments	Internet	Eliminations Unallocated	Consolidated
Sales to external customers	1,287,264	-	-	-	1,287,264
Other revenue	100,361	6,411,874	-	101,239	6,613,474
Total segment revenue	1,387,625	6,411,874	-	101,239	7,900,738
Segment result	909,054	6,411,874	-	-	7,320,928
Unallocated revenue less unallocated expenses					(1,135,323)
Profit /(Loss) before income tax expense					6,185,605
Income tax expense					-
Profit /(Loss) for the year					6,185,605
Depreciation and amortisation expense	(243,318)			(7,818)	(251,136)
Other non-cash expenses					
Segment assets	6,598,580	904,844	-	-	7,503,424
Unallocated assets					9,895,403
Total assets					17,398,827
Segment liabilities	25,963	-	-	-	25,963
Unallocated liabilities					3,441,925
Total liabilities					3,467,888
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	-	274,305	-	9,823	284,128

Geographical Segments

2009	Australia		USA	
	2009	2008	2009	2008
Revenue from external customers	6,513,113	692,351	1,387,625	1,438,152
Segment Assets	10,800,247	16,087,095	6,598,580	6,293,013
Total Capital Expenditure	284,128	3,598,000	-	1,836,976

20 SEGMENT INFORMATION

Primary Reporting – Business Segments

2008	Mining	Investments	Internet	Eliminations Unallocated	Consolidated
Sales to external customers	1,068,513	-	-	-	1,068,513
Other revenue	414,639	569,017	-	78,334	1,061,990
Total segment revenue	1,483,152	569,017	-	78,334	2,130,503
Segment result	(56,537)	569,017	-	-	512,480
Loss before income tax expense					(3,216,793)
Income tax expense					
					(2,704,313)
Loss after income tax expense					-
Net loss					(2,704,313)
Depreciation and amortisation expense	(259,395)	-	-	(6,517)	(265,912)
Other non-cash expenses					(1,805,705)
Segment assets	3,477,574	18,490,788	-	-	21,968,362
Unallocated assets					411,746
Total assets					22,380,108
Segment liabilities	6,293,012	9,148,632	8,640	(6,434,008)	9,016,276
Unallocated liabilities					831,819
Total liabilities					9,848,095
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	1,836,976	3,598,000	-	-	5,394,976

21 RELATED PARTY DISCLOSURES

a Disclosures Relating to Directors

i The names of persons who were directors of the Company at any time during the financial year were:

- B W McLeod
- D H Sutton
- K A Torpey
- M K Maloney

ii Directors' Shareholdings

Number of shares held by Company Directors.

Director	Balance at 1 July 2008	Received during year on exercise of options	Other changes during year	Balance at 30 June 2009
B W McLeod	67,396,714	-	8,824,839	76,221,553
D H Sutton	8,137,025	-	-	8,137,025
K A Torpey	23,737,144	-	-	23,737,144
M K Maloney	68,021,489	-	-	68,021,489

* Other changes refers to shares purchased or sold during the financial year.

Option Holdings
Number of options over ordinary shares in the Company held during the financial year by each Director of the Company, including their related entities are set out below:

Director	Balance at 1 July 2008	Granted during year as remuneration	Exercised during year	Expiring during year	Balance at 30 June 2009	Vested exercisable at 30 June 2009
B W McLeod	-	-	-	-	-	-
D H Sutton	5,000,000	-	-	-	5,000,000	5,000,000
K A Torpey	5,000,000	-	-	-	5,000,000	5,000,000
M K Maloney	-	-	-	-	-	-

The options held by Directors were issued under an employee option plan. These options are exercisable at $0.0047 prior to 6 December 2010.

iii Key Management Personnel

Shareholdings

Executive	Balance at 1 July 2008	Received during year on exercise of options	Other changes during year	Balance at 30 June 2009
D L Hughes	19,263,704	-	-	19,263,704

Optionholdings
Number of options over ordinary share in the Company held during the financial year by each of the specified executives of the Company, including their related entities are set out below.

Specified Executive	Balance at 1 July 2008	Granted during year as remuneration	Exercised during year	Expiring during year	Balance at 30 June 2009	Vested exercisable at 30 June 2009
D L Hughes	-	-	-	-	-	-

21 RELATED PARTY DISCLOSURES (Continued)

		Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
iv	**Transactions with Directors**				
1)	B W McLeod is a director and shareholder of Eastern & Pacific Capital Pty Limited. The Company paid the following transactions:				
	- Management consultant fees	200,000	200,000	200,000	200,000
	- Interest accrued on loan facility	-	1,875	-	1,875
	- Repayment of interest accrued on loan facility	2,589	-	2,589	-
	- Loans advanced to Company	-	67,895	-	67,895
	- Loans repaid by Company	67,895	-	67,895	-
	- Bonus payment	161,783	209,915	161,783	209,915
2)	B W McLeod lent funds to the Company and received repayments of some of this loan. Interest has been accrued on this loan				
	- Interest accrued on loan facility	4,012	3,597	4,012	3,597
	- Loan repaid	-	-	-	-
3)	K A Torpey lent funds to the Company and received repayment of the loan, interest has been accrued on this loan				
	- Repayment of loan	-	16,974	-	16,974
	- Interest	-	215	-	215
4)	B W McLeod and D H Sutton are common directors of a related party Fall River Resources Limited.				
	- Rental income and management fees received during the year	72,000	13,200	72,000	13,200
	- Trade debtor balance year end	46,200	19,800	46,200	19,800
	- Investment Fall River	22,000	36,000	22,000	36,000
5)	Aggregate amounts payable to Directors and their related Companies at balance date:				
	- B W McLeod				
	- Loan	21,000	21,000	21,000	21,000
	- Interest	21,656	17,644	21,656	17,644
	- Eastern & Pacific Capital				
	- Loans	-	67,895	-	67,895
	- Interest	-	1,875	-	1,875
	- Bonus	131,783	209,915	131,783	209,915
	- K A Torpey				
	- Interest	-	215	-	215

21 RELATED PARTY DISCLOSURES (Continued)

b Disclosures Relating to Wholly-Owned Controlled Companies

Imperial Corporation Limited is the ultimate controlling company of the Consolidated Entity comprising the Company and its wholly-owned controlled companies.

Interests held in controlled companies are set out in Note 7(ii) to the Financial Statements.

During the year, the Company advanced and received loans, and provided accounting and administrative services to other companies in the Consolidated Entity. The accounting and administrative services were provided free of charge, and the loans were interest free and unsecured.

	Company	
	2009	**2008**
	$	**$**
Receivable		
Non-current		
Controlled companies	18,442,179	19,096,400
Less: Provision for diminution	(12,797,152)	(12,742,946)
	5,645,027	6,353,454

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009 (Continued)

22 NOTES TO THE STATEMENTS OF CASH FLOWS

	Consolidated 2009 $	Consolidated 2008 $	Company 2009 $	Company 2008 $
i Reconciliation of Cash				
For the purpose of the Statement of Cash Flows, Cash includes Cash at Bank.				
Cash at the end of the financial year is shown in the Balance Sheet as follows:				
Cash at Bank	8,421,250	166,489	8,281,709	96,638
Bank overdraft	(9,972)	(50,988)	(9,972)	(50,988)
	8,411,278	115,501	8,271,737	45,650
ii Reconciliation of net cash provided by/(used in) operating activities to profit for the year.				
Profit for the year	6,185,606	(2,704,313)	4,699,914	(2,693,965)
Depreciation	251,136	285,065	7,818	6,517
Accrued interest	(469,849)	(394,831)	11,881	18,366
Equity-settled share based payment transactions	-	10,268	-	10,268
Impairment loss	589,955	565,580	108,073	167,533
Share in JV losses	180,407	430,624		-
Cost of arranging finance	519,801	377,591	519,801	377,591
Profit on sale of investments	(6,411,874)	(569,017)	(6,411,874)	(569,017)
Unrealised foreign exchange (gain)/loss	(1,135,414)	771,095	(604,451)	515,498
Changes in assets and liabilities:				
Change in receivables	3,867	(55,475)	(46,507)	(42,123)
Change in creditors and provisions	(433,831)	216,898	(680,455)	269,743
Net Cash (used in) operating activities	(720,196)	(1,066,515)	(2,395,800)	(1,939,589)

a Non-Cash Financing and Investing Activities

There were no non-cash financing or investing transactions during the current or previous financial year.

b Acquisition and Disposal of Controlled Entities

There were no acquisitions or disposals of controlled entities during the current financial year. During the previous year the liquidation of two non-operating subsidiaries was finalised during May 2008.

23 EARNINGS PER SHARE

	Consolidated 2009	Consolidated 2008
Basic earnings per share (cents per share)	0.37	(.17)
Diluted earnings per share (cents per share)	0.37	(.17)
Profit/(loss) used in the calculation of basic and diluted earnings per share	6,185,605	(2,693,965)
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	1,657,362,914	1,641,322,429
Weighted average number of potential ordinary shares used in the calculation of diluted earnings per share	1,662,918,331	1,689,822,429

24 SUPERANNUATION COMMITMENTS

The Company contributed to externally managed accumulation superannuation plans on behalf of employees.

Company contributions are made in accordance with the Company's legal requirements.

25 ACCUMULATED LOSSES

	Consolidated		Company	
	2009 $	2008 $	2009 $	2008 $
Accumulated losses at the beginning of the financial year	(56,295,183)	(53,590,870)	(56,993,299)	(54,299,334)
Profit/(Loss) for the year	6,185,605	(2,704,313)	4,699,914	(2,693,965)
Accumulated losses at the end of the financial year	(50,109,577)	(56,295,183)	(52,293,385)	(56,993,299)

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2009 (Continued)

26 MATTERS SUBSEQUENT TO BALANCE DATE

Subsequent to the end of the financial year Empire Energy commenced a new drilling programme of 8 wells.

Empire Energy has entered into a long term supply arrangement for a portion of the expected production, increasing the spot price by over 60%.

At the date of this report Empire Energy has successfully completed the drilling of 15 wells .

From well logging data all wells are considered commercial. The remaining 3 wells are expected to completed and turned online over the next 60 days.

On 18 September 2009 the Company executed a tenement sale agreement with Peel Exploration Limited.

The agreement provides for Peel Exploration Limited to purchase mining lease 1361 in the Cobar district of New South Wales for the following consideration:

- Issue of 2,750,000 fully paid ordinary shares in the issued capital of the purchaser
- Replacement of the environmental bond of $43,000. The purchase is subject to the following conditions precedent:
    - The purchaser conducting due diligence investigations
    - The renewal of the tenement in accordance with section 114 of the mining act
    - The consent of the minister for minerals and petroleum

On 22 September 2009 the Company forwarded a notice to shareholders that it proposed to hold a general meeting of members of the Company on 21 October 2009.

At that meeting shareholder approval is being sought for the following:

- Ratify the allotment and issue by the Company of 185,544,945 fully paid ordinary shares at $0.007 and 61,848,315 unlisted options exercisable at $0.009 prior to 12 December 2010 pursuant to a private placement on 15 June 2009.
- Approval for the Company to allot and issue up to 500,000,000 fully paid ordinary shares.

There were no other matters or circumstances that have arisen since 30 June 2009 that has significantly affected or may significantly affect:

a the operations, in financial years subsequent to 30 June 2009, of the Consolidated Entity; or
b the results of those operations; or
c the state of affairs, in financial years subsequent to 30 June 2009, of the Consolidated Entity.

DIRECTORS' DECLARATION

In the opinion of the directors of Imperial Corporation Limited:

a The financial statements and notes of the company and of the consolidated entity, set out on pages 20 to 53 are in accordance with the Corporations Act 2001, including:

- **i** Giving a true and fair view of the financial position of the Company and the Consolidated Entity as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
- **ii** Complying with Accounting Standards and the Corporations Regulations 2001; and

b The Executive Chairman and Company Secretary have each declared that:

- **i.** The financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;
- **ii.** The financial statements and notes for the financial year comply with Accounting standards
- **iii** The financial statements and notes for the financial year give a true and fair view.

c In the directors' opinion there are reasonable grounds to believe the company will be able to pay its debts as and when they fall due.

Signed in accordance with a resolution of the directors.

B W McLEOD
Director

Dated: 30th September 2009

NEXIA COURT & CO

NEXIA INTERNATIONAL

CHARTERED ACCOUNTANTS

ABN 71 502 156 733

Independent Auditors' Report

To the members of Imperial Corporation Limited

We have audited the accompanying financial report of Imperial Corporation Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the directors' report under the heading "remuneration report" on pages 9 to 11.

Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(c), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with Australian equivalents to International Financial Reporting Standards ensures that for the Group the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Independent Auditors' Report (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Imperial Corporation Limited on 30 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

Basis for Qualified Auditor's Opinion

The financial statements of the controlled entity Empire Energy USA, LLC were not audited or reviewed for the six month period from 1 January 2009 to 30 June 2009. We were unable to perform additional procedures to satisfy ourselves as to the accuracy of these financial statements that have been consolidated into the group's financial statements for the year ended 30 June 2009.

Qualified Auditor's opinion on the financial report

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the accuracy of the financial statements of Empire Energy USA, LLC:

(a) the financial report of Imperial Corporation Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the company's and group's financial position as at 30 June 2008 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Auditor's Opinion on the AASB 124 remuneration disclosures contained in the directors' report

In our opinion, the remuneration disclosures that are contained in pages 9 to 11 of the directors' report comply with section 300A of the Corporations Act 2001.

Nexia Court & Co.

Nexia Court & Co
Chartered Accountants

David Gallery
Partner

Sydney
Dated: *30 September2009*

SHAREHOLDER INFORMATION

ORDINARY SHARES

a Substantial Shareholders as at 7 September 2009

Name	Number of Shares	% Holding
Imperial Investments Pty Ltd	188,664,918	10.33

b Distribution of Fully Paid Ordinary Shares

	Holders	Number of Shares	% Holding
1 – 1,000	36	10,660	0.00
1,001 – 5,000	86	270,324	0.01
5,001 – 10,000	116	974,974	0.05
10,001 – 100,000	1,852	100,692,185	5.51
100,001 and over	1,594	1,725,116,191	94.43
Total number of holders	3,887	1,834,833,346	100.00

i Number of holders of less than a marketable parcel

ii Percentage held by 20 largest holders

c Twenty Largest Shareholders as at 07 September 2009

	Name	Number of Shares	% Holding
1	Imperial Investments Pty Limited	188,664,918	10.33
2	WYT Nominees Pty Ltd <C&E Wong Super Fund A/C>	88,676,778	4.85
3	Ms Michelle Wong	56,723,638	3.10
4	Eastern & Pacific Capital Pty Ltd <B W McLeod Super Fund A/C>	50,097,049	2.74
5	Belgravia Associates (NSW) Pty Ltd	32,924,129	1.80
6	Lai Yiu Sham	27,061,645	1.48
7	Armco Barriers Pty Ltd	26,500,000	1.45
8	RAH (STC) Pty Limited <MEH Retirement Fund A/C>	25,000,000	1.37
9	Queensland MM Pty Ltd <QMM Super Fund>	20,857,143	1.14
10	Belgravia Associates (NSW) Pty Ltd	19,472,360	1.07
11	Mr David Laurence Hughes	17,867,986	0.98
12	Overseas Express SA	14,875,000	0.81
13	Famallon Pty Limited <Famallon No 2 Super Fund A/C>	14,359,121	0.79
14	Rocfin Pty Ltd	14,285,714	0.78
15	Selpam Pty Ltd	14,000,000	0.77
16	Eastern & Pacific Capital Pty Ltd	13,645,337	0.75
17	Mr Peter Reginald Chaill	12,492,000	0.68
18	Mr Kenneth Murray + Mrs Ruth Murray <Murray Super Fund A/C>	12,388,990	0.68
19	ANZ Nominees Limited <Cash Income A/C>	11,930,343	0.65
20	Mr Pheng Hong Chua	11,345,304	0.62
		673,167,455	36.84

d Voting Rights

On a show of hands every member present in person or by proxy shall have one vote and upon a poll every member, present in person or by proxy, shall have one vote for every share except if the issue price has not been paid in full, then the holder is only entitled to a fraction of a vote on that share, being, the quotient of the amount paid up divided by the issue price of that share.

SHAREHOLDER INFORMATION (Continued)

LIST OF MINING TENEMENTS

Prospect	Tenement		Granted	Holder/ Applicant	Interest 30/06/2009	Interest 30/06/2008
New South Wales						
May Day	ML	1361	17/01/1995	IM	100%	100%

UNQUOTED SECURITIES AS AT SEPTEMBER 2009

Class of unquoted securities	No. of securities	No. of holders
Options		
- Executive options exercisable at $0.0047 expiring 6 December 2010	10,000,000	2
- Executive options exercisable at $0.0105 expiring 5 March 2013	1,000,000	1
- Unlisted options exercisable at $0.01 expiring 16 April 2010	36,521,733	7
Holders of 20% or more of this class of option		
Name of Holder	**No. Held**	**% Holding**
Tulla Group	10,000,000	27.38
Pilment Pty Ltd	10,000,000	27.38
Unlisted Options		
- Unlisted options exercisable at $0.009 expiring 12 December 2010	61,848,315	15
Holders of 20% or more of this class of option		
Name of Holder	**No. Held**	**% Holding**
Queensland MMI Pty Ltd ATF QMM Superfund	13,619,048	22.02
RAH STC Pty Ltd – (ATF MEH Retirement A/C)	12,753,077	20.62
Convertible Notes		
- $1.00 convertible notes, convertible at 100 shares per note maturing 31.12.09	750,000	1
- $1.00 convertible notes, convertible at 68.9655 shares per note maturing 31.12.09	500,000	1
- $1.00 convertible notes, convertible at 40 shares per note maturing 27/10/09	1,750,000	4

Voting Rights
There are no voting rights attached to any of the unquoted securities listed above.