IMPERIAL

QUARTERLY ACTIVITIES REPORT- 30 SEPTEMBER 2010

Imperial Corporation Limited

(ASX:IMP)

The Directors are pleased to confirm that operations in North America continue to deliver to expectations and that a strategy to identify potential shale oil and gas opportunities in Australia is continuing.

HIGHLIGHTS

- Empire Energy E&P, LLC delivered gross gas volumes of 659,009 Mcfe.
- Gross production increased to 7,322 Mcfepd, or ~6% per day higher compared to average daily production for 2009.
- Unaudited Field EBITDDA was US$1.83 million, (US$6.32 million for the first nine months of the calendar).
- Repayment of US$13.13 million in loans.
- Cash on deposit of US15.21 million.
- Resource review indicating P50 gas in place (GIP) of ~1 Tcf in New York State Marcellus and Utica shales and 75 Bcf New York State Theresa formation.
- After slow down in shallow drilling in the 1st half of 2010, Drilling & Field Service operations have been fully utilised drilling wells for third parties seeking to hold Marcellus leases.
- Several potential acquisitions in the USA are under review.
- Continued development of potential shale oil and gas leases in Australia.

1. IMPERIAL CORPORATION LIMITED

A. Australian Oil & Gas Shale Opportunities

Since early 2010 Imperial has undertaken the screening of 26 onshore basins in Australia principally for large scale shale gas exploration. It has identified two target basins and is successfully acquiring acreage in the Northern Territory and Queensland.

14.6 million acres has been secured in onshore Northern Territory. A further area is under application in NW Queensland.

All the permits constitute high risk/high return frontier plays at very low historic exploration maturity. There has been no petroleum exploration in the Northern Territory acreage and only sparse exploration in the Queensland block. There has been no exploration for shale oil and gas targets which are 1,640 million year old Palaeo-Proterozoic organic-rich black shales. The Company will seek to undertake a review of these opportunities with parties it has developed relationships within its operations in the USA.

2. EMPIRE ENERGY USA, LLC (~92%)

The following summarises events over the September 2010 quarter.

A. Field Operations (unaudited) - Quarter: - July to September 2010

The following table summarises oil and gas production for Mayville, NY and Hawthorne, PA field operations.

Month	Production Gross Mcfe	Averag e Price $/ mmBtu	Net Revenu e $000	LOE $000	Prod . Taxe s $000	Field EBITDA $000
July 10	217,885	$6.14	$1,075	$407	$41	$627
Aug 10	221,478	$6.21	$1,103	$371	$41	$691
Sept 10	219,646	$5.47	$961	$406	$41	$514
Total	659,009	$5.94	$3,139	$1,079	$123	$1,832

Note: *Due to Production Payment cycles for different customers, estimates have been made for around 20% of September production and 3% of August production.*

- Empire Energy average sale price, includes hedging, was $5.94 / mmBtu compared to an average NYMEX Last Day Settlement Price of US$4.38 / mmBtu over the 3 months.
- Due to accelerated refurbishment, expenses of well heads and pipelines, average lifting costs rose to US$1.80 / Mcfe (US$1.62 / Mcfe for the 9 months)

9 Months: – January to September 2010

- Gross Production – 2.04 Bcfe
- Net Production - 1.6 Bcfe
- Unaudited Field EBITDA - US$6.3 million

B. Credit Facilities

At the end of the quarter the Company had ~US$31.5 million drawn at an average cost of LIBOR + 4.6%. Empire Energy retains credit availability of over US$100 million for future acquisitions and development drilling (subject to economics).

C. Reserve & Resource Potential

Over the past quarter Empire Energy commissioned the Petroleum Engineering firm, Ralph E. Davis Associates Inc. ("Davis"), to prepare an evaluation of the oil and natural gas reserves and contingent resources on leaseholds in the states of New York and Pennsylvania.

The reserves and contingent resources associated with these estimates have been classified in accordance with the definitions within the Petroleum Resources Management System (PRMS) document as co-sponsored by the Society of Petroleum Engineers, the World Petroleum Council, the American Association of Petroleum Geologists and the Society of Petroleum Evaluation Engineers.

The scope of the study was to review basic information compiled by the Company and public sources and then to prepare estimates of the reserves and contingent resources attributable to the interest position held by Empire Energy. Reserve and resource estimates were prepared by Davis using acceptable evaluation principals for each source and were based in large part on the basic information as supplied. The quantities presented herein are estimated reserves and resources of oil and natural gas that geologic and engineering data demonstrate are "In-Place", and can be recovered from known reservoirs. All volumes presented here are gross volume (8/8ths), and have not subtracted associated royalty burdens.

In-Place and recoverable volumes were determined through use of both probabilistic and deterministic techniques as appropriate for available data. The probabilistic technique used to determine gas in place (GIP) and recoverable gas was a Monte Carlo simulation. The outputs from the simulations were continuous distributions of GIP and recoverable gas. For ease of presentation the P50 case (50% certainty), calculates the GIP (Resource), as being the "Most Likely" case. All volumes are unrisked.

Reserves and Resources are summarized as follows:

Formation		Type	Category	Bcf
Medina/Speechly	1P	Sandstones	Proved	74.7
Medina/Speechly	2P/3P	Sandstones	Prob/Poss	8.1
Theresa	3P	Sandstones	Possible	75.6
Queenston	2P/3P	Sandstones	Prob/Poss	6.0
Marcellus	4P	Shale	Poss/Resource	49.5
Utica	4P	Shale	Resource	925.7
Trenton	3P/4P	Limestones	Poss/Resource	14.0
				1,153.6

D. Hedging

A conservative natural gas hedging policy has been implemented by the Company. Initially approximately 70% of production was hedged. The following table summarises current hedging in place based on NYMEX – Henry Hub Contracts:

Year	Est. Net Production mmBtu	Hedged mmBtu	% Production Hedged	Average Price \$/mmBtu
2010*	1,100,000	358,145	68%	\$6.37
2011	2,230,000	1,403,588	63%	\$6.27
2012	2,150,000	1,291,155	60%	\$6.30
2013	2,000,000	1,094,716	55%	\$6.20
2014	1,820,000	953,488	52%	\$6.19
2015	1,500,000	0	0%	0
Total		5,101,092		\$6.26

* *for the remaining 3 months 2010.*

The percentage of production hedged has decreased faster than the forecasted production decline due to improvements in Mayville production (described below). At the time of acquisition, the hedging program was based on a ~5% annual decline is production over the life of the assets. Due to a successful well reworking program and upgrading of pipelines, the Company will seek to increase its hedging facility towards the end of 2010.

E. Operations

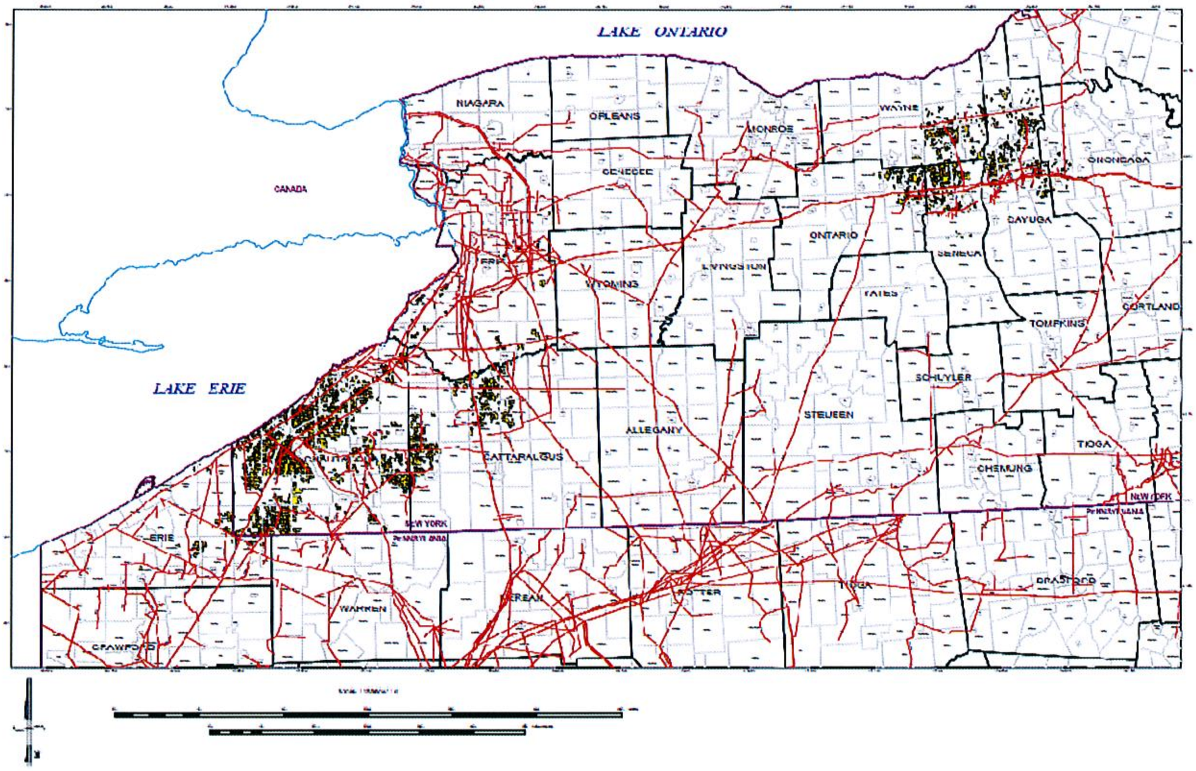
(i) Mayville – New York

Production quantities and efficiencies continue to improve for the 1,800 wells operated by the Company in New York and North Western Pennsylvania. Significant actions are being undertaken over the past quarter include:

- Around US$200,000 has been spent on wellhead and pipeline upgrades.
- A new hand held electronic gas flow management system has been defined with software and hardware being developed. This will allow the Field Supervisor to monitor gas flow from each well meter (for all 2,000 wells), or

from meter to meter along a gas pipeline. This is expected to be operational by the end of November 2010.

- Negotiations continue with a major pipeline operator and distribution utility, to acquire additional gathering and delivery pipelines. This will allow the Company to further maintain its own distribution pipeline network through to connection to major compression stations. Initial calculations show that the Company should save up to 12,000 mcfpm in line loss and shrinkage. The expected payback period following the upgrading would be less than 12 months.
- The following map gives an indication of the extensive nature of Empire Energy's NY operations and indications the importance of controlling gathering and transportation networks (major pipelines are shown in red).



- Over the summer months line pressures tend to increase as demand reduces and production of existing well production will decrease marginally.
- Over the quarter, the Company spent US$90,000 (US$235,000 for the nine months) on Lease Delay Rental Payments. This cost is included in the LOE.
- The Company spent US$37,000 on geological services over the period.
- Mayville G&A expenses for the quarter were US$475,200 (US$550,200 for the nine months), which included School Taxes of US$417,612 payable in New York State.

(ii) <u>Hawthorne - Pennsylvania</u>

The 160 wells at Hawthorne, PA continue to operate at expected levels:

- Several non-producing wells were bought back on line over the quarter.
- Wells drilled over 2008 and 2009/10 continue to perform to expectation and the second stage of development of several of these wells (hydraulic

fracturing of additional formations) is expected to take place towards the end of this year.

- Hawthorne G&A expenses for the quarter were US$11,000 (US$29,000 for the nine months).

(iii) Drilling & Field Services

A major reversal occurred for this part of the business over the quarter, with the drilling rig being fully utilised for the 3 months, with contracts in the pipeline through to early 2011. Major demand is from large Marcellus acreage holders seeking to hold acreage by drilling shallow wells. The Empire drilling rig, is one of the most cost effective operators in the region and it is considered that this lease holding drilling may become a long term viable business model.

F. General & Administration Expenses

Corporate G&A expenses for the quarter were US$343,000 (US$1.39 million for the nine months). It is expected that G&A expenses will normalise at around $0.9 million per annum now the recent acquisition has been consolidated into operations.

G. Acquisitions

The Company continues to analyse acquisitions opportunities within the USA and elsewhere. Specific targets are being reviewed in both the Appalachian Basin and the Permian and Mid Continental Basins.

The Company's focus is to broaden its production base to include a greater portion of oil and natural gas liquids, as well as seek opportunities in regions that are not receiving strong purchaser attention. Targets are not only those with proven production and reserves, but also those which offer development opportunities within additional formations which are costed at significant discounts. This was the Company's focus with both its initial US$8.3 million O&G acquisition in Pennsylvania and the recent US$38 million O&G acquisition in New York. The former leveraged the Company into significant value upgrade. The later is also expected to provide the Company with significant value upgrade as and when New York State allows horizontal drilling and hydraulic fracturing for the development of the extensive Marcellus and Utica Shale formations in the Central and Western parts of NY State.

3. IMPERIAL CORPORATION - CORPORATE

Annual General Meeting

The Annual General Meeting of members of the Company will be held at the offices of Nexia Court & Co., Level 29 Tower Building, Australia Square, 264 George Street, Sydney NSW on Tuesday 30 November 2010 at 11.30am.

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The information in this announcement which relates to reserves is based on information compiled by Ralph E Davis Associates Inc, Houston, Texas, certified professional engineers.

Neither Ralph E Davis Associates Inc, nor any of its employees have any interest in Empire Energy E&P, LLC or the properties reported herein. Mr Barron consents to the inclusion in this statement of the matters based on his information in the form and context which it appears.