



ASX / Media Announcement

December 29, 2010

US\$60.25 million Acquisition

99% Oil Production – Kansas, USA

The Directors of Imperial Corporation Limited (ASX:IMP) are pleased to announce that its 92% owned subsidiary, Empire Energy USA LLC, has completed the acquisition of oil producing assets (>99% oil production) based in the Central Uplift Region, Kansas, plus a 35% working interest (27% NRI) in 17,000 acres with Bakken potential, in North Dakota, USA. The final acquisition cost will be dependent on the settlement over the next 30 days of 13 properties which have Preferential Rights (see below).

The Central Kansas Uplift is a legacy producing province, in a very energy producer friendly State. Operations are inexpensive, drilling is relatively low risk, with three well understood formations, namely the Shawnee, Lansing-Kansas City and Arbuckle Reservoirs.

Key aspects of the acquisition are (subject to finalization of Preferential Rights):

- 268 wells producing ~ 580 Bbls/day;
- 19,280 gross acres – 100% HBP and operated
- 79.4%/66.4% NRI average
- Net 1P reserves of 3.75mmBoe at an allocated cost of \$15.61/Boe;
- Net 2P reserves of 4.8mmBoe at an allocated cost of \$12.20/Boe;
- 17 PDNP, 31 Pud and 56 Probable locations for work over or future drilling;
- >99% of production is >38 API oil;
- 10 Salt Water Disposal Agreements;
- 2P, PV10 = ~\$120 million based on the current forward pricing;
- Experienced senior field operational staff/contractors assigned to Empire Energy as from December 24, 2010.

The assets acquired under this acquisition fall within Empire Energy's strategy of acquiring stable, long life, slow decline oil and gas assets with significant upside through development drilling. Oil production is sold to a single refiner at an expected discount of ~\$5.05/Bbl based on NYMEX WTI.

Empire Energy will also acquire 2 field offices in the region of operations.

Acquisition cost at settlement was US\$55.9 million. A further US\$4.3 million was placed into escrow subject to finalization of Preference Rights. These will be finalized within 30 days of the signing of the Purchase & Sale Agreement on December 23, 2010.

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

"Empire Energy has been fortunate to acquire these oil producing assets at a very attractive 1P reserve multiple of just over \$15.50/Boe. Oil producing assets in the USA are selling for up to \$25.00/Bbl for 1P reserves. The Company has also made this acquisition in a market where the oil price is demonstrating strong price growth, having reached a 26 month high within the last few days. This price trend is expected to continue as both the USA and Europe slowly sort out economic issues and get their economies back onto a growth path.

The acquisition was financed by a combination of equity \$13.8mm, debt and bridging \$46.45mm. The bridging loan of ~\$6.5mm is for a period of 4 months. In addition the Company has been able to complete the acquisition within a time period that will enable it to take advantage of a \$13.8mm capital gain offset, following the sale of a portion of its Pennsylvania Marcellus Shale assets, under Section 1031 of US Tax Regulations.

Over the past 18 months Empire Energy has reviewed and bid on a number of opportunities to significantly increase oil production while at the same time adhering to the Company's underlying operating strategy. This acquisition achieves the Company's objectives by balancing its production portfolio between oil and gas. In addition, following the US\$38 million gas acquisition at the end of 2009 and the sale of non-producing shale assets in July 2010 for US\$25 million, this acquisition clearly demonstrates that Empire Energy has the ability to close transactions, which will allow traction for further corporate growth over the short to medium term.

Based on current pricing and independent reserve forecasts, preliminary Field EBITDA generated over 2011 is estimated at ~US\$18 million from existing and new operations. The Company will give an earnings update towards the end of January 2011 once a review of the new operations has been fully completed. It is expected only 2 additional employees will be employed to operate the Kansas operations, plus the employees and contractors transferred from acquisition date.

Subject to economics at the time, Empire Energy will seek to implement a Kansas drilling program over 2011 to increase income and PDP reserves.

About Imperial Corporation

In early 2007, Imperial Corporation established Empire Energy in the USA and currently holds around 92% of its issued capital. Empire Energy is an oil and natural gas producer and also operates a small oil and gas field service operation. Total combined reserves for the

enlarged group will be published at the end of this financial year, which has been changed to December 31.

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

For more information:

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Reference to reserves in this report are based on an independent reserve report undertaken by LaRoche Petroleum Consultants, Houston, as a component of the data made available by the vendor for the asset sale process. Empire Energy is currently undertaking its own independent review which will be available at the end of the current financial year (December 31, 2010).