



**ACHIEVING CRITICAL MASS IN THE OIL & GAS INDUSTRY**  
January 2011



**IMPERIAL CORPORATION LIMITED - SYDNEY**

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# Executive Summary



## Strategy

- Balanced program of acquisitions
- Low risk development drilling of acquired land base
- Selective exploitation drilling funded from cash flow
- Identify long term, early entry exploration opportunities

## Management Team

- Bruce McLeod – Executive Chairman
- Dr David Kahn – Advisor to Board
- Dr John Warburton – Advisor to Board
- USA Management team – refer page 15

## Recent Acquisitions & Divestitures

- Dec 2009 – US\$38mm acquisition: 5,300 Mcf (net) gas wells, NY
- Jun 2010 – US\$24.6mm: sold 5,800 Marcellus acres, PA
- Dec 2010 – US\$60.25mm acquisition: 580 Bbl/d (net) oil wells, KS

## Current Portfolio and potential upside

- Current Net Production ~ 1,699 Boe/d or 10,015 Mcfe/d
- 2P Reserves = 4.8MM Bbls oil and 83 Bcfe gas
- Est Field EBITDDA 2011 = US\$18.5mm
- Marcellus Shale Oil: Potential Resource 70mm Bbls (3% RF)
- Utica shale: Potential Resource 5Tcf GIP (unrisked)
- 14.6MM acres potential shale (o&g), Australia

# Imperial Corporation

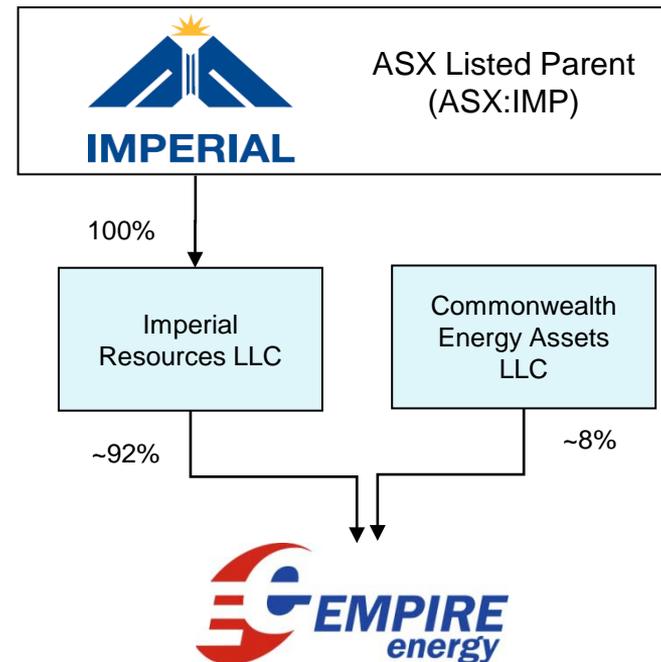
## Snapshot



### Capital Structure

Proforma Consolidated	
Shares on issue (SOI)	162.3 mm
Share Price	A\$0.12
Market Capitalisation	A\$19.5 mm
Cash & liquids	A\$3.2 mm
Debt	A\$73.0 mm
Enterprise Value	A\$89.3 mm
PV10 (being updated)	~A\$200mm
6 month VWAP	A\$0.098
Options Outstanding (\$0.15)	33.4mm
Liquidity (Vol 6mths/SOI)	30%

### Corporate Structure



\* Macquarie Bank holds warrants to take up 10% of issued capital

# Imperial Corporation

## Balanced Business Model



### **BUILD A LOW RISK E&P BUSINESS:**

- ❑ Empire Energy – operating vehicle for oil & gas developments
- ❑ Balanced oil and gas production portfolio of assets
- ❑ Aggregation Strategy to Create Multiple Layers of Value
  - ❑ Acquire small / medium size operators &/or assets being sold off by larger independents
  - ❑ Wells often not maintained so easy & cheap rehabilitation in first years of operation
- ❑ Current Benefits / Attractions of aggregation strategy
  - ❑ Attractive acquisition multiples over period of restricted credit for smaller E&P companies
  - ❑ Generate non-core assets for re-sale and capital accumulation
- ❑ Active Hedging Policy to reduce borrowing base risk

### **ACQUISITION TARGETS:**

- ❑ Increase oil production at competitive pricing
- ❑ Aggregation of oil assets through purchases and farm-in arrangements

### **GENERATE VALUE FOR SHAREHOLDERS BY:**

- ❑ Selective utilisation of US\$150mm Credit Facility with Macquarie Bank (drawn US\$73MM)
- ❑ Develop dividend generating structure
- ❑ North American listing

# Empire Energy

# Acquisition Parameters



## Acquisition Details – Kansas

- ❑ Alloc. Price \$ = \$58.25mm
- ❑ \$/(2P) = \$12.00/Bbl
- ❑ PV10 = \$124.0MM
- ❑ \$/PV10 (1P) = 46%
- ❑ \$/FR = \$100,000
- ❑ R/P = 15.3 yrs

❑ HBP = 100% properties

❑ Oil Production = 99%

❑ Production = 580 Bbls/d (net)

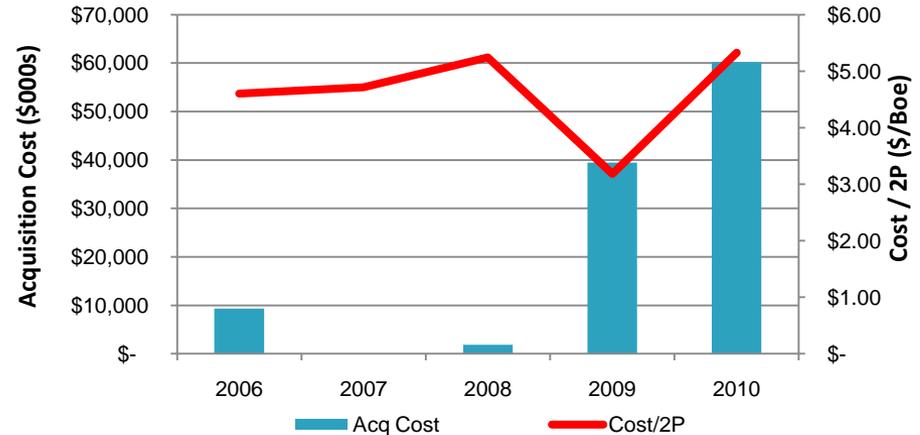
## Reserves

- ❑ 1P = 3.8MM Bbls (71% PDP)
- ❑ 2P = 4.8 MM Bbls

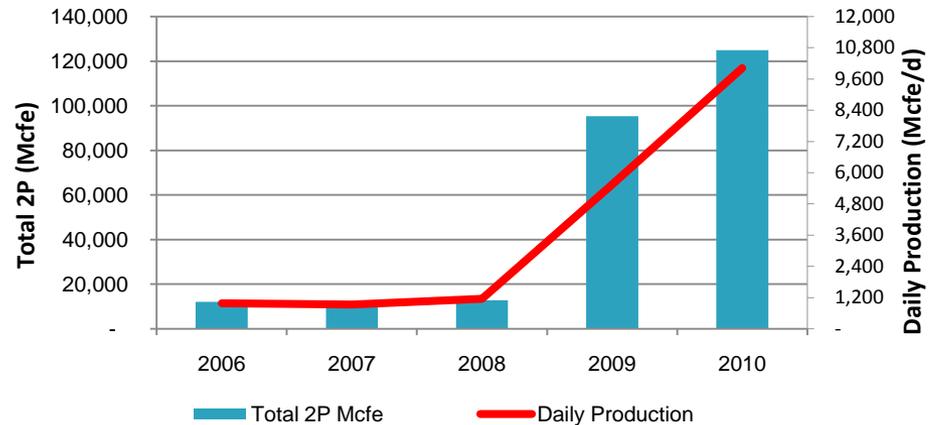
## Acquisition Details – Nth Dakota

- ❑ Alloc. Price \$ = \$500,000
- ❑ 4,590 net acres = \$109/ac
- ❑ Market value ~ \$400/ac
- ❑ 2 well commitment
- ❑ ~\$1.3MM D&C for Empire

## Acquisitions



## 2P Reserve Growth

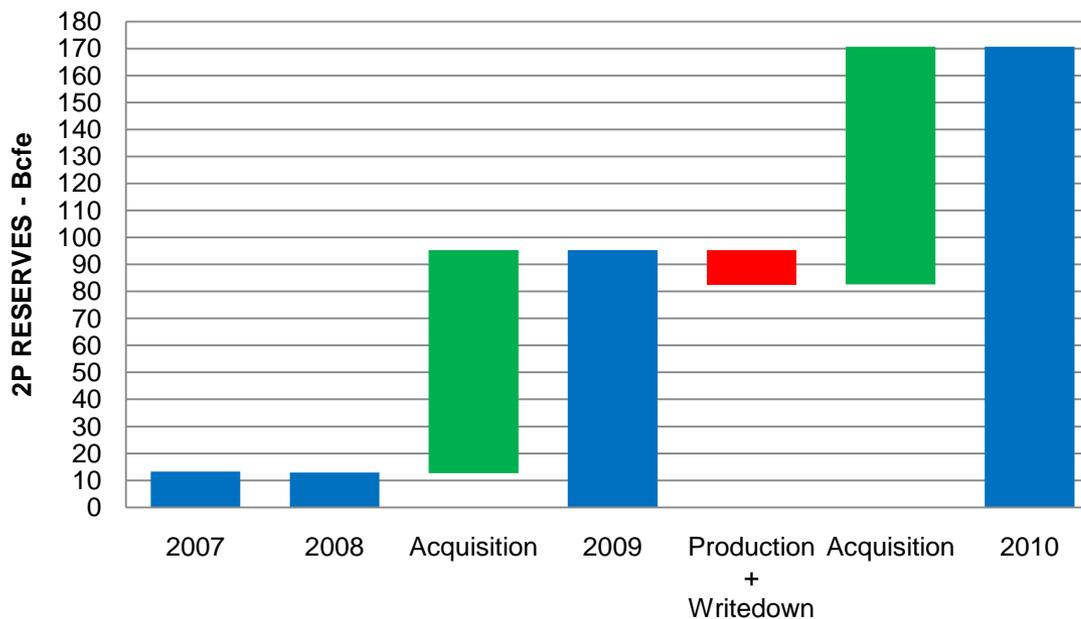


\*\* Oil : Gas equivalents on a 6:1 basis

# Reserves Growth



## 2P RESERVES



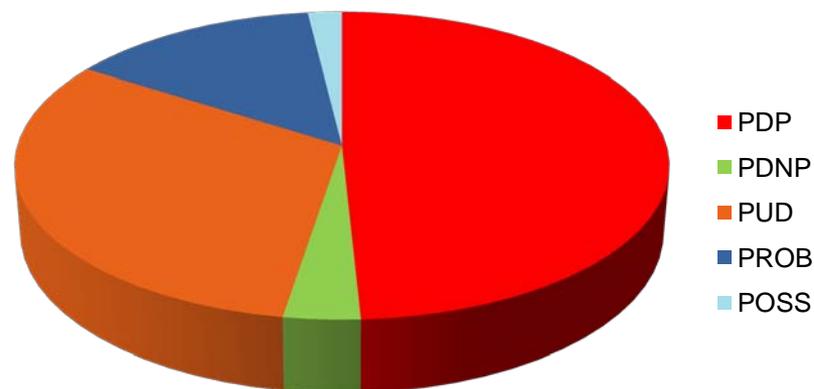
To enable a relevant perspective of values the oil:gas ratio utilised is 18:1 as opposed to the energy equivalence ratio of 6:1

# Reserves & Operations



- Current Average Net Production:
  - 580 Bbl/d
  - 5,800 Mcf/d
  
- Average Equiv Production (6:1 oil:gas)
  - 1,540 Boe/d
  - 9,250 Mcfe/d
  
- Lifting Costs
  - \$21.47 /Bbl
  - \$2.02 /Mcf (2010)
  
- Preliminary Field EBITDDA
  - Estimate = \$18.5mm (2011)
  
- Empire Energy operator of ~99% of all assets
  
- Utica & Marcellus Shale
  - Potential Resource - Marcellus Oil 70 MMBbls (RF = 3%)
  - Potential Resource - Utica Gas 5Tcf (unrisked)

**3P Reserves = 115 Bcfe / 21 MMBoe**



*\*Natural gas reserves/resources have been certified Ralph E Davis Associates, Inc, petroleum engineers with at least 5 years of experience. Data for oil reserves has been utilised from the data room information provided by LaRoche Petroleum Consultants on behalf of the vendor. Empire Energy is currently updating all reserves.*

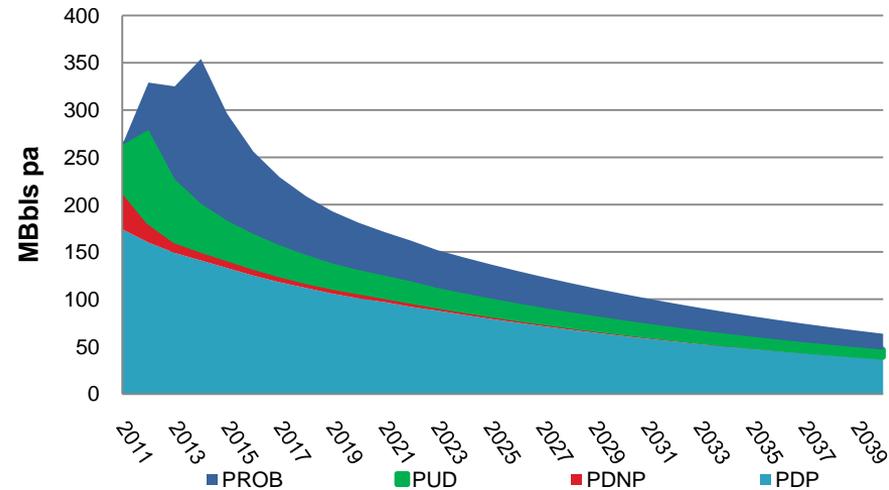
# Central Kansas Uplift

## Oil Production



- ❑ Net production=580Bbls/d
- ❑ Reservoirs: Shawnee, Arbuckle & Lansing–Kansas City
- ❑ WI = 74.5%; NRI = 63%
- ❑ HBP = 100% properties
- ❑ Reserves
  - ❑ 1P = 3.8MM Bbls (71% PDP)
  - ❑ 2P = 4.8 MM Bbls
- ❑ Drilling upsides identified
  - ❑ 16 PDNPs; 29 Puds; 53 Probable
  - ❑ Pairing of 3D seismic to pinpoint structural closures
- ❑ Operational enhancements:
  - ❑ Ongoing polymer treatment
  - ❑ Water flooding opportunities
  - ❑ High volume submersible pumps producing up to 5,000 Bw/d to target a 1–2% oil cut

### Production - MBIs



High volume submersible pump

# Central Kansas Uplift

## Arbuckle Opportunities



- ❑ Water driven reservoir
- ❑ Produced 1.6 billion barrels of oil since late 1920's
- ❑ Typical well produces around 3.5 Bbls/d
- ❑ Target unproduced intervals of the Arbuckle. Formations range from 75 to 500 feet thick
- ❑ Many Arbuckle wells have only been produced from the top few feet
- ❑ Identify from well logs those that show only the top layers have been produced

### Technology gives new life to 30-year-old Kansas field

Open-hole completions a few feet into the top of the Arbuckle formation left many barrels of "undiscovered" oil in Edwards field, Ellsworth County, Kan. Here's how a deepening program captured the oil that lay dormant underneath impermeable shale stringers.

A NEW completion in an Edwards field well, only 35 ft below the original completion in the Arbuckle dolomite, came in with an initial potential of 460 b/d.

Other wells have been deepened, and one new well has been drilled, to tap new Arbuckle reserves lying beneath impermeable shale barriers and above the original oil-water contact.

Cloud A. Mullins  
W. C. Ireland  
Continental Oil Co.

by drilling only a few feet into the top of the formation.

Here's how one Kansas oil field was exploited for additional reserves based on the premise of stratified, or zonal, conditions existing in a heterogeneous dolomitic reservoir. Edwards Field, in part of the 1920's

of Section 28, Fig. 2., bo/d, no water, after a new zone 35 ft below total depth. One year, this well still producing, this well still producing, this well still producing, this well still producing.

The well was first the Arbuckle in 194 of open hole exposed All of the other 13 wells completed in 194

#### ARBUCKLE SECTION 3339-3342

3342-3346

Dolomite, white, cherty, dense.

Dolomite, gray, sucrosic, medium to finely crystalline, good intercrystalline porosity, good show of free oil and good odor in fresh samples.

3346-3353

Dolomite, gray, finely crystalline, good intercrystalline, grading to vuggy type porosity, good show of free oil and strong odor in fresh sample.

3353-3358

Dolomite, white to gray, cherty, medium crystalline, fair to good intercrystalline porosity, show of free oil and strong odor in fresh sample.

3363-3369

Dolomite, gray to white, coarse crystalline, slightly cherty, good vuggy porosity, show of free oil and odor in fresh samples.

3370-3375

Dolomite, white, cherty, dense, slight show of free oil and odor in fresh samples.

ROTARY TOTAL DEPTH 3375 (-1465)

1968 *Oil & Gas Journal* article documents productivity of deeper Arbuckle zones.

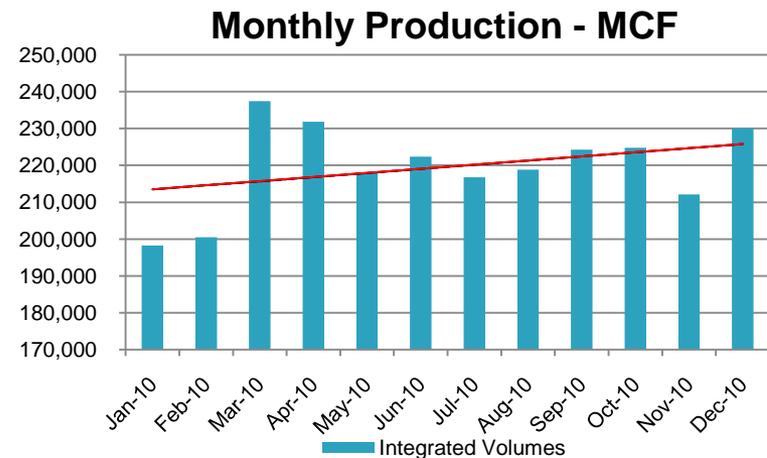
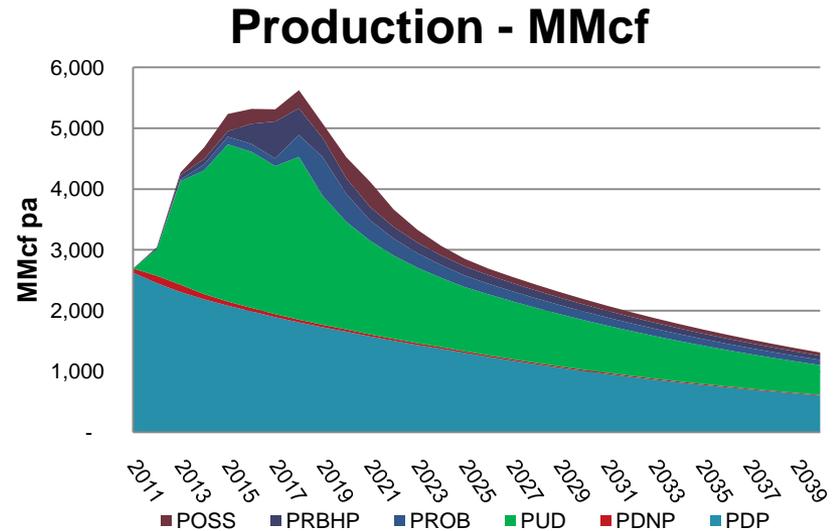
1974 geologist notes show five productive intervals of Arbuckle in the Trapp Field. Only one was produced

# Appalachia

## Gas Production



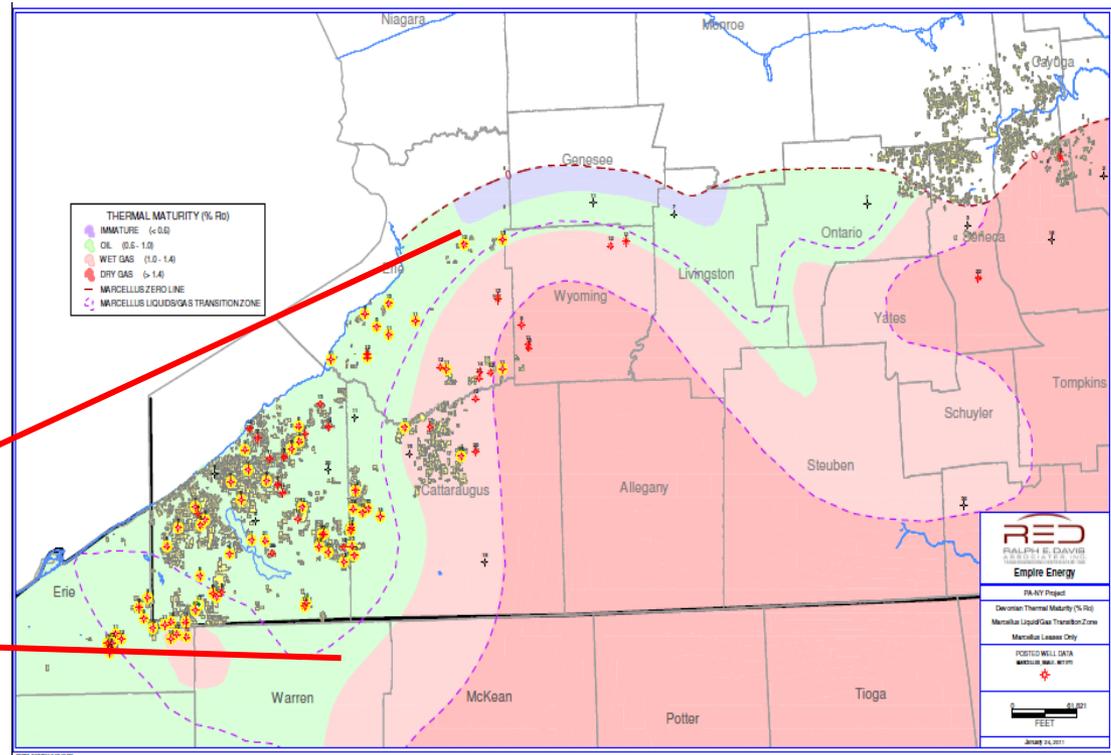
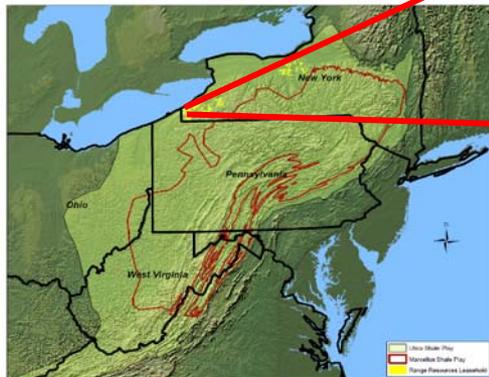
- ❑ Net production=5,800 Mcf/d
- ❑ Reservoirs: Medina, Queenston, Speechley
- ❑ WI = 96.5%; NRI = 76.5%
- ❑ HBP = 75% properties
- ❑ Net Reserves (being updated)
  - ❑ 1P = 76.3 Bcf (60% PDP)
  - ❑ 2P = 87.6 MM Bbls
- ❑ Drilling upsides identified
  - ❑ 100's of Pud and Prob locations
  - ❑ Mostly uneconomic at current gas prices
- ❑ Operational enhancements:
  - ❑ Rework existing wells
  - ❑ Acquiring pipelines a gathering networks to retain control to pay meter



# Marcellus Shale – Oil Potential Resources



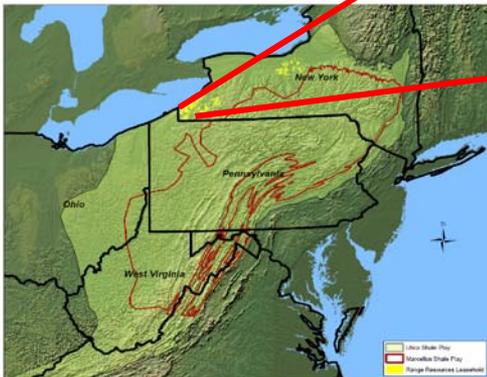
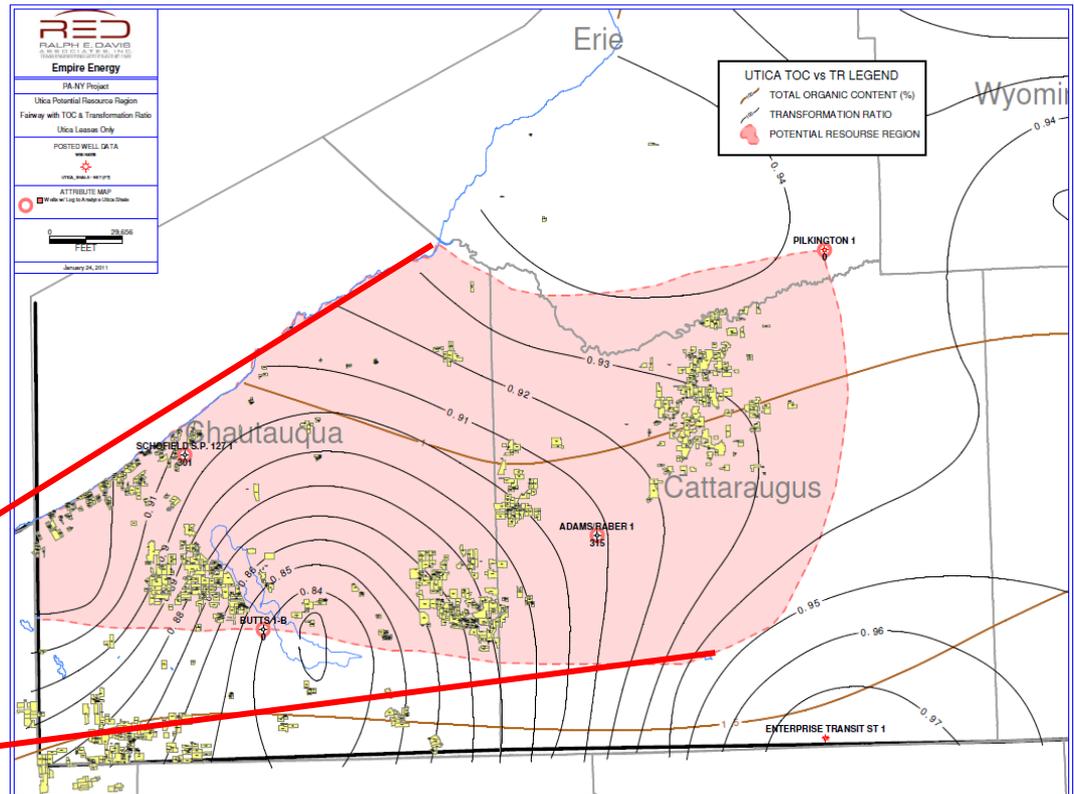
- ❑ Potential Resource = 70 MM Bbls
- ❑ Resource based on deterministic techniques
- ❑ Calculated to produce 2–5,000 Bbls/5 ac
- ❑ Recovery Factor = 3%
- ❑ Volumes on 8/8ths
- ❑ ‘Most Likely’ case utilised
- ❑ Potential resource 40M to 100MM Bbls
- ❑ NY State currently imposes a fracking moratorium



# Utica Shale – Gas Potential Resources



- ❑ Potential Resource = 5 Tcf GIP
- ❑ Most likely = 1Tcf (unrisked)
- ❑ Resource based on probabilistic techniques, ie Monte Carlo simul.
- ❑ Very little drill data available
- ❑ 5 existing wells utilised
- ❑ Additional acreage lies outside
- ❑ Volumes on 8/8ths
- ❑ ‘Most Likely’ case utilised
- ❑ Potential resource 400 to 1.8 Bcf
- ❑ NY State currently imposes a fracking moratorium

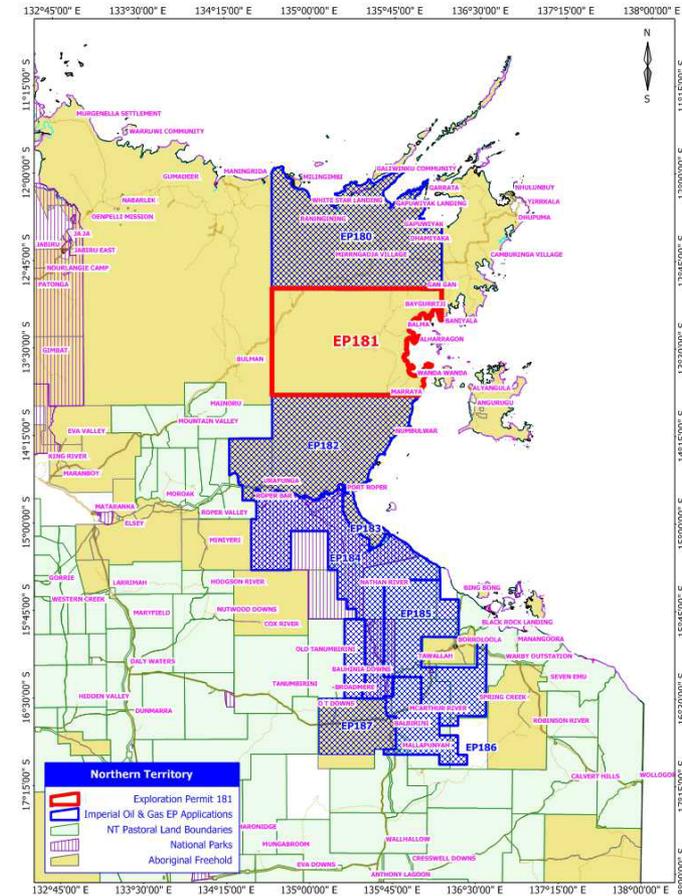
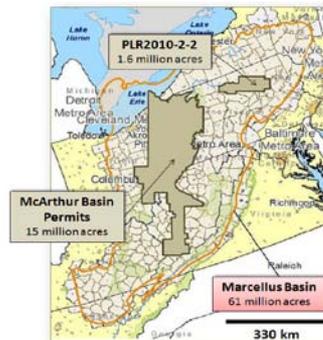


# Shale Exploration

## Northern Territory – Australia



- Large scale shale oil & gas exploration play
  - MacArthur Basin in Northern Territory.
  - 14.6mm acres secured.
  - Native Title requirements to be met with negotiations Underway
  - Exploration Play – 1,640mm year old Palaeo-Proterozoic organic rich black shales.
  - Proven to be gas-prone. A previous mineral exploration Well ignited and produced a 6m flare for several months
  - In addition oil bleeds have been reported.
  - **High risk/high return frontier play, at very low historic exploration maturity**



IMPERIAL OIL AND GAS PTY LTD  
LOCATION PLAN  
PETROLEUM EXPLORATION PERMIT APPLICATION 181

DRAWN BY: AMETS (www.amets.com.au)  
DATE: 22-Oct-10  
DATUM: GDA94

## **Bruce McLeod – Executive Chairman, Imperial Corp; President & CO–CEO, Empire Energy**

Background in Corporate and Resource Capital markets since mid 1980's. Managed and/or raised over \$1.5bn in project, property development and portfolio funds. As a director of Imperial Corporation established brown fields mineral sands exploration JV in the Murray Basin, merged into Bemax Resources, and sold in 2008 at an TEV ~\$480 million. Formed Empire Energy in late 2006.

## **Bill Waller – Chairman & Co–CEO, Empire Energy**

Involved with oil and gas exploration, land management and marketing for +35 years, including with Sun Oil Company. Initial Appalachian Basin experience as Senior Executive with Consolidated Natural Gas Company, responsible for doubling CNG's leasehold position to 4,000,000 acres. Helped build Somerset Oil & Gas Inc into an Appalachian natural gas operator with over 2,200 wells, 200,000 acres. Sold to EOG Resources in 2002.

## **Al Boyer – SVP & COO, Empire Energy**

Involved in the natural gas business for +40 years. Operates over 40 privately owned wells. In early 2000's involved in a well drilling program (200 wells in 20 months) and the consolidation of field operations for Somerset Oil & Gas Inc until its takeover by EOG Resources. Has drilled 1,000's of wells in western PA, NY, OH and WV.

## **Tony Crisafio – CFO, Empire Energy**

Mr. Crisafio serves as an independent business consultant, providing financial and operational advice to businesses. Prior he was the Chief Operating Officer of Cinema World, Inc. and a Partner with Ernst & Young. Mr. Crisafio is also a Director and Chairman of the Audit Committee of Petroleum Development Corporation Inc, an oil and gas company with operations in the Appalachians, Michigan and the Rocky Mountain Region.

## **Dr David Kahn, BE, ME, PhD (Chem. & Petroleum) – Advisor**

15 years of diverse experience in the petroleum industry. During the past seven years he has been a principal in companies focused on developing strategies for exploiting unconventional oil and gas assets. He has developed expertise in property evaluations, and development, strategic planning, reservoir engineering with particular emphasis on enhanced oil recovery. Worked for Baker Hughes, Halliburton, Texaco E&P, Gastem and others.

## **Dr John Warburton, B.Sc. (Geo Sciences), PhD (Structural Geo), FGS, MAICD – Advisor**

27 years of technical experience in the International Petroleum Industry in Europe, Middle East, Kazakhstan, Azerbaijan, Pakistan, PNG, North & West Africa, Australia, New Zealand, SE Asia & China. Includes 11 years for BP, 4 years for LASMO/Eni in Pakistan and 3 years Regional Manager–West Africa with Roc Oil Co.