



**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER 2007**

CORPORATE INFORMATION

Directors and Officers

Eddie Smith (Non - Executive Chairman)
John Gillon (Non - Executive Director)
Douglas Jendry (Non - Executive Director)

Company Secretary

Caren Healy

Registered Office & Principal Place of Business

83 Havelock Street
West Perth Western Australia 6005

Telephone: +61 8 9214 2500
Facsimile: +61 8 9214 2511
Email: info@iel.com.au
Website: www.iel.com.au

Auditors

RSM Bird Cameron Partners
8 St George's Terrace
Perth Western Australia 6000

Bankers

Bank of Western Australia Limited
108 St Georges Terrace
Perth Western Australia 6000

Share Registry

Computershare Investor Services Pty Ltd
Level 2, 45 St George's Terrace
Perth Western Australia 6000

Telephone: +61 8 1300 557 010
Facsimile: +61 8 9323 2033
Website: www.computershare.com

Stock Exchange Listing

The Company is listed on the Australian Stock Exchange Limited
ASX Code: ITC

ABN

15 009 212 319

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2007.

Directors

The names of directors who held office during or since the end of the half-year are as follows:

| Name | Directorship |
|-------------------|----------------------------------|
| Mr John Gillon | Director since 05 September 2000 |
| Mr Douglas Jendry | Director since 20 September 2000 |
| Mr Eddie Smith | Director since 19 March 2003 |

The directors have been in office since the beginning of the interim period.

Corporate

In late December 2007 a capital raising of \$2.863 million (less costs) was managed through Euroz Securities Limited, with completed settlement in early January 2008.

At the Company's AGM in late November 2007, shareholders approved the extension of 3 tranches of convertible notes to the total value of \$700,000 with an exercisable price of 6 to 8 cents, and the notes extended to September 2010.

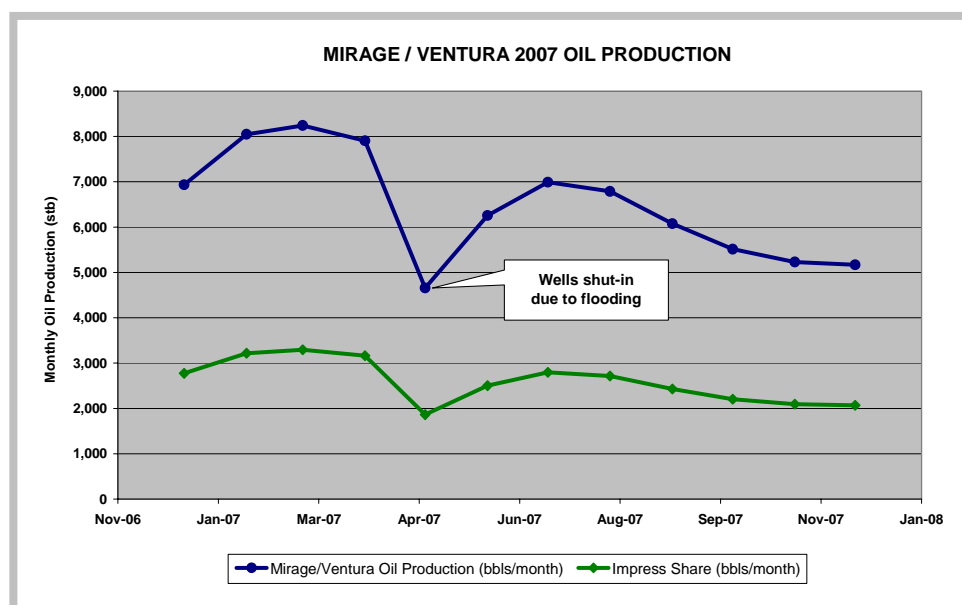
The July 2007 writ from Entek Energy limited ("Entek") claiming \$500,000 from Impress Energy's fully owned subsidiary, Impress (Cooper Basin) Pty Ltd, (formerly Tacnas Pty Ltd) was withdrawn, with both parties agreeing to absorb costs to date.

Following an external review of the Company's assets in October 2007, Impress Energy withdrew its interest in PEL 115, with the view to save funds for projects that had potential to return "value for money".

Production and Development

The Mirage and Ventura fields averaged 194 BOPD, net to Impress Energy was 78 BOPD. Impress Energy's entitlement was 14,305 total barrels for the half-year. The fields are exhibiting natural decline.

Detailed below is a graph of production over the past 18 months.



In early August 2007, the PEL 104 Joint Venture (Impress working interest 40%) approved the installation of equipment to carry out the combined Growler-1 and Growler-2 Extended Production Test (EPT), to determine the commerciality of the Growler Oilfield.

In late November 2007, the Operator received regulatory approvals to proceed with construction and operation of facilities to carry out the Growler EPT.

Upgrade work commenced on the roads required for the Growler EPT.

Initial planning had the road and facilities scheduled for completion by early February 2008. However, the Operator has stated it has suffered problems with materials and the Growler Facility completion date was revised to mid March 2008. Recent bad weather and flooding of the Coopers Creek in Queensland now have the completion out to possibly early May 2008.

Exploration

PEL 104, Cooper Basin, South Australia, 40% Working Interest

Growler-2, the third well drilled by the PEL 104 Joint Venture was spudded in May 2007, reached Target Depth and completed casing late July 2007. The well was completed as an oil producer, and Growler-2, along with Growler-1 will be incorporated into the Growler EPT, that was originally scheduled for completion in the fourth quarter of 2007 and is now scheduled for completion in the second quarter of 2008.

PEL 115, Cooper Basin, South Australia, 40% Working Interest

Wilpinnie-4 well (Tomcat Prospect) which was completed in January 2007 was production tested in August 2007. Analysis of the production test results indicated that while mostly formation water with minor amounts of oil were swabbed, the oil recovered in the open hole drill stem may have been flush oil production from a residual oil column. Based on this analysis, it was concluded that Wilpinnie-4 was not a commercial well.

Lancer-1, a permit commitment well was spudded in August 2007 and reached Target Depth in mid September 2007. Though minor oil shows were observed in the Permian Formation, no shows were found in the targeted Jurassic section and the well was plugged and abandoned. Impress subsequently withdrew from the permit.

PEL 111, Cooper Basin, South Australia, 40% Working Interest

Ascender-1, a permit commitment well was spudded in September 2007, reached Total Depth in early October 2007. No hydrocarbon shows were encountered in the reservoir targets and the well was plugged and abandoned.

PEL 86, PEL 87, & PEL 89, Cooper Basin, South Australia (40% Working Interest)

No work was conducted on these permits during the half-year. These permits are peripheral to the main Cooper Basin Margin emphasis of the Company.

An application to renew the permits as a single permit with a much reduced area and a minimal work commitment was submitted to the Government in November 2007.

PEL 86 & PEL 89 have been consolidated as one permit and will be renewed as PEL 424. PEL 87 is currently in the process of being renewed for another five year term.

The renewed permits, which are marginal to the main Jurassic Oil Fairway will have small initial work commitments.

Forward Drilling Overview (Year 2008)

The Joint Venture, apart from any drilling required to advance Growler production, has a commitment to drill 4 exploration wells in PEL 104 (Impress 40% working interest) and a commitment to drill 1 exploration well in PEL 111 (Impress 40% working interest). Discussions are being held with potential farminees to drill several Permian gas and oil prospects in PEL 104 and the recently reprocessed seismic data over the Jurassic Oil Fairway is being evaluated. It is expected that further drilling targets in both permits will emerge from this work.

Heron Resources/INCO Kalgoorlie Nickel Project (KNP)

The Company has a 10% free carried interest in a number of nickel tenements in Western Australia since its life as a mining company in the mid 1990s.

The nickel tenements (PL 24/3179 to PL 24/3184 inclusive) are known as Siberia Tank and form part of the larger Kalgoorlie Nickel Project being developed by Heron in partnership with CVRD-INCO.

The Company has not been made aware of any further work carried out in the past six months, ended 31 December 2007.

Operating Results

The interim financial report to 31 December 2007 shows an operating loss of \$1,890,113 compared with a loss of \$13,618 for the half-year ended 31 December 2006.

Auditor's Independence Declaration

In accordance with section 307C of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the consolidated entity's auditors. The independence declaration is included at page 4 of the financial report.

Dated at West Perth, 21st February 2008.

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

E S SMITH
Chairman

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9111
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION TO THE BOARD OF DIRECTORS OF IMPRESS ENERGY LIMITED

I declare that to the best of my knowledge and belief, during the half-year ended 31 December 2007 there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Rsm Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

J A KOMNINOS
J A KOMNINOS
Partner

Perth, WA
Dated: 21 February 2008

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IMPRESS ENERGY LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Impress Energy Limited (the consolidated entity) which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, accompanying notes to the financial statements and the directors' declaration. The consolidated entity comprises both Impress Energy Limited (the company) and the entities it controlled during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of Impress Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence


In conducting our review, we have complied with the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Impress Energy Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Perth, WA
Dated: 21 February 2008


RSM BIRD CAMERON PARTNERS
Chartered Accountants

J A KOMNINOS
Partner

DIRECTORS DECLARATION

In the opinion of the Directors of Impress Energy Limited (“the Company”):

1. the financial statements and notes set out on pages 8 to 13, are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. the Directors have been given the declarations required by Section 295A of Corporations Act 2001 from the chief executive officer and chief financial officer for the half year ended 31 December 2007.

Dated at West Perth, 21st February 2008.

Signed in accordance with a resolution of the Directors.

E S Smith
CHAIRMAN

INCOME STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2007

| | Consolidated | |
|--|--------------------|------------------|
| | 31/12/2007 | 31/12/2006 |
| | \$ | \$ |
| REVENUE | | |
| Revenue from sale of oil | 1,498,355 | 2,029,427 |
| Interest received | 75,839 | 92,290 |
| Rental/Management income | - | 68,135 |
| Technical fees | 274,304 | 164,885 |
| Forex gain | 32,368 | - |
| Other income | - | 21,179 |
| Total Revenue | 1,880,866 | 2,375,916 |
| EXPENSES | | |
| Administrative expenses | 349,283 | 353,639 |
| Occupancy expenses | 31,637 | 31,281 |
| Consulting fees | 309,671 | 161,622 |
| Depreciation expenses | 10,527 | 12,513 |
| Borrowing expenses | 35,000 | 35,073 |
| Directors fees | 73,477 | 96,182 |
| Foreign exchange loss | - | 237,510 |
| Amortisation of oil properties | 451,921 | 728,212 |
| Exploration and evaluation expenditure written off | 2,020,975 | 37,214 |
| Production expenses | 543,570 | 696,288 |
| Other expenses | 4,839 | - |
| Share based payments | (59,922) | - |
| Total expenses | 3,770,979 | 2,389,534 |
| Loss before income tax expense | (1,890,113) | (13,618) |
| Income tax expense | - | - |
| Loss attributable to members of the parent | (1,890,113) | (13,618) |
| Basic earnings per share (cents) | (0.395) | (0.003) |
| Diluted earnings per share (cents) | (0.395) | (0.003) |

The accompanying notes form part of this interim financial report.

BALANCE SHEETS

AS AT 31 DECEMBER 2007

| | Consolidated | |
|--|-------------------|-------------------|
| | 31/12/2007 \$ | 30/06/2007 \$ |
| Current Assets | | |
| Cash and cash equivalents | 1,758,036 | 3,936,633 |
| Trade and other receivables | 899,662 | 884,907 |
| Total Current Assets | 2,657,698 | 4,821,540 |
| Non Current Assets | | |
| Receivables | 14,029 | 14,029 |
| Financial assets | 8,375 | 8,375 |
| Plant and equipment | 59,766 | 70,292 |
| Exploration and evaluation expenditure | 6,195,418 | 5,011,869 |
| Oil properties | 8,337,885 | 8,780,991 |
| Total Non Current Assets | 14,615,474 | 13,885,556 |
| Total Assets | 17,273,172 | 18,707,096 |
| Current Liabilities | | |
| Trade payables | 346,744 | 520,473 |
| Provisions | 6,592 | 1,753 |
| Other current liabilities | 540,000 | - |
| Interest bearing liabilities | - | 700,000 |
| Total Current Liabilities | 893,336 | 1,222,226 |
| Non Current Liabilities | | |
| Provisions | 480,000 | 300,000 |
| Interest bearing liabilities | 610,507 | - |
| Total Current Liabilities | 1,090,507 | 300,000 |
| Total Liabilities | 1,983,843 | 1,522,226 |
| Net Assets | 15,289,329 | 17,184,870 |
| Equity | | |
| Contributed equity | 35,748,802 | 35,754,230 |
| Retained Earnings | (20,459,473) | (18,569,360) |
| Total Equity | 15,289,329 | 17,184,870 |

The accompanying notes form part of this interim financial report.

CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2007

| | Consolidated | |
|--|--------------------|--------------------|
| | 31/12/2007 | 31/12/2006 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 1,761,684 | 2,277,352 |
| Payments to suppliers and employees | (1,324,929) | (1,800,368) |
| Interest received | 65,840 | 92,290 |
| Interest paid | (35,000) | (25,073) |
| Net cash flows used in operating activities | 467,593 | 544,201 |
| Cash flows from investing activities | | |
| Purchase of plant and equipment | - | (2,171) |
| Exploration and development expenditure | (3,183,559) | (3,544,944) |
| Net cash flows used in investing activities | (3,183,559) | (3,547,115) |
| Cash flows from financing activities | | |
| Issue of shares | - | 4,668,299 |
| Capital raising costs | - | (203,378) |
| Share applications | 540,000 | - |
| Convertible note costs | (35,000) | - |
| Net cash flows from financing activities | 505,000 | 4,464,921 |
| Net increase/(decrease) in cash held | (2,210,966) | 1,462,007 |
| Cash at beginning of the year | 3,936,633 | 5,506,737 |
| Foreign Exchange | 32,368 | (237,510) |
| Cash at end of the year | 1,758,035 | 6,731,234 |

The accompanying notes form part of this interim financial report.

STATEMENTS OF CHANGES IN EQUITY
 FOR THE HALF YEAR ENDED 31 DECEMBER 2007

| | Consolidated | |
|---------------------------|---------------------|---------------------|
| | 31/12/2007 | 31/12/2006 |
| | \$ | \$ |
| Issued Capital | | |
| Opening balance | 35,754,230 | 31,000,925 |
| Shares issued (net) | - | 4,464,915 |
| Share based payments | (59,922) | |
| Convertible note reserve | 54,493 | - |
| Closing balance | <u>35,748,801</u> | <u>35,465,840</u> |
| Accumulated Losses | | |
| Opening Balance | (18,569,360) | (15,933,431) |
| (Loss) for the period | (1,890,113) | (13,618) |
| Closing Balance | <u>(20,459,473)</u> | <u>(15,947,049)</u> |
| Total Equity | | |
| Opening balance | 17,184,870 | 15,067,494 |
| Shares issued (net) | - | 4,464,915 |
| Share based payments | (59,922) | |
| Convertible note reserve | 54,493 | - |
| (Loss) for the period | (1,890,113) | (13,618) |
| Closing balance | <u>15,289,328</u> | <u>19,518,791</u> |

The accompanying notes form part of this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2007

1. STATEMENT OF COMPLIANCE

The half-year financial report is a general purpose financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that this report be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Impress Energy Limited during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

This interim financial report was approved by the Board of Directors on 21st February 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

A summary of the material accounting policies adopted by the Company in the preparation of the financial report can be found in the annual financial report for the year ended 30 June 2007.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

3. CONTRIBUTED EQUITY

| | Consolidated | |
|---|---------------------|------------------------|
| | 31.12.07 | 30.06.07 |
| | \$ | \$ |
| a) Paid up capital | | |
| 477,203,929 (30.6.07: 479,703,909) ordinary shares | 35,748,801 | 35,724,230 |
| | | |
| b) Movements | No of Shares | Paid Up Capital |
| | | \$ |
| Balance 1 July 2007 | 479,703,909 | 35,754,230 |
| Cancellation of E Buckovic Shares | (2,500,000) | |
| Share based payments – E Buckovic options vested 31/8/07 | - | 33,035 |
| Share based payments – E Buckovic options not vested at resignation | - | (92,957) |
| Equity Component of Convertible Notes | - | 54,493 |
| | 477,203,909* | 35,748,801 |

* See note 6 for current balance of ordinary shares on issue.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007****4. SEGMENT REPORTING**

The consolidated entity operates in the oil and gas business segment in Australia.

5. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

6. EVENTS SUBSEQUENT TO REPORTING DATE**Entek Writ**

On 21st January 2008 the writ received by Impress from Entek Energy Limited in the amount of \$500,000 was withdrawn. Both parties agreed to absorb their own costs to date.

Capital raising – January 2008

In January 2008 Impress Energy Limited successfully completed a placement of 71,580,585 ordinary shares at an issue price of 4.0 cents raising \$2.863 million (before capital raising costs).

The shares have the same terms and rank equally in all respects with the existing ordinary shares from the date of allotment, which was the 4th January 2008. This brings the company's total ordinary shares on issue to 548,784,494 at the date of this report.

The Placement was managed by Euroz Securities Limited.

The funds raised under the Placement will be applied to:

- Complete the Growler/Wirraway haul road works.
- Complete the Growler 1 & 2 Central Production Facilities ("CPF").
- Following completion of Growler CPF carry out the Extended Production Test ("EPT").
- On satisfactory completion of Growler EPT, pursue a development programme to increase production.
- Drill Warhawk exploration well.
- Undertake the evaluation and development of the Growler/Wirraway/Warhawk concept.
- Increased costs of Growler production haul road and Growler CPF.
- Additional working capital for the company.