Impress Energy LIMITED

ABN 15 009 212 319

INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR
ENDED 31 DECEMBER 2006

CORPORATE DIRECTORY

Directors and Officers

Eddie Smith
Non-Executive Chairman

Eddy Buckovic
Chief Executive Officer

Douglas Jendry
Non-Executive Director

John Gillon
Non-Executive Director

Andrew Meloncelli
Company Secretary/Financial Controller

Principal and Registered Office

Ground Floor, 83 Havelock Street
West Perth
Western Australia 6005

PO Box 1617
West Perth
Western Australia 6872

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

Telephone +61 8 9261 9100
Facsimile +61 8 9261 9101

Bankers

Bank of Western Australia Limited
108 St George's Terrace
Perth
Western Australia 6000

Share Registry

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

Telephone 1300 557 010 (within Australia)
+61 8 9323 2000 (outside Australia)
Facsimile +61 8 9323 2033
Website www.computershare.com

ASX Code

Listed on the Australian Stock Exchange under the code ITC.

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half-year ended 31 December 2006.

Directors

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

Name	**Directorship**
Mr Douglas Jendry	Director since 20 September 2000
Mr Eddie Smith	Director since 19 March 2003
Mr John Gillon	Director since 5 September 2000

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

Highlights for the half-year ended 31 December 2006

Corporate

- In December 2006 a successful capital raising was completed through Euroz Securities Limited. A total of $4.67 million was raised less costs.

Production and Development

- Mirage-3 and Mirage-4 were fracture stimulated and placed on pump. The Mirage production facilities have now been commissioned and the Mirage-1, Mirage-3 and Mirage-4 wells are all on line. Current production from the Mirage and Ventura fields average 300 BOPD gross.
- Net Impress Energy production is 120 BOPD.
- The Joint Venture is reviewing technical and production data from the Mirage and Venture Fields to update reserves and determine the optimal future development strategy for the fields to enhance production rates and oil recovery.

Exploration

- Growler-1, the first well drilled by the PEL 104 Joint Venture (Impress 40%) was spudded on 31 August 2006 and reached TD of 1,993 metres on 16 September 2006. The well intersected oil in the Jurassic Birkhead Formation. Approximately 36 barrels of 49 degree API oil with no water was recovered during a Drill Stem Test over the interval 1,725 – 1,737 metres. The well was completed as a future oil producer.
- Subsequently a Short Term Production Test on the Growler-1 oil discovery was performed. This resulted in production of some 20 to 25 BOPD, less than expected from the Drill Stem Test conducted during drilling. Impress Energy undertook a review of the test results and the Joint Venture has decided to return to Growler-1 and re complete and re test the well. This has been delayed by rain in the region but will be conducted as soon as site access can be arranged.
- Successful farm in negotiations were concluded with the Santos JV in the Wilpinnie North Block in PPL 93 immediately to the south of PEL115. Under this agreement the PEL 115 JV funded the drilling of the Wilpinnie-4 (Tomcat Prospect) in return for 50% equity in any license granted over a successful discovery. The Santos JV will have the right to farm in for 50% of any license granted over a discovery in PEL 115.
- Wilpinnie-4 (Tomcat Prospect) was operated by Santos and commenced drilling on 9 January 2007. The well reached TD of 1,587 metres on the 21 January 2007. Interpretation of core and logs indicate an 18m oil column was encountered in the Jurassic Mid Namur reservoir. DST-1 was conducted over the interval 1,476 – 1,487 metres. A strong blow was observed at surface and there was an influx of approximately 24 barrels of oil during the main flow period equating to an inferred flow rate of 144 BOPD. The well has been cased and suspend as a future oil producer.
- The Joint Venture was to embark upon a drilling campaign on the Western Margin in PEL 104 and PEL 111 commencing in late December 2006. Wirraway-1, 4km northwest and updip of Growler-1, was to be the first well drilled. Unfortunately rains in the region have cut access roads and forced a delay in the start of drilling. Once conditions improve in the region the Joint Venture is determined to recommence activities as soon as possible. Impress Energy has fulfilled virtually all its farmin obligations to PEL 104 and future activity will be funded by the Joint Venture on an equity basis.
- Reprocessing of seismic data on the Western Margin over PEL 104 and PEL 111 is ongoing. Interpretation of this new improved dataset has confirmed the prospectivity of the region with a number

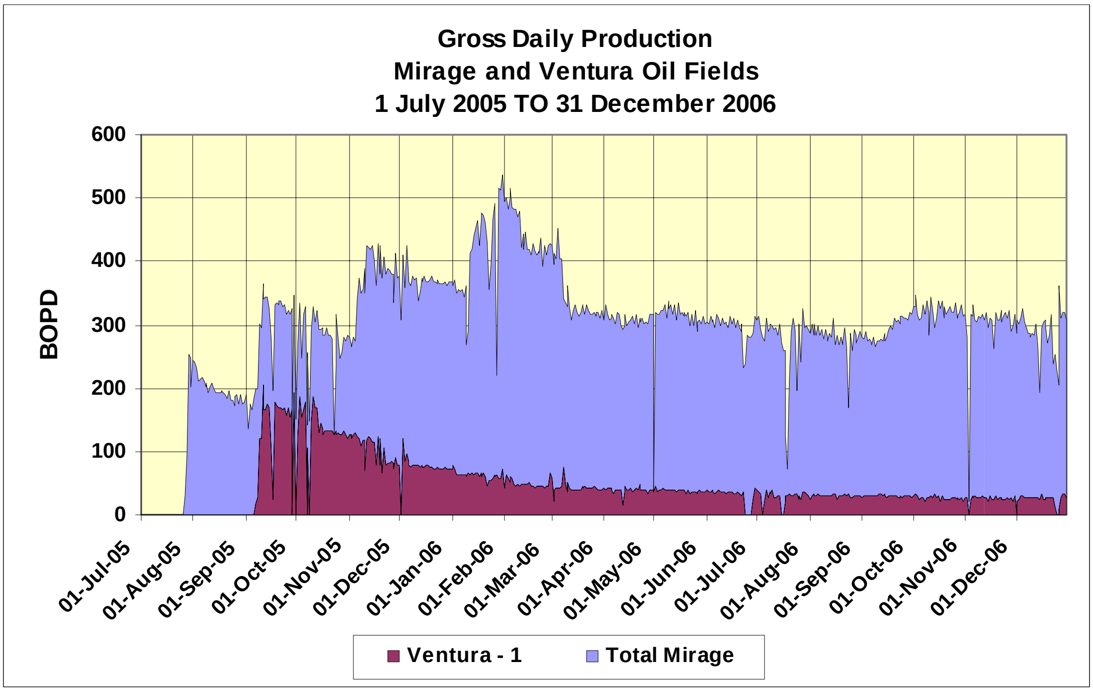
of follow up prospects and leads identified. A comprehensive prospects and leads inventory is currently being finalised and will provide drilling candidates for future drilling campaigns.

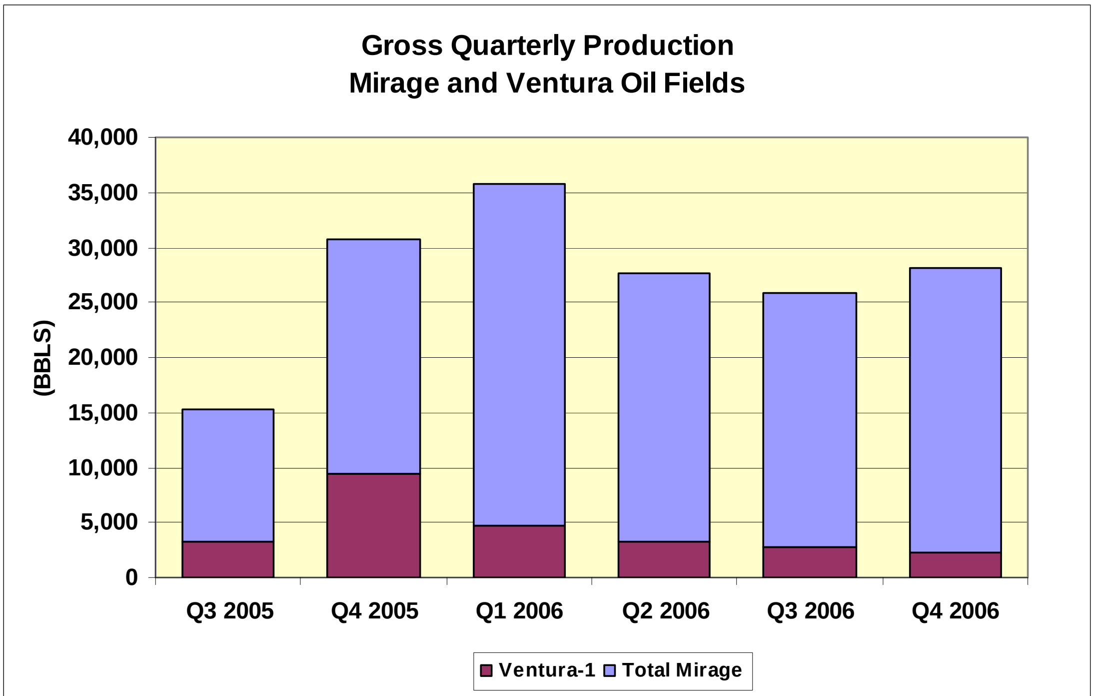
Corporate Summary

The successful capital raising in December 2006 of $4.67m less costs through Euroz Securities Limited has resulted in Cash assets of $6.7m as at end December 2006. Together with quarterly oil revenues of approximately $1m this gives Impress Energy a sound financial footing to continue its exploration program in the Cooper Basin.

Production and Development Summary

The half yearly production profile and quarterly production from the Mirage and Ventura Fields is shown in the graphs below.





The fracture stimulation of Mirage-3 and Mirage-4 was completed and the wells hooked up to the Mirage

Production Facility. Whilst the production from these wells has been modest when compared to Mirage-1 the added production has enabled rates to be maintained at approximately 300 BOPD, of which Impress Energy share is 120 BOPD.

The Joint Venture is conducting a technical review of the Mirage and Ventura Fields. The aim is to update reserves numbers and determine the optimal future development strategy for the fields to enhance production rates, ultimate oil recovery and cash flow. This may involve further fracture stimulation work on existing wells Mirage-2, Lightning-1 and Ventura-1 or drilling additional development wells on the Mirage and Ventura fields.

Exploration Summary

Cooper Basin, Onshore South Australia

Australia's Cooper basin is the country's leading onshore producer of oil and gas with discovered reserves of over 11 TCF of gas and 320 million bbls of liquids. A comprehensive array of infrastructure is in place to enable the development and production of discovered reserves.

Impress has interests in six permits covering over 16,000 square kilometers of prospective Cooper Basin and Eromanga Basin sediments.

The permits cover the whole spectrum of exploration targets ranging from very low risk/moderate reward to lightly explored/high reward.

An active exploration program to drill targets in the prospects and leads portfolio and assess the producing potential of the Mirage, Ventura and Growler discoveries is underway.

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

PEL 104 is located on the Western Margin of the Cooper Basin and covers 1,069 square kilometres. The permit is located immediately adjacent to the Tirrawarra Oil field, Australia's largest onshore oil field with estimated reserves of 70 million bbls and 340 billion cubic feet of gas and the Fly Lake Oil and Gas field. The permit also surrounds the Callabona oil discovery which recovered 16 barrels of oil from the Birkhead Formation. In August 2002 the Sellicks 1 well located 30 kms south of PEL 104 flowed 2,160 barrels of oil per day and in early July 2003 the Christies 1 well was declared commercial with an 18 metre oil column.

Impress Energy considers the permit is highly prospective for both oil in the Jurassic sequences on the Western Margin and gas in the deeper Permian sequences in the central and eastern portions of the permits.

This view was confirmed by the discovery of oil at Growler-1, the first well drilled in the permit by the PEL 104 Joint Venture. Mapping of prospects and leads has been greatly enhanced by the reprocessing of seismic on the Western Margin. Interpretation is nearing completion and a number of targets have been mapped. Further exploration drilling and appraisal drilling on Growler is planned in 2007.

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

PEL 111 is located on the Western Margin of the Cooper Basin and covers 1,185 square kilometres. The permit is located to the north of, and adjacent to, PEL 104. The permit surrounds Charo oil discovery which recovered 12 barrels of oil from the Birkhead Formation.

During the initial evaluation stage of PEL 104 it became obvious that PEL 111 contained a number of shared prospects as well as some interesting stratigraphic leads of significant size. Impress Energy considers the permit is highly prospective for both oil in the Jurassic sequences on the Western Margin and gas in the deeper Permian sequences in the central and eastern portions of the permits.

To date prospects and leads are recognised at Catalina, Ascender, Gannet, Liberator, and Warhawk. Reprocessing of seismic over the Western Margin has identified a number of additional prospects and leads. Drilling of at least one well during 2007 is planned.

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

PEL 115 is located on the south eastern edge of Cooper Basin and covers 1,106 square kilometres. The permit is 'broken up' into six separate areas and surrounds the oil and gas producing fields at Dullingari, Toolachee, Strezelecki, Della and Kidman. The block represents one of the lowest risk areas for exploration in the Cooper Basin.

Wilpinnie-4 (Tomcat Prospect) was drilled in January 2007 in the northern part of the permit, 200 metres up dip of Wilpinnie-3 drilled by Santos in 1995 which flowed oil to surface from a mid Namur sandstone. Willpinnie-4 is interpreted to have intersected an 18 metre oil column in the mid Namur reservoir and the well has been cased and suspended as a future oil producer. The Wilpinnie-4 (Tomcat) prospect straddles the boundary between PEL 115 and the Santos operated production license PPL 93. The Joint venture finalised a farmin arrangement with the PPL 93 Joint Venture whereby the PEL 115 Joint Venture will earn an interest in that part of the prospect that lies in PPL 93.

Impress Energy continues to develop prospects and leads for further drilling activity in 2007.

2006/2007 Drilling Program

Growler 1

Growler-1 was spudded on the 31 August 2006 and reached total depth of 1,993 metres in the basal Jurassic Poolawanna Formation on the 16 September 2006. The well encountered oil shows over a twenty nine metre interval in the Jurassic Birkhead Formation and an off bottom test of the interval 1,725 metres - 1,737 metres recovered approximately 36 barrels of 49 deg API oil with no water over a two and a half hour main flow period. The well has been completed for production. Re-testing of Growler-1 is scheduled for mid March 2007.

Wilpinnie-4 (Tomcat Prospect)

Successful farm in negotiations to the Wilpinnie North Block were completed with the PPL 93 Joint Venture in late 2006. The Wilpinnie-4 well commenced drilling on 9 January 2007 in PPL 93 and reached a total depth of 1,587 metres on the 21 January 2007. An 18 metre oil column is interpreted to have been encountered in the Jurassic mid Namur reservoir.

A Drill Stem Test of the mid Namur Formation from 1,476 – 1,487 metres resulted in a strong blow at surface and the influx of 24 barrels of oil giving an inferred flow rate of 144 BOPD. The well has been cased and suspend as a future oil producer.

Forward Drilling Program Overview

Well	Location	Share	Comments
Wirraway-1	**PEL 104**	**40%**	Delayed by rain. Now scheduled to spud late March/early April 2007. Oil exploration well 4km NW and updip of Growler-1 oil discovery. Primary target Jurassic Birkhead. 7.6 mmbbl recoverable (P50) target.
Growler-2	**PEL 104**	**40%**	Appraisal well to Growler-1 oil discovery, following Wirraway-1. Q2 2007. Growler discovery 16m oil column interpreted in Jurassic Birkhead Formation, 1.0 mmbbl recoverable (P50).
Warhawk-1	**PEL 111**	**40%**	First well in permit, following Growler-2. Q2 2007. Oil target 8km N of Growler straddling 104/111 border. Target Jurassic Birkhead 1 mmbbl recoverable (P50).
Tomcat	**PEL 115**	**40%**	Follow up well to Wilpinnie-4 which recovered 24 bbl oil over interpreted 18m oil column in Jurassic mid Namur. Q2 2007.
PEL 104 # 3	**PEL 104**	**40%**	Well to target Jurassic oil play from prospects and leads inventory post interpretation of reprocessed seismic. Mid 2007.
PEL 104 # 4	**PEL 104**	**40%**	Well to target Jurassic oil play from prospects and leads inventory post interpretation of reprocessed seismic. Late 2007.
Lancer-1	**PEL 115**	**40%**	Oil Exploration well on structure defined by Mirage 3D. Target Murta, Jurassic and Permian reservoirs. 8km north of Mirage Production Facilities. Mid 2007.
PEL 115 #3	**PEL 115**	**40%**	Oil Exploration well to target Murta, Jurassic and Permian reservoirs from prospects and leads inventory post interpretation of reprocessed seismic. Late 2007.
PEL 115 #4	**PEL 115**	**40%**	Oil Exploration well to target Murta, Jurassic and Permian reservoirs from prospects and leads inventory post interpretation of reprocessed seismic. Late 2007.

Production Licences PPL 213 and PPL 214

The JV has granted production licences PPL 213 over the existing Mirage wells and PPL 214 over the Ventura Field in August 2006.

Production data from the producing wells is currently being integrated into well and seismic data from the Greater Mirage area. A reserves assessment and update report is in preparation aiming to provide recommendations on optimisation of existing wells, both in production and suspended, and on future development activities.

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

No work was conducted on these permits during the half-year.

Heron Resources/INCO Kalgoorlie Nickel Project (KNP)

Impress Energy Limited was previously called Merritt Mining NL and was involved in mineral exploration in Western Australia during the 1990's.

The company had an interest in a number of nickel tenements known as Siberia Tank that were eventually sold to Centaur in exchange for a 10% free carried interest to production. The tenements are Prospecting Licences 24/3179 to 24/3184 inclusive.

The leases were subsequently acquired by Heron Resources Ltd.

Heron Resources has provided an update to Impress Energy Limited on activities undertake in the tenements. This consists of two diamond dill holes and associated assays and a comprehensive report covering resource estimates of the project. This data is currently being assessed by Impress Energy Limited.

Operating Results

The interim financial report to 31 December 2006 shows an operating loss of $13,618 compared with a loss of $140,825 for the half-year ended 31 December 2005.

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 6 of the financial report.

Dated at West Perth, 9 March 2007.

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 9101
www.rsmi.com.au

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

As lead audit partner for the review of the financial report of Impress Energy Limited for the half-year ended 31 December 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Impress Energy Limited and the entities it controlled during the period.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 9 March 2007

J A KOMNINOS
Partner

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 9101
www.rsmi.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF IMPRESS ENERGY LIMITED

The Financial Report

We have reviewed the accompanying half-year financial report which comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and directors' declaration for Impress Energy Limited (the consolidated entity), for the half-year ended 31 December 2006. 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 Impress Energy Limited 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 consolidated entity's financial position as at 31 December 2006 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 followed applicable 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 2006 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*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 9 March 2007

J A KOMNINOS
Partner

DIRECTORS' DECLARATION

In the opinion of the Directors of Impress Energy Limited:

1. The financial statements and notes thereto set out on pages 10 to 18, are in accordance with the Corporations Act 2001, and:

   (a) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

   (b) giving a true and fair view of the financial position of the consolidated entity as at 31 December 2006 and of its performance, as represented by the results of its operations, changes in equity and cash flows for the half-year ended on that date.

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.

Dated at West Perth, 9 March 2007.

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

E S Smith
Chairman

INCOME STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	31.12.06 $	**31.12.05 $**
Sale of oil	2,029,427	752,908
Other revenue from ordinary activities		
Interest received	92,290	41,571
Rental/Management Income	68,135	119,244
Technical fees	164,885	-
Other income	21,179	21,430
Total Revenue	**2,375,916**	**935,153**
Administration expenses	353,639	263,165
Amortisation and depreciation expenses	740,725	392,701
Borrowing expenses	35,073	21,531
Consulting fees	161,622	15,000
Directors fees	96,182	166,700
Exploration and development expenditure written off	37,214	142,109
Foreign exchange loss	237,510	-
Occupancy expenses	31,281	49,772
Other expenses	-	25,000
Production expenses	696,288	-
Total Expenses	**2,389,534**	**1,075,978**
Loss from ordinary activities before related income tax expense	**(13,618)**	**(140,825)**
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after income tax expense attributable to members of the parent entity	**(13,618)**	**(140,825)**
Basic loss per share (cents per share)	(0.003)	(0.063)
Diluted loss per share (cents per share)	(0.003)	(0.063)

The accompanying notes form part of this interim financial report.

BALANCE SHEETS
AS AT 31 DECEMBER 2006

	Consolidated	
	31.12.06 **$**	**30.6.06** **$**
Current Assets		
Cash and cash equivalents	6,731,234	5,506,737
Trade and other receivables	224,009	15,950
Inventories	-	8,129
Total Current Assets	**6,955,243**	**5,530,816**
Non Current Assets		
Receivables	14,029	14,029
Plant and equipment	78,536	88,878
Exploration expenditure	4,209,053	1,616,063
Oil properties	9,053,724	8,867,471
Total Non Current Assets	**13,355,342**	**10,586,441**
Total Assets	**20,310,585**	**16,117,257**
Current Liabilities		
Trade Payables	76,750	109,513
Provisions	15,038	240,250
Interest bearing liabilities	700,000	-
Total Current Liabilities	**791,788**	**349,763**
Non Current Liabilities		
Interest bearing liabilities	-	700,000
Total Non Current Liabilities	**-**	**700,000**
Total Liabilities	**791,788**	**1,049,763**
Net Assets	**19,518,797**	**15,067,494**
Equity		
Contributed equity	35,465,846	31,000,925
Accumulated losses	(15,947,049)	(15,933,431)
Total Equity	**19,518,797**	**15,067,494**

The accompanying notes form part of this interim financial report.

STATEMENTS OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Issued Capital $	Accumulated Losses $	Total Equity $
As at 1 July 2005	**16,463,614**	**(12,941,219)**	**3,522,395**
Loss for the period	-	(140,825)	(140,825)
Shares Issued	4,430,755	-	4,430,755
As at 31 December 2005	**20,894,369**	**(13,082,044)**	**7,812,325**

	Issued Capital $	Accumulated Losses $	Total Equity $
As at 1 July 2006	**31,000,925**	**(15,933,431)**	**15,067,494**
Loss for the period	-	(13,618)	(13,618)
Shares Issued	4,464,921	-	4,464,921
As at 31 December 2006	**35,465,846**	**(15,947,049)**	**19,518,797**

The accompanying notes form part of this interim financial report.

CASH FLOW STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	Consolidated	
	31.12.06 **$**	**31.12.05** **$**
Cash flows from operating activities		
Receipts from oil customers	2,054,127	445,969
Receipts from other customers	223,225	137,767
Payments to suppliers and employees	(1,800,368)	(512,842)
Interest received	92,290	41,571
Interest paid	(25,073)	(11,197)
Net cash provided by operating activities	**544,201**	**101,268**
Cash flows from investing activities		
Cash acquired on consolidation of consolidated entity	-	64,856
Proceeds of loan from related entity	-	134,674
Payments for bonds	-	(14,029)
Payments for investments	-	(500,000)
Payments for plant and equipment	(2,171)	(12,917)
Payments for exploration and development expenditure	(3,544,944)	(1,875,478)
Net cash (used in) investing activities	**(3,547,115)**	**(2,202,894)**
Cash flows from financing activities		
Proceeds from issue of shares	4,668,299	2,796,268
Transaction costs from issue of shares	(203,378)	(73,013)
Proceeds from issue of convertible notes	-	500,000
Transaction costs from issue of convertible notes	-	(25,000)
Net cash provided by financing activities	**4,464,921**	**3,198,255**
Net increase in cash held	**1,462,007**	**1,096,629**
Cash at the beginning of the financial period	5,506,737	1,855,471
Foreign exchange gain/(loss)	(237,510)	15,560
Cash at the end of the financial period	**6,731,234**	**2,967,660**

The accompanying notes form part of this interim financial report.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The half-year financial report should be read in conjunction with the Annual Financial Report of Impress Energy Limited as at 30 June 2006. It is also recommended that the half-year financial report be considered together with any public announcements made by Impress Energy Limited and Controlled Entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report covers the consolidated entity of Impress Energy Limited and controlled entities. Impress Energy Limited is a listed public company domiciled in Australia.

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, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

A controlled entity is any entity controlled by Impress Energy Limited. Control exists where Impress Energy Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Impress Energy Limited to achieve the objectives of Impress Energy Limited.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the period, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impress Energy Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the Tax Consolidation Regime. Impress Energy Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group.

(c) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment
Plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation
The depreciable amount of all plant and equipment is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Plant and Equipment	10-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Exploration and evaluation expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Costs of evaluation, seismic and unsuccessful exploration in the area of interest where economically recoverable reserves do not currently exist are expensed as incurred even if activities in this area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs at that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Oil properties

Oil properties include capitalised project expenditure, exploration and development expenditure and costs associated with lease and well equipment.

The company uses the units of production methods to amortise costs carried forward in relation to its oil properties. For this approach the calculations are based on "proved plus probable reserves" as determined by suitably qualified professional personnel.

(f) Share-based payments

Share-based compensation benefits are provided to directors and executives.

The fair value of options granted to directors and executives is recognised as an employee benefit expense with a corresponding increase in contributed equity. The fair value is measured at grant date and recognised over the period during which the directors and/or executives becomes unconditionally entitled to the options.

The fair value at grant date is independently determined using an option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected divided yield and the risk-free interest rate for the term of the option.

(g) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other than short-term, highly liquid investments with original maturities of three months or less net of outstanding bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(i) Joint Ventures

The company's interest in unincorporated joint venture assets are accounted for by recognising its proportionate share in assets and liabilities from joint ventures.

Joint venture expenses and the company's entitlement to production are recognised on a pro rata basis according to the company's joint venture interest.

(j) Acquisition of Assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their published market price as at the date of exchange unless. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Revenues

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Oil revenue
Revenue from the sale of oil and gas is recognised upon delivery of the goods to the customer.

Interest income
Interest income is recognised on a time proportion basis using the effective interest method.

(l) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(m) Earnings per share

Basic Earnings per share
Basic earnings per share is determined by dividing the operating profit/(loss) after income tax attributable to members of Impress Energy Limited by the weighted average number of ordinary shares outstanding during the financial year.

Diluted Earnings per Share
Diluted earnings per share adjusts the amounts used in the determination of basic earnings per share by taking into account unpaid amounts on ordinary shares and any reduction in earnings per share that will probably arise from the exercise of options outstanding during the financial year.

(n) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

NOTE 3. CONTRIBUTED EQUITY

	Consolidated	
	31.12.06	**30.6.06**
	$	**$**
a) Paid up capital		
477,203,929 (30.6.06: 414,959,921) ordinary shares	35,465,846	31,000,925

b) Movements	**No of Shares**	**Paid Up Capital**
		$
Balance 1 July 2006	414,959,921	31,000,925
Share Placement – December 2006	62,243,988	4,668,299
Transaction costs from issue of shares	-	(203,378)
	477,203,909	35,465,846

NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 4. ACQUISTION AND DISPOSAL OF CONTROLLED ENTITIES

31.12.06

There were no controlled entities acquired/disposed of during the half-year.

31.12.05

The consolidated entity acquired 100% of Impress (Cooper Basin) Pty Ltd (formerly Tacnas Pty Ltd) on 13 September 2005.

	$
Total purchase consideration	2,415,000
Less shares/convertible notes issued to vendors	(1,915,000)
	500,000
Cash balances acquired	(64,856)
Cash outflow	435,144
Fair value of assets and liabilities acquired	
Cash	64,856
Receivables	11,093
Exploration expenditure	677,920
Oil properties	2,164,302
Payables	(503,171)
	2,415,000

NOTE 5. SEGMENT REPORTING

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

NOTE 6. CONTINGENT LIABILITIES

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

NOTE 7. EVENTS SUBSEQUENT TO REPORTING DATE

On 26 February 2007, the Company issued the following securities to Eddy Buckovic (Chief Executive Officer) as approved at the 2006 Annual General Meeting:

Options
- 4,000,000 unlisted options, exercisable at 8 cents, expiry date of 31 August 2009 (vested 31 August 2007);
- 4,000,000 unlisted options, exercisable at 12 cents, expiry date of 31 August 2010 (vested 31 August 2008);
- 5,000,000 unlisted options, exercisable at 14 cents, expiry date of 31 August 2010 (vested 31 August 2009); and
- 5,000,000 unlisted options, exercisable at 16 cents, expiry date of 31 August 2009.

Ordinary Shares
- 2,500,000 restricted ordinary shares.

As at 28 February 2007, the consolidated entity had cash assets of approximately $6.433 million.