

**January 9, 2006**

**Quarterly Report for the period ending 31 December 2005**

### **HIGHLIGHTS FOR THE QUARTER**

- *Mirage Field to Increase Production*
- *Mirage Appraisal Program set at 3 Wells*
- *Eight/Nine Well Drilling Program to commence January 23*
- *3D Survey Produces Excellent Results*
- *Five or Six Further Prospects to be drilled*

### **CORPORATE ACTIVITIES**

During the quarter the company placed 48 million shares to a group of sophisticated investors at a price of 5 cents per share for working capital.

### **PRODUCTION ACTIVITIES**

***PEL 115, Cooper Basin, South Australia, 40% working interest (subject to certain conditions being satisfied)***

#### *Mirage Oil Field*

The Mirage 1 well has been on continuous production since July 27, 2005. The well is currently producing via beam pump at a rate of approximately 295 barrels of oil per day. Analysis of the wells production history suggests that it could produce at higher rates subject to the limitations of the pumping equipment. This is currently being investigated and any increase is likely to commence during January, 2006.

The Operator has produced a report on the Mirage and Ventura Oil Fields including estimates of the ultimate recoveries expected for the two wells and comments on the fields.

The Mirage 1 well produces from the Murta Formation and is performing as expected and has produced over 37,000 barrels of oil to date. The Operator's report states as follows:-

- The Mirage well is expected to have ultimate recoverable reserves of approximately 250,000 barrels to be produced over a 12 year life.
- The well is capable of increased production up to approximately 400 barrels per day and this is expected to commence in January, 2006.
- The well will produce under natural decline until approximately 2017.

- A representative original oil in place figure for the field is approximately 4.2 million bbls with estimated recoverable reserves, under primary recovery, of over 1 million bbls. Impress considers that secondary recovery has the ability to increase this reserve to over 1.5 million bbls.

It must be emphasised that this is an estimate based on the performance of the Mirage well combined with the results of the 3D survey. Impress expects the appraisal wells to intersect better reservoir sands in the Murta and have improved production profiles. Following the drilling of the 3 appraisal wells, further information will be acquired prior to embarking on a field development program that could involve the drilling of up to 7 wells.

#### Ventura Oil Field

After some initial difficulties in setting up the pumping system the Ventura well commenced 24 hour operation on 11 October, 2005.

The well is currently producing approximately 75 barrels of oil per day.

The Ventura well produces from the McKinlay and as expected has intersected a limited reservoir. The well has produced 11,000 barrels of oil to date. The Operator's report states:-

- A reasonable estimate for ultimate recoverable reserves is approximately 44,000 barrels to be produced over a 3 year life.
- It must be emphasised that this is an estimate for the recovery from the Ventura 1 well only and not the Ventura Field. Further analysis of the 3D data is continuing and may well lead to further drilling locations. At this stage it is not intended that any drilling will take place during 2006.

### **EXPLORATION ACTIVITIES**

#### **PEL 115, Cooper Basin, South Australia, 40% working interest (subject to certain conditions being satisfied)**

##### Mirage 3D Seismic Survey

The results of the interpretation of the 3D seismic survey have been particularly encouraging both from a production and exploration viewpoint. Impress has reviewed the data with its own consultants and in conjunction with the Operator.

At the Mirage oil field, the survey has concluded that structurally the field covers over 2.5 square kilometers in an “L” shaped feature broadly trending north – south. The Mirage 1 well appears to be just north east of the crest of the feature.

The Jindivik and Lightning structures, to the east of Mirage, were confirmed as targets.

Further detailed work was carried out on the data specifically to assist in determining where better reservoir properties in the Murta Formation could be located. This work entailed studying the characteristics or ‘attributes’ of the seismic signal to indicated where more porous areas existed and hence better reservoir conditions.

The results of this work showed that there was a broadly east west trending “attribute” anomaly located to the north of the Mirage well. The Mirage well appears to have just intersected the southern part of this anomaly. The feature stretches from the west of Mirage to the east of the Lightning and Jindivik structures.

In addition the attribute work has indicated that the previously drilled dry holes in the permit at Burruna, Plotosus and Wirrha are all located in areas with unfavourable seismic characteristics. Analysis of these wells shows that despite oil shows in the Murta Formation there was no reservoir sand. In addition the Ventura 1 well, which produces from the McKinlay Formation (not the Murta), is also located in an unfavourable Murta reservoir area. Impress is encouraged by these results as they satisfactorily explain why these wells were not successful in the Murta.

It is Impress’ view that the seismic work has indicated areas within the Murta Formation that have better reservoir quality than those at Mirage, as well as indicating a ‘fairway’ that could contain stratigraphic traps within the Murta Formation.

#### Appraisal drilling

The results of the structural analysis in conjunction with the ‘attribute’ work has led to three appraisal locations being determined. The locations lie to the north and east of Mirage 1 and are located to intersect both a structurally high area in conjunction with a positive seismic attribute. Impress expects that these wells will intersect Murta sands with improved reservoir characteristics and associated production.

The first appraisal well, Mirage 2, will be located approximately 580 metres to the north east of Mirage 1 and is expected to commence drilling on or about the 23rd January, 2006.

#### Jindivik and Lightning Structures

The Jindivik and Lightning structures lie to the east of Mirage. Jindivik is approximately 2 kilometres to the north-east while Lightning lies about 3 kilometres to the east.

Structural closure has been confirmed at both prospects and they both have favourable seismic attribute characteristics indicating reservoir in the Murta Formation. In addition they lie in a favourable position to receive oil charge from the source areas to the north and there is the strong possibility that other objective horizons such as the Birkhead and Hutton Formations have also received oil charge.

Further work is being carried out on both areas prior to determining which will be drilled in this drilling round and a location will be picked in mid January, 2006.

#### Tomcat Prospect

The Tomcat Prospect is located updip from the Willpinnie 3 well that flowed over 700 barrels per day of oil on test. Further analysis of the structure suggests a sizeable feature is present at Tomcat in the form of a fault closed structure updip from Willpinnie 3.

Further mapping and analysis is being undertaken of the area prior to picking a drilling location which is expected in mid January.

#### PEL 104 and 111, Cooper Basin, South Australia, 40% working interest (subject to certain conditions being satisfied)

There are four wells to be drilled in the PEL 111 and 104 permits with the current rig.

These wells will be Jurassic oil tests located to the west of Australia's largest onshore oil field at Tirrawarra.

To date prospects and leads are recognized at Catalina, Ascender, Gannet, Liberator, Wirraway and Eagle. Further seismic was recorded during late 2005 at Wirraway, Ascender and Gannet to mature the prospects to drillable status. The final drill locations will be determined by mid January and the rig is expected to arrive in the area after the PEL 115 drilling in approximately April, 2006.

#### PEL 86, 87 and 89, Cooper Basin, South Australia, 40% working interest (subject to certain conditions being satisfied)

There was no activity in the permits during the quarter.

#### Heron Resources/INCO Kalgoorlie Nickel Project (KNP)

Impress Ventures Ltd 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.

On 29 March, 2005 Heron Resources Ltd announced it had signed a letter of intent to enter into a joint venture with Inco Limited to develop the Kalgoorlie Nickel Project. The Impress Venture leases are possibly part of the proposed project.

Heron Resources has announced that it is part way through a drilling program and it is expected that the results will determine the future of the project. Upon receipt of further information the company will seek independent advice as to the potential value of the interest.

For further information, please contact **Douglas Jendry, Chief Executive on (08) 9214 2500.**