



July 27, 2006

Quarterly Report for the period ending 30 June 2006

HIGHLIGHTS FOR THE QUARTER

- Mirage and Ventura Fields continue production at a combined average of 350 BOPD.
- (Five well exploration and appraisal program in the Mirage area of PEL 115 (Impress 40%) completed with the release of Hunt Rig 3 from Jindivik-1 to Sunshine Gas on the 18th of May. Following the drilling of several Carbon dioxide gas sequestration wells for Sunshine Gas, the rig will return to the Cooper Basin to begin an exploration program in PEL 104 (Impress 40%).
- The drilling program in PEL 115 was aimed at appraising oil in the Murta Sandstone vicinity of the producing Mirage Field. The program consisted of wells Mirage-2, Mirage-3, Mirage-4, Lightning-1 and Jindivik-1 All wells encountered oil in the Murta Sandstone although reservoir development is not as good as in the discovery well, Mirage-1. However, the well results indicate that oil is contained within the Murta Sandstone over a large geographic area.
- Mirage-2 Mirage-3 and Mirage-4 were completed for future production and Lightning-1 was cased and suspended. Jindivik-1 was plugged and abandoned.
- Lightning-1 was deepened to basement to test for gas in the Permian Patchawarra Formation. The well encountered well developed porous sandstones in this formation but they are water bearing at this location.
- At months end, preparations were well advanced to fracture stimulate Mirage-3 and Mirage-4 using equipment mobilised from New Zealand. It is expected that the stimulation work, which is routine for Murta reservoirs elsewhere in the Cooper Basin, will commence in late July subject to road access due to unseasonal wet weather in Central Australia.
- Following these treatments the wells will be placed on pump. It is anticipated that additional fracture stimulation work on wells such as Mirage-2, Lightning-1 and Venture-1 will be undertaken if the initial program is successful.
- In a reflection of Impress' high equity in the Cooper Basin Joint Ventures and the close cooperation between the Operator, Victoria Petroleum and Impress, the two companies, in June, executed a Technical Services Agreement whereby Impress will provide exploration services and technical advice directly to the Joint Venture



EXPLORATION ACTIVITY

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.

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 appraisal and exploration program commenced in early 2006 to assess the reserve and producing potential of the Mirage discovery and to further explore prospects in the portfolio. Drilling is expected to recommence in late August 2006.

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

PEL 104 covers 1,069 square kms and 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. Also adjacent is the Fly Lake Oil and Gas field and the permit surrounds the Callabona oil discovery. In August 2002 the Selicks 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 considers the permit is highly prospective for both gas and oil in both the Permian and Jurassic sequences that are highly productive elsewhere in the Cooper/Eromanga Basin.

To date prospects are recognised at Growler and Wirraway. Impress continues to develop prospects and leads with a view to drilling the most robust prospects starting in September 2006.

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

PEL 111 covers 1,185 square kilometers and is located to the north of, and adjacent to, PEL 104. The permit surrounds Charo oil discovery.

During the initial evaluation stage of PEL 104 it became obvious that the PEL 111 contained a number of shared prospects as well as some interesting stratigraphic leads of significant size.

To date prospects and leads are recognised at Catalina, Ascender, Gannet, Liberator, and Eagle. Additional processing of the seismic over these features is being carried out with a view to drilling the most robust prospects during the last quarter of 2006.



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 kilometers. 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. Impress continues to develop prospects and leads for further drilling activity in late 2006 and 2007. This drilling program will include Tomcat-1 in the northern part of the permit. This well will be drilled close to Wilpinnie-3 drilled by Santos in 1995 which flowed oil to surface from a mid Namur sandstone. The Tomcat prospect straddles the boundary between PEL 115 and the Santos operated production licence PPL 93 and the Joint venture is finalising a farm-in 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.

Reprocessing of seismic data to the east of Mirage Field over the Coobowie High is nearing completion and interpretation of these data is expected to yield further oil targets for drilling in addition to those such as Lancer which have been identified in the Mirage 3D seismic area.

2006 DRILLING PROGRAM

Mirage 2

The Mirage 2 well commenced drilling on 31 January, 2006 and reached a total depth of 1655 metres. The rig was released from location on 23 February, 2006.

The well was completed as a potential Murta oil well subject to further evaluation.

Mirage 3

The Mirage 3 well commenced drilling on 27 February, 2006 and reached a total depth of 1661 metres. The rig was released from location on 15 March, 2006.

A drill Stem Test of the Murta Formation from 1,317 m – 1,330 m resulted in the recovery of 27 bbls of clean oil with no water over a two hour flow period. This well was completed as a Murta oil well with production timing subject to equipment availability.

Mirage 4

The Mirage 4 well commenced drilling on 19 March, 2006 and reached a total depth of 1447 metres. The rig was released from location on 4 April, 2006.



A drill Stem Test of the Murta Formation from 1,319 m – 1,337 m resulted in the recovery of 3 bbls of oil cut mud. This well was completed as a Murta oil well with production timing subject to equipment availability.

Lightning 1

The Lightning 1 well commenced drilling on 7 April, 2006 and reached a total depth of 2,017 metres. The rig was released from location on 28 April, 2006.

A drill Stem Test of the Murta Formation from 1,312 m – 1,325 m resulted in the recovery of 2 bbls of oil cut mud. The well was suspended as a potential Murta oil well subject to further evaluation.

Jindivik 1

The Jindivik 1 well commenced drilling on 3 May, 2006 and reached a total depth of 1,700 metres. The rig was released from location on 18 May, 2006.

A drill Stem Test of the Murta Formation from 1,314 m – 1,335 m resulted in the recovery of a small volume of water currently interpreted to be associated with the oil water contact at the Jindivik location. The well was plugged and abandoned.

Reserve assessment

Following the drilling program a comprehensive study of the Murta reservoir using the Mirage 3D together with the new drilling data including core and test result is being undertaken. This work will be completed during the second half of the year and will also incorporate the results of the fracture stimulation work leading to a reassessment of the reserves in the Mirage and Ventura Fields. At this stage there has been no reason to change the previously assessed reserve figures

Long Term Production Test

Long term production test of the Mirage 1 and Ventura 1 well continues. The JV has applied for a production licence of the existing Mirage wells and once granted the wells will be brought on stream to increase production from the Mirage Oil Field.

Production data from the producing wells will be integrated into data from the Greater Mirage area and a development plan implemented to optimise recovery from the area.

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

The Joint Venture performed a Telluric Electro Magnetic (TEM) survey during early 2006 which is being evaluated the results of which may lead to recording of seismic in 2007.



PEP 38716, Onshore New Zealand.

The permit has been relinquished.

Heron Resources/INCO Kalgoorlie Nickel Project (KNP)

Impress Energy 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.

Heron Resources has indicated that it will provide further information to ITC in late 2006/2007 and upon receipt of that information the company will seek independent advice as to the potential value of the interest.

For further information, please contact on technical matters Greg Smith, Exploration Manager on (08) 9214 2500 and on corporate matters Eddie Smith, Chairman on 0418 927 091.