



Annual Report 2009

CORPORATE INFORMATION

ABN

15 009 212 319

Directors and Officers

Eddie Smith	(Executive Chairman, Non-Executive Chairman effective 1 September 2009)
John Gillon	(Non-Executive Director)
Les Longden	(Non-Executive Director, appointed Executive Director Corporate, 1 September 2009)
Greg Smith	(Alternate Director for Eddie Smith, Acting Chief Executive Officer, appointed 19 June 2009)
Bernard Crawford	(Non-Executive Director, appointed 1 September 2009)

Company Secretary

Ernie Myers

Registered Office & Principal Place of Business

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West Perth, Western Australia 6005

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Email: info@iel.com.au
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Solicitors

Hardy Bowen
28 Ord Street
West Perth, Western Australia 6005

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

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Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Limited

ASX Code: ITC

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CHAIRMAN'S LETTER

Dear Shareholder,

This last year has been one of tremendous import for your Company. Not only have we weathered the substantial fall in world oil prices that accompanied the collapse in equity markets, but Impress is on track to meet the plan presented to shareholders in 2007. By year end, gross production from our "Western Oil Fairway" permits PELs 104 and 111 and PRL15 should be close to 2,000 barrels of oil a day (BOPD) and the company will have embarked on a new drilling campaign to further boost reserves and production using our newly processed 3D seismic data. Our stated aim is to increase production from the fairway to 3,000 BOPD by the end of 2011.

Hopefully the emergence of Impress as a successful independent Cooper Basin oil producer will soon be reflected in the share price!

The significant events for the year, which are covered more completely in the Annual Report which accompanies this letter are:

- Impress' share of production increased 275% to 113,328 barrels of oil compared to 30,254 barrels in 2007/08 due to the full impact of the Growler Field production. Revenue from oil sales increased 144% to \$8,837,345 from \$3,627,146 in the previous year, despite the dramatic fall in oil prices in the first half of 2009.
- Completion of two successful capital raisings in combination with greatly increased production revenue has placed the company in a strong end of year cash position with just over \$7 million cash at hand. The continuing growth in cash flow from production operations at Growler and the planned future production from Snatcher now sees the Company well positioned to internally fund future foreseeable growth.
- Extremely successful three well appraisal/development drilling program at the Growler Field proved good quality reservoir systems exist in the Birkhead Formation and substantially upgraded reserves resulting in an expansion to the capacity of surface facilities.
- Multi well exploration drilling program in PEL 104 and PEL 111 resulted in oil discoveries at Warhawk-1, Tigercat-1, Snatcher-1 and Snatcher-2. The latter three discoveries will be brought on-stream in the second half of 2009, potentially boosting overall production to around 2,000 BOPD.
- Expansion of the Growler surface facilities in June 2009 to 2,000 BOFD. The works included additional storage and fluid separation, additional water handling capacity, an upgraded oil loading facility and additional accommodation capacity.
- Snatcher-2 is particularly significant as the well proved that traps in the Western Oil Fairway can have a stratigraphic component. The field extent is 'open' to the northwest.
- Investment in the areally extensive Mollichuta 3D seismic survey which was specifically designed to image channel sandstones within the Birkhead Formation such as those intersected by the Growler and Snatcher wells. The survey will provide a strong platform for future drilling in the Western Oil Fairway.
- The Mirage and Ventura Fields, our first source of cash flow, are now at a mature stage of production from the existing wells, which will not recover the reserves previously ascribed to the fields. As the Joint Venture has no immediate plans for additional drilling in the near term, concentrating instead on the much more rewarding western fairway, the Board has deemed it prudent to make an impairment of \$6.66 million relating to the fields which is reflected in the balance sheet.

- Unfortunately, a recent illness has meant that I have had to step back from day-to-day involvement in the Company's affairs. However, in my temporary absence, the Board have taken a number of steps to ensure that Impress' emergence as a significant oil producer remains on track. These include appointment of Greg Smith as Acting Chief Executive Officer and Alternate Director to me, Mr Les Longden, an existing non-executive director as Executive Director Corporate, assisting the Chief Executive Officer and a new independent director, Bernard Crawford. I believe the appointments significantly add to the expertise available to the company to help it face the challenges that will inevitably arise during our growth phase.
- Greg Smith has provided technical services to Impress since the end of 2005 through his consultancy firm, Tanglin Exploration Pty Ltd, and has been extensively involved in the exploration of the western fairway. Les is a petroleum engineer and will add considerable depth to the management of the field development programs. Bernard, a Chartered Accountant, will also provide crucial support to manage the company's commercial and financial challenges.

Finally I would like to thank our staff for their persistence in what have been difficult circumstances at times over the last twelve months. I would also like to thank you, our shareholders, for your patience and I look forward to our next twelve months with qualified optimism that you will finally see some rewards.

Yours sincerely

Eddie Smith

Chairman

2008-2009 HIGHLIGHTS

- Impress' share of production increased 275% to 113,328 barrels of oil compared to 30,254 barrels in 2007/08 due to the full impact of the Growler Field production. Revenue from oil sales increased 144% to \$8,837,345 from \$3,627,146 in the previous year, despite the dramatic fall in oil prices in the first half of 2009.
- Completion of two successful capital raisings in combination with greatly increased production revenue has placed the company in a strong end of year cash position with just over \$7 million cash at hand. The continuing growth in cash flow from production operations at Growler and the planned future production from Snatcher now sees the Company well positioned to internally fund future foreseeable growth.
- Extremely successful three well appraisal/development drilling program at the Growler Field proved good quality reservoir systems exist in the Birkhead Formation and substantially upgraded reserves resulting in an expansion to the capacity of surface facilities.
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- Expansion of the Growler surface facilities in June 2009 to 2,000 BOFD. The works included additional storage and fluid separation, additional water handling capacity, an upgraded oil loading facility and additional accommodation capacity.
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- Investment in the areally extensive Mollichuta 3D seismic survey which was specifically designed to image channel sandstones within the Birkhead Formation such as those intersected by the Growler and Snatcher wells. The survey will provide a strong platform for future drilling in the Western Oil Fairway.
- Unfortunately, a recent illness to our Executive Chairman and major shareholder, Eddie Smith, has meant that he has had to step back from day-to-day involvement in the Company's affairs. The Board wishes him a full recovery. However, in his temporary absence the Board have taken a number of steps to ensure that Impress' emergence as a significant oil producer remains on track. These include appointment of Greg Smith as Acting Chief Executive Officer and Alternate Director to Eddie Smith, Mr Les Longden, an existing non-executive director as Executive Director Corporate, assisting the Chief Executive Officer and a new independent director, Bernard Crawford.

CORPORATE ACTIVITY

On 23 October 2008, Impress Energy Limited (Impress) issued 42,105,275 fully paid ordinary shares raising \$1,600,010 (before capital raising costs). The fund raising consisted of a placement of \$1,000,000 at 3.8 cents per share, and a Share Purchase Plan (SPP) with the first \$600,000 underwritten by the Directors at 3.8 cents per share. The SPP was supported by 54 shareholders, raising \$178,010 with the balance of \$422,000 supported from the Directors' \$600,000 underwriting commitment.

On 22 May 2009, the Company issued 196,963,256 fully paid ordinary shares raising \$5,908,898 (before capital raising costs) through a rights issue to shareholders and through a placement to sophisticated investors.

PRODUCTION ACTIVITY

**PRL 15 Growler Field, Cooper Basin, South Australia
40% Working Interest**

The Growler Field, located on the western side of the Cooper Basin, was discovered by Growler-1 in 2006 and has been successfully appraised by four wells all of which have been completed as oil producers. The field has been on Extended Production Test (“EPT”) since March 2008 and cumulative production to the end of June 2009 was 272,965 barrels of oil. Until recently, the production level from the field has been restricted by surface facility constraints which limited production to 1,000 barrels of fluid per day (BOFD).

The Growler Field is contained within Petroleum Retention Licence 15 (PRL 15) which was granted on 6 May 2008. The retention licence will be converted to a production licence once the full field extent has been established.

The field commenced production in March 2008 from two wells (Growler-1 and Growler-2) at a combined pumping rate of 200 BOPD, and this rate was sustained, with only minor amounts of water production and no significant drop in reservoir pressure, until September 2008. Encouraged by the initial results of the testing program, the Joint Venture agreed in July 2008 to further appraise the field and Growler-4, followed by Growler-3, were drilled in August and September 2008. Both wells encountered

full oil columns in the Birkhead Formation with reservoir sandstones that were much better developed than those in the original wells. Growler-3, for example, flowed at a rate of 1,673 BOPD on a one inch choke during a Drill Stem Test.

Consequently, the Joint Venture agreed to drill Growler-5 on the eastern side of the field following the completion of the wildcat exploration program in the surrounding exploration permit PEL 104. Growler-5 was drilled in December 2008 and also encountered well developed sandstones in the Birkhead Formation with a full oil column. The well appraised the eastern side of the structure and the successful intersection of a full oil column enabled booking of additional reserves into the Proved and Probable category. The well is currently producing over 500 BOPD under natural flow.

The Growler-3, 4 and 5 wells have been completed and are producing to the Growler Production facility under natural flow on restricted chokes, although Growler-4 was placed on pump in late August 2009. By the end of June 2009, the best well, Growler-3 had produced over 140,000 barrels of oil since coming on line in late September 2008.

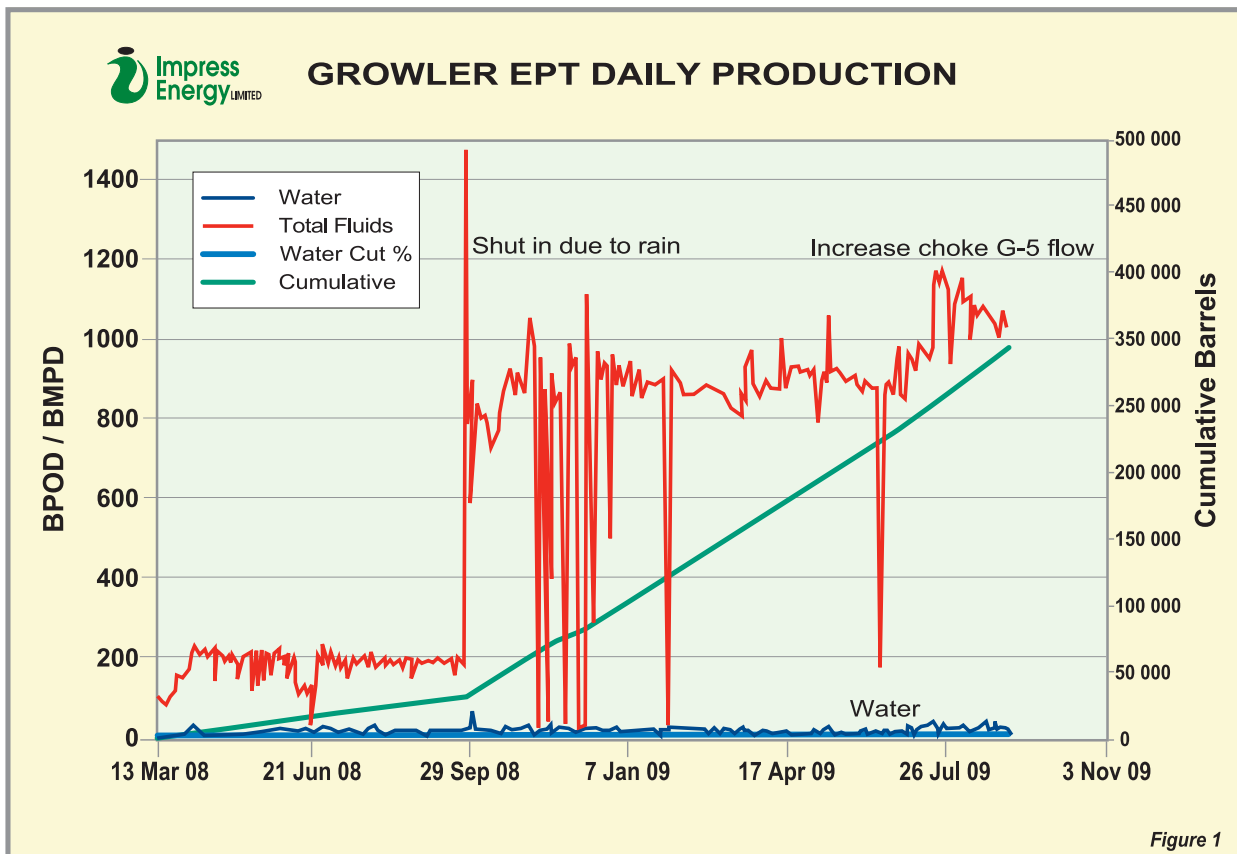


Figure 1

The Growler surface facilities, which had been designed for the EPT and which were not a full production facility, restricted overall production from the field to approximately 1,000 BOFD. Consequently, the Joint Venture agreed in late 2008 to expand the facility's capacity to 2,000 BOFD. The works were completed in June 2009 and included additional storage and fluid separation, additional water handling capacity, an upgraded oil loading facility and additional accommodation for the field operators and oil transportation crews.

During the third quarter of 2009 the wells will be selectively tested at variable choke sizes to determine the optimum rate for each well. All produced oil is trucked along the Growler Production Road, then via Santos roads, to the Santos main production facility at Moomba.

The oil column at the Growler Field has a height which is larger than the size of the closure that can be mapped on the basis of the existing 2D seismic data. Therefore, the ultimate areal extent of the field is yet to be determined. Consequently, reserves for the field have been assigned on the basis of representative drainage circles around each well. The size of these circles has been determined by analysis of the field development practices used by other operators of analogous oil fields in the Cooper Basin.

The Joint Venture has agreed that a more formal reserves determination will be made for the field once the final processed Mollichuta 3D seismic survey data, (see discussion under Exploration Activity on page 7) which will be received in the third quarter of 2009, has been analysed.

PPL 213 Mirage Field and PPL 214 Ventura Field, Cooper Basin, South Australia 40% Working Interest

The Mirage Field PPL 213 and Ventura Field PPL 214 production licenses were granted on the 25 August 2006. PPL 213 and PPL 214 are two separate production permits located within PEL 115. The Company withdrew from PEL 115 at the end of 2007.

Although production from these fields is marginal, it is still profitable at current oil prices and exchange rates. Over the past twelve months production from the three wells online, Mirage-1, Mirage-4 and Ventura-1 has stabilised at approximately 80 BOPD in total. The Mirage and Ventura Oil Fields produced a gross 29,473 barrels of oil for the period 1 July 2008 to 30 June 2009, with Impress' share of production being 11,789 barrels of oil. Even after provision for the workover of Mirage-1 and the unsuccessful water web treatment of the same well at a cost to the Joint Venture of \$410,000, the Impress profit from the field was \$350,000 before amortisation and impairment write offs.

Cumulative production to the end of June 2009 is now 304,000 barrels from both fields. Individual decline curve analyses for each well undertaken in late July indicate that remaining recoverable reserves (without using an economic cut off) are between 73,000 barrels and 123,000 barrels of oil. This

represents three to six years of remaining production life but the economic cut off for the field is very dependent on the oil price and exchange rate. At the budgeted oil price and exchange rate (AUD\$68/bbl) operating costs are slightly over \$50 per barrel. Current capitalised expenditure by Impress against the fields is \$7.72 million.

The Operator, Victoria Petroleum NL, has recently submitted a budget that provides for field life to continue at least to the end of July 2010, with the fields producing a further 27,000 barrels of oil providing net revenue to Impress of \$175,000 over the 2009/10 budget year. Notwithstanding the above, the Operator is continually monitoring field production with a view to suspending operations should production levels become uneconomic and the budget contains a contingent provision of \$1,250,000 for abandonment costs which includes the plugging and abandonment of 5 wells (Mirage-1 to 4 and Ventura-1) and site restoration.

A major review of the Mirage and Ventura oil fields was undertaken by the Joint Venture in 2007. This review resulted in an upgrading of proved and probable recoverable volumes to an estimated 1.59 million barrels of which 543,000 barrels was considered to be in the proved, developed category and recoverable from existing wells. This figure compares with the current estimate of proved developed reserves of between 378,000 barrels and 428,000 barrels of oil after taking into account already produced oil. The reason for the decrease in the proved developed reserve figure is the poorer than expected performance of the main producing well, Mirage-1, which exhibited steep production declines in 2007 and 2008. However, production from all wells has shown a tendency to flatten out during the last twelve months.

The review put forward a two stage field development plan in conjunction with the reserves report to determine optimal future production well locations and required economic flow rates.

A three well Stage One drilling program of \$6 million was expected to result in an additional 300 BOPD production and would have booked about half of the proved undeveloped reserve. Since the report was written, the Joint Venture has been reluctant to proceed with this next stage of drilling because of the experience of the tight reservoir conditions in earlier Mirage wells; the difficulty in predicting reservoir trends given that the thin reservoir is beyond seismic resolution; and the decision to concentrate effort and scarce capital on the Western Oil Fairway and Growler Field.

In view of the reduction in the proved developed reserves for the two fields, there has been a significant write down made to the balance sheet. The impairment of \$6.7 million reflects the write down of capitalised cost associated with the existing wells and surface facilities. Provision has also been made in the accounts for the abandonment of the fields and surface restoration even though this is unlikely to occur in the forthcoming year at current production levels and oil prices.

The total reserves attributable to the fields as currently defined are 377,700 barrels. As at the end of 2008 the reserve base attributable to the Mirage and Ventura Fields was 1,160,000 barrels. The revised reserve base of 377,700 barrels (produced oil plus remaining 1P proven developed reserves), results in a write down of 782,300 barrels. The write down has been treated as an impairment on the Income Statement as at 30 June 2009. After the impairment charge of \$6.66 million, the capitalised expenditure is \$1.06 million.

EXPLORATION ACTIVITY

Cooper Basin Onshore South Australia

Impress has a 40% interest in four Exploration Permits (PELs 87, 104, 111 and 424), one Petroleum Retention License (PRL 15) and two Production Licenses (PPL 213 and 214). The permits cover over 2,000 square kilometres of the prospective Cooper/Eromanga Basins where oil and gas discoveries of over 11 TCF and 320 million barrels of liquids have been found in a range of reservoirs ranging in age from Early Permian to Cretaceous. Most of the oil reserves have been found in reservoirs of Jurassic age flanking the principal Permian depocentres.

The "Western Oil Fairway" is an emerging oil province which flanks the Permian Patchawarra trough. The part of the fairway over which Impress has interests, namely PEL 104, PEL 111 and PRL 15 contains seven oil fields. These are the Growler (on production), Wirraway, Warhawk, Tigercat, Snatcher, Charo (on production) and Callabonna Oil Fields. The latter two fields are operated by Santos and fall in PPLs 176 and 177 respectively, which are encompassed by the larger exploration permits in which Impress holds a 40% interest. All of the oil production in the Impress area is obtained from sandstones within the Middle Jurassic Birkhead Formation.

During the past seven years, exploration by such companies as Victoria Petroleum (the Operator of the Impress permits), Beach Petroleum, Cooper Energy, Stuart Petroleum and renewed activity by the Basin's principal operator Santos, have discovered or successfully appraised twelve oil fields along the fairway. The fields, including the recently commissioned Callawonga and Parsons Fields have produced over 2.5 million barrels of oil to date. Current production from the entire trend is in excess of 5,000 BOPD and will increase later in 2009 as the Tigercat and Snatcher Oil Fields, operated by Victoria Petroleum and in which Impress holds a 40% interest, are brought on to production.

All operators along the fairway have active exploration programs including drilling, that are either planned, or underway, over the next twelve months. The drilling program has been preceded by

a period of 3D seismic acquisition which includes the 264 square kilometre Mollichuta 3D seismic program recently completed by Victoria Petroleum on behalf of the Joint Venture. The new activity has also led to the provision of new infrastructure such as the Parsons to Sellicks oil flow line operated by Beach Petroleum and the Growler Development Road operated by Victoria Petroleum.

The Impress permits and licences are prospective for oil and gas and contain an extensive portfolio of prospects and leads covering the whole spectrum of exploration targets ranging from low risk/moderate reward to lightly explored/high reward. Since exploration of the part of the fairway covered by Impress interests commenced in the mid 1980s, twelve wildcat wells have been drilled resulting in seven discoveries, which is a wildcat success ratio of 58.3%. More recently, the Joint Venture has drilled eight wildcat wells resulting in five discoveries which is a wildcat success rate of 62.5%. These success rates, which are high by exploration standards in the oil industry, have mostly been achieved despite often less than adequate seismic coverage. It is therefore anticipated that the current wildcat success rate may be increased given the new 3D seismic data recently acquired.

The 2008 drilling program commenced on 7 August 2008 with the drilling of the Growler-4 development well, followed by the Growler-3 appraisal well in PRL 15. Following Growler-3, four exploration wells were drilled in PEL 104 and PEL 111. The wells were Tigershark-1 (P and A oil shows), Warhawk-1 (C and S, oil), Tigercat-1 (C and S, oil) and Stormbird-1 (P and A, oil shows). Before being demobilised, the Century Rig No 2 completed the drilling campaign by drilling the Growler-5 appraisal well in December 2008.

In June 2009, the Joint Venture drilled Snatcher-1 in PEL 111 with the Century Rig No 2 at a distance of approximately 900 metres from the Charo-3 well operated by Santos to test a stratigraphic concept. The well was located on 3D seismic. Snatcher-1 encountered a 15 metre oil column in well developed Birkhead Formation sandstone reservoirs. The well has subsequently been completed as an oil well and was followed by Snatcher-2 which is also a Birkhead oil discovery intersecting a 19 metre oil column 900 metres to the northwest of Snatcher-1. Both wells will be placed on production as pumping wells during the second half of 2009. Analysis of short term production test data from both wells indicates initial on pump per well between 400 BOPD and 500 BOPD.

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

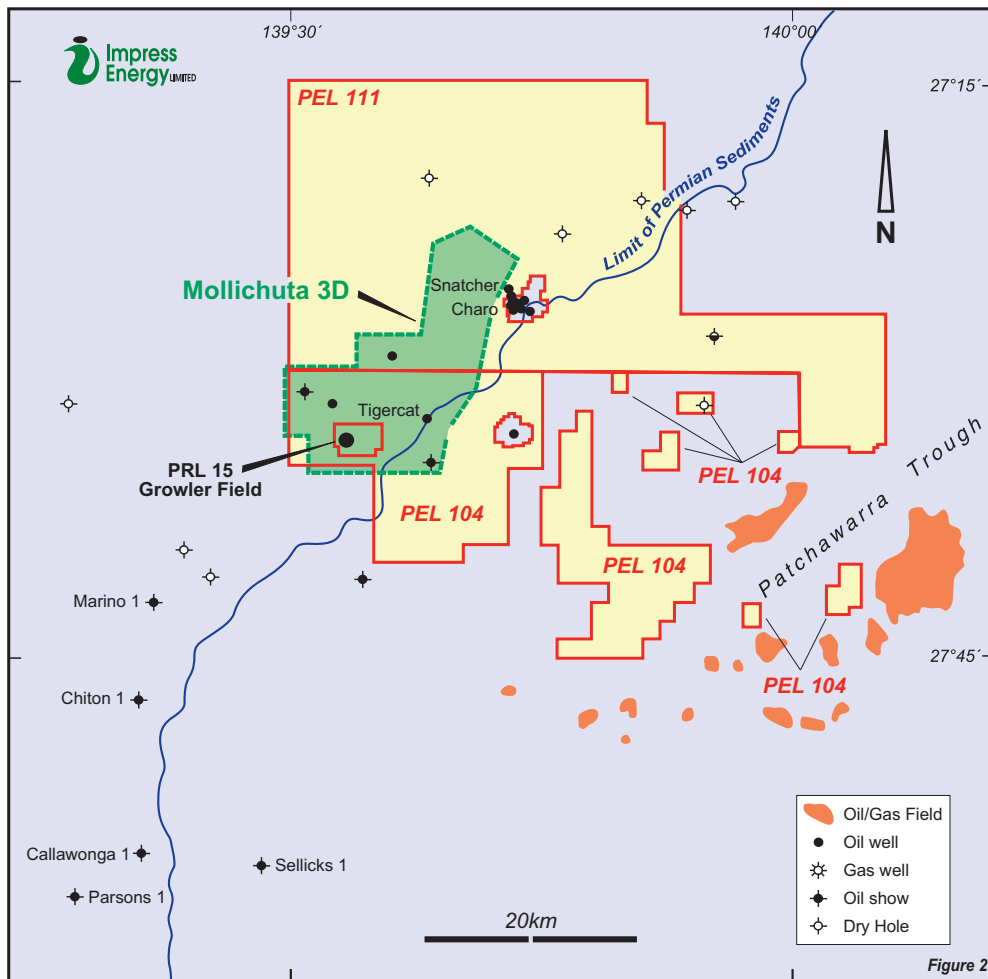
PEL 104 covers 519 square kilometres and is located on the Western Margin of the Cooper Basin. The permit forms part of the Western Oil Fairway that the Joint Venture has been appraising over the past year. The 2008 exploration drilling campaign of three wells (Tigershark-1, Tigercat-1 and Stormbird-1) satisfied the Permit Year 5 work commitments. Subsequently, the permit has been renewed for a second five year term following a compulsory relinquishment of 50% of the original permit area of 1,174 square kilometres under the South Australian Petroleum Act. The outline of the revised permit area is shown on Figure 2. All of the prospective Western Oil Fairway has been retained as have significant Permian gas targets located to the east of the oil fairway.

PRL 15 consisting of 13 square kilometres and containing the Growler Field, was excised from the permit in May 2008. The permit also surrounds the Santos operated Callabonna Oil Field in PPL 176 where Callabonna-1 recovered oil from the Birkhead Formation on a drill stem test. The Callabonna Field is not currently in production, however, 3D seismic was acquired by

Santos over Callabonna in late 2008. That part of the survey which extends into PEL 104 has been made available to the PEL 104 Joint Venture at no cost under the provisions of the Petroleum Act. The Christies, Sellicks and Callawonga Oil Fields operated by Beach Petroleum are located 40 kilometres to the southwest.

Impress considers the permit 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 permit.

The 2008 drilling program resulted in one Birkhead oil discovery (Tigercat-1) which is scheduled to be completed for an EPT during the third quarter of 2009. Tigercat-1 tested a structure 7.8 kilometres east of the Growler Production Facility. The well encountered an 18.5 metre oil column in the Birkhead Formation with fair to good reservoir properties in two main zones, but was not successfully tested for mechanical reasons. Seven metres of net pay within the oil column is indicated from wireline logging.



The Tigershark-1 and Stormbird-1 wells tested structures identified on the basis of 2D seismic data and although both wells encountered shows, neither well was deemed capable of production and they have been plugged and abandoned. The three wells satisfied permit work obligations.

Following the success of the Growler appraisal and development drilling program in encountering well developed channel sandstones within the Birkhead Formation, and given the uncertainties of structure and reservoir imaging on the basis of 2D seismic data, the Joint Venture committed to the 264 square kilometre Mollichuta 3D seismic program acquisition which commenced in the first quarter of 2009. The program covers parts of PEL 104 with additional coverage over PRL 15 and PEL 111.

Recording of the survey was completed in early April 2009 and the final processed data is expected to be available for interpretation by the third quarter of 2009. Part of the program, the outline of which is shown on Figure 2, was specifically designed to image the Birkhead Formation channel systems in the Growler, Wirraway and Warhawk areas by an increase in seismic effort. Elsewhere a more reconnaissance grid with wider line spacing was acquired. A small part of the survey, representing less than 5% of the survey area was affected by limited vehicular access around a Dieri aboriginal heritage area at Mollichuta Waterhole on the Coopers Creek north of the Wirraway discovery. Seismic cables were hand carried through this area.

The previously announced farmout of interests in Permian prospects to the east of the fairway to Odin Energy in exchange for the drilling of two wells did not materialise when Odin Energy were unable to meet their obligations. The withdrawal of Odin Energy required the Joint Venture to drill Stormbird-1 in order to satisfy permit work obligations.

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

PEL 111 is located on the Western Margin of the Cooper Basin and covers 1,174 square kilometres. The permit is located to the north of, and adjacent to, PEL 104. The permit surrounds the Santos operated Charo Oil Field which is currently in production from the Birkhead Formation from two wells. The permit is 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 permit.

As discussed in the report for PEL 104, the Mollichuta 3D seismic survey covered the southern part of the permit. The survey data, which will be available for interpretation in the third quarter of 2009, has been designed to mature prospects for drilling and to identify channel sandstones within the Birkhead Formation.

Two wells, both oil discoveries, have been drilled in the permit in the last reporting year. The first of these, Warhawk-1, drilled in September 2008, encountered a 17 metre oil column in relatively poor quality Birkhead Formation sandstones. Two attempts to open hole test the reservoir section failed for mechanical reasons but wireline pressure sampling indicated moveable oil is present. Consequently, the well was cased and suspended as a potential future oil producer.

Snatcher-1 was drilled in June 2009 by the Century Rig No 2 close to the Santos operated Charo Field in PPL 176. The well was drilled to evaluate a potential intra Birkhead Formation channel defined by 3D seismic. The seismic was acquired by Santos and that part of the survey that covers PEL 111 was provided to the Joint Venture at no cost under the provisions of the Petroleum Act.

Snatcher-1 encountered a 15 metre oil column in well developed Birkhead Formation sandstones. An attempt to drill stem test the reservoir failed due to mechanical reasons but wireline pressure sampling showed moveable oil was present and a sample of 48 degree API oil was recovered. The well was cased as a potential oil well.

REVIEW OF OPERATIONS

Subsequent to the end of the reporting year, the well was completed using a workover rig and placed on a short term production test. During the testing the well flowed at rates of 218 BOPD on a 11/64 inch choke. In all, over 900 barrels of oil was recovered during these operations. It is planned to begin an EPT of Snatcher-1 in October 2009 with the well being placed on pump.

The Joint Venture also agreed to drill Snatcher-2, 908 metres to the northwest of Snatcher-1, to evaluate a separate sand body defined by the 3D seismic. This well spudded on 2 August

2009 and intersected a 19 metre oil column in well developed Birkhead Formation sandstones. The well has been completed as an oil well.

Snatcher-1 and Snatcher-2 have been credited as commitment wells against the permit year 5 work commitment of three wildcat wells. Under this commitment, there is one further exploration well to drill. It is expected that the location of the well will be selected from the new 3D seismic data.

Summary of 2008/2009 Wells Drilled

Well	Date drilled	Permit	Interest	Results
Growler-4	August 2008	PRL 15	40%	Completed as Birkhead Oil well, on production
Growler-3	August 2008	PRL 15	40%	Completed as Birkhead Oil well, on production
Tigershark-1	September 2008	PEL 104	40%	Plugged and abandoned, minor oil shows
Warhawk-1	September 2008	PEL 111	40%	Cased and suspended as potential Birkhead producer
Tigercat-1	September 2008	PEL 104	40%	Birkhead oil discovery, cased for future production
Stormbird-1	October 2008	PEL 104	40%	Plugged and abandoned, oil shows in Birkhead and Basement
Growler-5	December 2008	PRL 15	40%	Completed as Birkhead Oil well, on production
Snatcher-1	June 2009	PEL 111	40%	Completed as Birkhead oil well
Snatcher-2	August 2009	PEL 111	40%	Completed as Birkhead oil well

**PEL 87 & PEL 424, Cooper Basin South Australia
40% Working Interest**

An application to renew PEL 86, PEL 87 and PEL 89 as a single permit with a much reduced area and a minimal work commitment was submitted to PIRSA in November 2007. The permits were renewed as PEL 87 and a new permit PEL 424 in early 2008. These permits are peripheral to the main Cooper Basin Margin emphasis of the Company.

No work was conducted on these permits during the year.

Planned Future Wells

Snatcher-1 has been followed by Snatcher-2 which was drilled in August 2009. The wells have been cased and suspended as Birkhead oil wells and will be put on an EPT in October 2009.

Following analysis of the processed Mollichuta 3D data, the Joint Venture is considering a range of further drilling options for the last quarter of 2009 continuing into 2010. These include possible further drilling at the Growler Field, an additional Snatcher well (Snatcher-3), and appraisal of the Tigercat-1, Wirraway-1 and Warhawk-1 discoveries. An additional wildcat well in PEL 111 to satisfy permit work obligations is also planned.

Heron Resources/INCO Kalgoorlie Nickel Project

In the 1990s Impress was involved in mineral exploration in Western Australia. As part of a strategic review of operations conducted at the time, the company sold its interest in a number of nickel tenements to Centaur in exchange for a 10% free carried interest to production. The tenements are Prospecting Licenses 24/3179 to 24/3184 inclusive.

These tenements, and the Impress free carried interest, were subsequently acquired by Heron Resources Limited (ASX code HRR) and now form part of the larger Kalgoorlie Nickel Project (KNP) being developed by Heron in partnership with CVRD-INCO. Heron is an established nickel explorer in the Kalgoorlie district with BHP Billiton and INCO as major shareholders.

Impress will continue to monitor progress of the KNP and will advise shareholders on achievement of significant project milestones.

Your Directors submit their report for the year ended 30 June 2009.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows.

Eddie Smith (68)

Executive Chairman, Non-Executive Chairman effective 1 September 2009
Appointed 19 March 2003

Mr Smith was appointed as a Non-Executive Director on 19 March 2003 and subsequently as Chairman on 19 October 2004. On 1 July 2008 Mr Smith became an executive of the Company. Mr Smith is a Perth based investor with investments in resource type companies; he takes an active role in his investments including Directorships. His past Directorships have included companies with activities in Australia, the Middle East, Europe, Malaysia and Indonesia.

John Gillon (58)

Non-Executive Director
B. Com, B.Juris., LL.B
Appointed 5 September 2000

Mr Gillon has extensive corporate and commercial experience and continues to practice as a solicitor in corporate, commercial and property development.

Mr Gillon holds degrees in Commerce, Jurisprudence and Law. He has been a Fellow of the Australian Society of Certified Practising Accountants and is admitted to practice as a Barrister and Solicitor. Mr Gillon has been a director of a number of Australian listed companies with operations ranging from mineral resources, oil and gas, industrial and computer industries.

Les Longden (43)

Non-Executive Director, appointed Executive Director Corporate, 1 September 2009
BE (Hons), Grad Dip App. Fin, FAICD, F Fin.
Appointed 7 April 2008

Mr Longden has had 20 years experience in the commercial and technical aspects of the resources industry, primarily oil and gas, both in Australia and overseas in Asia, the Middle East and Europe. He graduated from the University of Western Australia with a BE (Hons) in 1987 and has subsequently completed a Graduate Diploma in Applied Finance and is a Fellow of the Australian Institute of Company Directors and the Financial Services Institute of Australasia.

Greg Smith (58)

Alternate Director, Acting Chief Executive Officer
BSc (Hons 1)
Appointed 19 June 2009

Greg Smith is a petroleum geologist with over 35 years of international and Australian experience in the petroleum exploration and development industry including senior management positions with companies such as Santos Limited and Arc Energy Limited where he gained experience in all the technical and commercial aspects of the petroleum business. Mr Smith has been providing commercial and technical advice to Impress through his consulting company Tanglin Exploration Pty Ltd since the end of 2005.

Bernard Crawford (46)

Non-Executive Director
B.Com, CA, ICAEW, MBA
Appointed 1 September 2009

Mr Crawford is a Chartered Accountant with over 20 years experience in the resources industry where he has held various positions in finance and management with NYSE, TSX and ASX listed companies. He holds a Bachelor of Commerce degree from the University of Western Australia, a Master of Business Administration degree from London Business School and is a Member of the Institute of Chartered Accountants in Australia and a Member of the Institute of Chartered Accountants in England & Wales.

Interests in ordinary shares and unlisted options of the company and related bodies corporate

At the date of this report, the interest of the Directors in the shares and options of Impress were:

Director	Number of ordinary shares	Unlisted options	Convertible notes
Eddie Smith	139,812,721	-	9
John Gillon	32,059,057	-	-
Les Longden	2,000,000	-	-
Greg Smith	1,498,772	5,000,000 *	-
Bernard Crawford	Nil	-	-

* Options expiring 1 December 2009, 4,000,000 have been vested at report date.

COMPANY SECRETARY

Ernie Myers

CPA

Appointed 1 April 2008

Mr Myers is an experienced Company Secretary of listed Australian companies and has held senior roles at Dragon Mining Limited, Fortuna NL and various other ASX listed entities. Mr Myers is a Certified Practising Accountant with over 30 years experience.

EARNINGS PER SHARE

Basic earnings per share	(1.170) cents
Diluted earnings per share	(1.170) cents

CORPORATE STRUCTURE

Impress Energy Limited is a company limited by shares that is incorporated and domiciled in Australia. Impress Energy Limited has prepared a consolidated financial report incorporating the entities that it controlled during the financial year, which are outlined in note 25 of the financial statements.

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year included:

- Exploration for oil and gas;
- Appraisal and development of oil and gas properties; and
- Production and sale of oil and petroleum.

EMPLOYEES

The consolidated entity employed 3 employees as at 30 June 2009 (2008: 3 employees).

DIVIDENDS

No dividends in respect of the current or previous financial year have been paid, declared or recommended for payment.

FINANCIAL REVIEW

Financial Overview

Operating Results for the Year

The consolidated loss for the year after income tax was \$7,005,193 (2008: \$2,305,258). Operating revenue for 2009 was \$8,837,345 (2008: \$3,627,146). This result was driven by the oil sales from the Mirage, Ventura and Growler Oil Fields.

Review of Financial Condition

As at the end of the 2009 financial year, cash levels were \$7,172,053 (2008: \$2,979,821). In October 2008 the Company completed a placement and a share purchase plan which raised \$1,600,010 (before capital raising costs) and in May 2009 the Company completed a rights issue and placement which raised \$5,908,898 (before capital raising costs). During the 2009 financial year, total assets increased to \$23,264,962 (2008: \$19,024,098) and Equity increased to \$18,289,231 (2008: \$17,574,246).

CAPITAL RAISINGS / CAPITAL STRUCTURE

During the year, the Company raised \$7,508,908 (before capital costs). The funds were allocated to:

- Funding exploration and development activities on the Cooper Basin Projects
- Additional working capital.

Placement, Share Purchase Plan and Rights Issue

The company issued 42,105,275 shares in October 2008 at an issue price of \$0.038 per share to raise \$1,600,010 (before capital raising costs). In May 2009 the company issued 196,963,256 shares at an issue price of \$0.03 per share to raise \$5,908,898 (before capital raising costs).

Summary of Shares / Options on Issue – 30 June 2009

As a result of the issue of shares and options, the Company has 796,186,358 listed shares on issue and 5,000,000 unlisted options. At the date of this report there were the following options on issue:

Number of options	Terms	Expiry date
5,000,000	Unlisted options exercisable at 5.5 cents granted 4,000,000 have vested to date	1 December 2009

Option holders do not have the right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in any other registered scheme.

Shares issued as a result of the exercise of Options

No shares were issued during the year on the exercise of options issued by the Company (2008: nil).

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial year and the period to the date of this report were as follows:

The company issued the following fully paid ordinary shares to raise funds for exploration and development activities as well as for working capital purposes:

Date	Number of shares	Price per share	Amount raised
	\$	\$	\$
23 October 2008	42,105,275	0.038	1,600,010
22 May 2009	196,963,256	0.03	5,908,898

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Snatcher-1 has been followed by Snatcher-2 which was spudded on the second of August 2009. The wells have been cased and completed as Birkhead oil wells and will be put on an EPT in October 2009.

The Joint Venture elected to complete Tigercat-1 for an EPT in the last quarter of 2009.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Further information on likely developments in the operations of the consolidated entity has not been included in this report because at this stage the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity. As Impress Energy Limited is listed on the Australian Securities Exchange, it is subject to the continuous disclosure requirements of the ASX Listing Rules which require immediate disclosure to the market of information that is likely to have a material effect on the price or value of Impress Energy Limited's securities.

ENVIRONMENTAL REGULATION

The consolidated entity is involved in an ongoing commitment to achieving high standards of environmental performance. The basis of these standards has been set through a combination of both government and industry efforts. In Australia, Commonwealth and State regulations govern the entity's operations. The consolidated entity strives to comply not only with all government regulations, but also maintain industry standards. This is in line with the current trend toward self-regulation in environmental monitoring.

As a non-operating Joint Venture partner, we are dependant upon the Operator to ensure and monitor that these high standards of sound environmental management systems have been developed and carried out. However, because this does not excuse the Company from its responsibilities, we have requested that the Operator keeps the Company informed of its policies and performance on site activities. The Operator has advised that it has a policy of exceeding regulated environment regulations.

During the financial year, no fines were imposed. No prosecutions were instituted and no notices of non-compliance with any applicable regulations were received from a regulatory body.

MEETINGS OF DIRECTORS

The number of meetings of the Directors held during the year and the number of meetings attended by each director was as follows:

DIRECTOR	ATTENDED	HELD
Eddie Smith	5	5
Doug Jendry (Resigned 14 August 2008)	2	2
John Gillon	5	5
Les Longden	5	5
Greg Smith (Appointed 19 June 2009)	-	-

COMMITTEE MEMBERSHIP

Remuneration Committee

Due to the size of the Company and limited number at any one time of executives and employees the Board resolved there was no need for a special committee and it was practical the Board undertook this task, with reference if required, to the appropriate consultants for guidance.

Audit Committee

The Company does not have a formal appointed Audit Committee. The Board resolved because of the size of the Company's operations it did not warrant the establishment of an Audit Committee.

It is the responsibility of each member of the Board and the Company Secretary to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with the effectiveness and efficiency of processing all of the Company's business units, also including the safe guarding of assets, the maintenance of proper accounting records, and the reliability of up to date financial information. The Board undertook this responsibility, with reference if required, to appropriate consultants for guidance.

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration**
- B Details of remuneration**
- C Service agreements**
- D Share based compensation**

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

A Principles used to determine the nature and amount of remuneration (Audited)

Remuneration Philosophy

The Remuneration policy of Impress is to establish remuneration practices that :-

- are consistent with the Company's goals and objectives;
- encourage directors and management to pursue the long-term growth and success of the Company within an appropriate control framework;
- deliver a level and composition of remuneration that is sufficient and reasonable and compares favourably with other employers in the industry;
- clearly define the relationship of remuneration to corporate and individual performance; and
- attract and maintain talented and effective directors and employees so as to encourage enhanced performance of the company.

Remuneration levels for directors, management and staff are competitively set to attract, retain and motivate appropriately qualified and experienced directors and management.

To date the Company remuneration packages have not included amounts based upon performance based criteria, but the Board notes that the future inclusion of such criteria in remuneration packages is now considered by the broader industry to be an appropriate means to help the Company build a more performance based culture and the objective of the Company's remuneration strategy.

Noting the industry trends, the Board is in favour of the total remuneration of executives, management and staff and dedicated consultants, to be performance based.

Future remuneration structures shall be designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of sufficiently motivating all management, staff and consultants to create value for shareholders.

The remuneration structures take into account:

- the capability and experience of the directors and management;
- the ability of directors and management to control the performance of the relevant area of responsibility;
- the performance of the company including:
 - the success of exploration and production activities;
 - compliance with regulatory regimes;
 - adherence to health, environment and safety policies;
 - the consolidated entity's earnings;
 - the growth in share price and returns to shareholders;
 - the level of performance benefits within each employee's remuneration package; and
 - the relative value of each component of the remuneration package.

Future remuneration packages shall consist of fixed remuneration in the base package (inclusive of superannuation), short-term performance benefits in the form of cash bonuses and if considered appropriate, may include long-term performance benefits in the form of share options.

Packages shall be tailored to individual employees in order to provide maximum encouragement to perform for the benefit of shareholders and will be designed to reflect labour market demands. The aim of future individual remuneration packages is to provide a balance between the immediate and long-term goals of Impress.

Existing remuneration packages consist of a fixed base salary, including superannuation and termination with an agreed option package based on KPI performance requirements. These have a fixed exercise price and date. All options issued have been subject to shareholder approval.

Remuneration, and the terms of employment, of all senior management have been formalised in service agreements. All remuneration paid to directors and management is valued at the cost to the Company and expensed.

Key Management Personnel Compensation

Non-Executive Directors

Total 2009 remuneration for all Non-Executive Directors is not to exceed the total approved by shareholders at the November 2007 Annual General Meeting of \$250,000 per annum.

The annual Executive and Non-Executive Directors fees payable for 2009 are:

	Base Emolument	Superannuation
	\$	\$
E Smith	140,000	12,600
J Gillon	35,000	3,150
L Longden	35,000	3,150
G Smith	11,200	-
D Jendry	8,750	788

Chief Executive Officer

Mr Greg Smith was appointed as Acting Chief Executive Officer on 19 June 2009.

B Details of remuneration (audited)

Amounts of remuneration

Details of the remuneration of the directors and the key management personnel (as defined in AASB 124 Related Party Disclosures) of Impress Energy Limited are set out in the tables on page 17.

The key management personnel of Impress Energy Limited includes the directors as per page 12.

There was no performance related remuneration payable to directors during the year.

Key management personnel of Impress Energy Limited

2009	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		SHARE-BASED PAYMENT	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Options	Total
Name	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors							
D Jendry	8,750	-	-	788	-	-	9,538
J Gillon	35,000	-	-	3,150	-	-	38,150
L Longden	35,000	-	-	3,150	-	-	38,150
Sub total	78,750	-	-	7,088	-	-	85,838
Executive Directors							
E Smith	140,000	-	-	12,600	-	-	152,600
G Smith (Appointed 19 June 2009)	11,200	-	-	-	-	-	11,200
Sub total	151,200	-	-	12,600	-	-	163,800
Other key management personnel							
E Myers *	30,000	-	-	-	-	-	30,000
Totals	259,950	-	-	19,688	-	-	279,638

* Paid to Resource Services International (Aust) Pty Ltd for company secretarial and corporate services. E Myers is a director of that company.

2008	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS		SHARE-BASED PAYMENT	
	Cash salary and fees	Cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Options	Total
Name	\$	\$	\$	\$	\$	\$	\$
Non-Executive Directors							
E Smith	40,002	-	-	47,200	-	-	87,202
D Jendry	-	-	-	27,250	-	-	27,250
J Gillon	27,083	-	-	563	-	-	27,646
L Longden	-	-	-	6,358	-	-	6,358
Sub total	67,085	-	-	81,371	-	-	148,456
Other key management personnel							
(i) E Buckovic	55,616	-	-	4,993	44,932	(59,922)	45,619
(ii) C Healy	53,520	7,500	-	5,943	-	-	66,963
Totals	176,221	7,500	-	92,307	44,932	(59,922)	261,038

(i) Resigned effective 10 October 2007.

(ii) Resigned effective 1 April 2008.

C Service agreements (audited)

Remuneration and other terms of employment for any executive are formalised in service agreements. Packages are tailored to individual employees in order to provide maximum encouragement to perform for the benefit of shareholders and are designed to reflect labour demands.

The aim of individual remuneration packages is to provide a balance between the immediate and the long-term goals of Impress Energy Limited.

D Share based compensation (audited)

Options and shares

To date, options or shares have been issued to directors and executives as part of their remuneration packages and have been subject to shareholders approval. This is no longer the case and any future packages will take into account any relevant legislation regarding these type of schemes.

In future, executive remuneration packages shall be mixed, consisting of fixed remuneration in the form of base salary package (inclusive of superannuation and any other benefits), short term and long term performance "at risk" benefits.

Packages will be tailored to individual employees in order to provide maximum encouragement to perform for the benefit of shareholders and will be designed to reflect labour demands. The aim of individual remuneration packages is to provide a balance between the immediate and the long-term goals of Impress Energy Limited.

The Board will set the "at risk" or Key Performance Indicators ("KPI") for all executives. The KPI will take into consideration measures relating to the Company, the relevant part of the business and the individual, and include but not limited to total shareholder returns, exploration and production activities, financial performance and risk strategy measures. The measures are chosen to align the individual reward to the KPI of the Company and to its strategy and performance.

There were no options or shares issued to directors or executives in the 2008/09 financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, Impress Energy Limited paid a premium to insure the directors and secretary of the Company and its Australian-based controlled entities.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving

a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Company has a policy of entering into Indemnity Deeds to indemnify directors and certain executives of the Company against all liabilities incurred in the course of or arising out of their employment with the Company and its controlled entities, except where the liability results wholly or in part from serious and wilful misconduct by the executive.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Impress Energy Limited adhere to strict principles of corporate governance. The Company's corporate governance statement is included on page 57 of this Annual Report.

AUDITOR INDEPENDENCE

The directors received the declaration included on page 19 of this Annual Report from the auditor of Impress Energy Limited.

NON-AUDIT SERVICES

The Board of Directors are satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Board of Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board of Directors prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

No fees for non-audit services were paid or payable to the external auditor during the year ending 2009.

Dated at West Perth, 14 September 2009.

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

G SMITH
Acting Chief Executive Officer

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

As lead auditor for the audit of the financial report of Impress Energy Limited for the year ended 30 June 2009, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C Cubitt

S C CUBITT
Partner

Perth, WA
Dated: 14 September 2009

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an
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International, an affiliation of independent
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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

IMPRESS ENERGY LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Impress Energy Limited ("the company"), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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ABN 35 965 185 036

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independent member firm of RSM
International, an affiliation of independent
accounting and consulting firms.



Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Impress Energy Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the financial year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Impress Energy Limited for the financial year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C Cubitt
S C CUBITT
Partner

Perth, WA
Dated: 14 September 2009

DIRECTORS' DECLARATION

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

1. the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (a) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2009 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, Company Accountant and the Company Secretary for the financial year ended 30 June 2009.

Dated at West Perth, 14 September 2009.

Signed in accordance with a resolution of the Directors.

G SMITH

Acting Chief Executive Officer

BALANCE SHEET

AS AT 30 June 2009

	NOTE	CONSOLIDATED		COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
CURRENT ASSETS					
Cash and cash equivalents	5	7,172,053	2,979,821	5,974,109	1,354,475
Trade and other receivables	6	2,790,440	1,565,131	23,768	6,988
Total Current Assets		9,962,493	4,544,952	5,997,877	1,361,463
NON CURRENT ASSETS					
Receivables	6	14,019	14,019	12,912,630	14,436,814
Financial assets	7	-	3,500	2,415,003	2,418,503
Plant and equipment	8	32,494	49,336	32,494	49,336
Exploration and evaluation expenditure	9	4,710,133	1,520,927	-	-
Oil properties	10	8,545,823	12,891,364	-	-
Total Non Current Assets		13,302,469	14,479,146	15,360,127	16,904,653
Total Assets		23,264,962	19,024,098	21,358,004	18,266,116
CURRENT LIABILITIES					
Trade payables	11	804,097	329,259	37,139	51,277
Provisions	12	123,659	4,475	3,659	4,475
Interest bearing liabilities	13	1,800,000	-	1,800,000	-
Total Current Liabilities		2,727,756	333,734	1,840,798	55,752
NON CURRENT LIABILITIES					
Provisions	12	1,020,000	480,000	-	-
Interest bearing liabilities	13	1,227,975	636,118	1,227,975	636,118
Total Non Current Liabilities		2,247,975	1,116,118	1,227,975	636,118
Total Liabilities		4,975,731	1,449,852	3,068,773	691,870
Net Assets		18,289,231	17,574,246	18,289,231	17,574,246
EQUITY					
Contributed equity	14	46,169,042	38,448,864	46,169,042	38,448,864
Accumulated losses		(27,879,811)	(20,874,618)	(27,879,811)	(20,874,618)
Total Equity		18,289,231	17,574,246	18,289,231	17,574,246

The accompanying notes form part of the financial statements.

INCOME STATEMENT

for the year ended 30 June 2009

	NOTE	CONSOLIDATED		COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
REVENUE					
Revenue from sale of oil	2	8,837,345	3,627,146	-	-
Other revenues	2	132,949	686,164	61,713	120,596
Total Revenue	2	8,970,294	4,313,310	61,713	120,596
EXPENSES					
Administrative expenses		422,216	548,686	421,575	535,970
Occupancy expenses		66,655	76,201	66,655	76,201
Consulting fees		155,501	523,853	30,000	22,500
Depreciation expenses	8	18,592	20,956	18,592	20,956
Borrowing expenses		334,127	95,611	334,127	95,611
Directors fees		238,438	148,456	238,438	148,456
Foreign exchange loss	3	14,830	5,885	-	-
Amortisation of oil properties	10	1,722,345	1,385,288	-	-
Impairment of oil properties	10	6,662,941	-	-	-
Exploration and evaluation expenditure written off	9	2,728,849	2,392,101	-	-
Production expenses		3,572,729	1,428,924	-	-
Other expenses	3	(1,236)	52,529	5,918,019	1,586,082
Share based payments	19	39,500	(59,922)	39,500	(59,922)
Total Expenses		15,975,487	6,618,568	7,066,906	2,425,854
LOSS BEFORE INCOME TAX EXPENSE		(7,005,193)	(2,305,258)	(7,005,193)	(2,305,258)
Income tax expense	4	-	-	-	-
LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT		(7,005,193)	(2,305,258)	(7,005,193)	(2,305,258)
Basic earnings per share (cents)	20	(1.170)	(0.450)		
Diluted earnings per share (cents)	20	(1.170)	(0.450)		

The accompanying notes form part of the financial statements.

CASH FLOW STATEMENT

for the year ended 30 June 2009

	NOTE	CONSOLIDATED		COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		7,634,681	2,947,202	5,865	-
Payments to suppliers and employees		(4,414,684)	(2,962,305)	(777,603)	(870,536)
Interest received		114,566	685,883	43,330	120,315
Interest paid		(285,815)	(75,834)	(285,815)	(75,834)
Net cash (outf ow) inf ow from operating activities	26	3,048,748	594,946	(1,014,223)	(826,055)
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for exploration and development expenditure		(8,885,444)	(4,216,820)	-	-
Proceeds from plant and equipment		110	-	110	-
Payments for plant and equipment		(1,860)	-	(1,860)	-
Loans to controlled entities		-	-	(4,395,071)	(4,119,647)
Net cash (outf ow) from investing activities		(8,887,194)	(4,216,820)	(4,396,821)	(4,119,647)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of shares		7,508,908	2,863,223	7,508,908	2,863,223
Transactions cost from issue of shares	14	(78,230)	(163,161)	(78,230)	(163,161)
Proceeds from borrowings		2,600,000	-	2,600,000	-
Transactions cost from convertible note issue		-	(35,000)	-	(35,000)
Net cash inf ow from financing activities		10,030,678	2,665,062	10,030,678	2,665,062
Net increase/(decrease) in cash held		4,192,232	(956,812)	4,619,634	(2,280,640)
Cash at beginning of the year	5	2,979,821	3,936,633	1,354,475	3,635,115
CASH AT END OF THE YEAR	5	7,172,053	2,979,821	5,974,109	1,354,475

The accompanying notes form part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 30 June 2009

	NOTE	CONSOLIDATED		COMPANY	
		2009	2008	2009	2008
		\$	\$	\$	\$
ISSUED CAPITAL					
Opening balance		38,448,864	35,754,230	38,448,864	35,754,230
Shares issued (net)		7,680,678	2,700,062	7,680,678	2,700,062
Share based payments		39,500	(59,922)	39,500	(59,922)
Equity component of convertible notes		-	54,494	-	54,494
Closing balance	14	46,169,042	38,448,864	46,169,042	38,448,864
ACCUMULATED LOSSES					
Opening balance		(20,874,618)	(18,569,360)	(20,874,618)	(18,569,360)
(Loss) for the year		(7,005,193)	(2,305,258)	(7,005,193)	(2,305,258)
Closing balance		(27,879,811)	(20,874,618)	(27,879,811)	(20,874,618)
TOTAL EQUITY					
Opening balance		17,574,246	17,184,870	17,574,246	17,184,870
Shares issued (net)		7,680,678	2,700,062	7,680,678	2,700,062
Share based payments		39,500	(59,922)	39,500	(59,922)
Equity component of convertible notes		-	54,494	-	54,494
(Loss) for the year		(7,005,193)	(2,305,258)	(7,005,193)	(2,305,258)
Closing balance		18,289,231	17,574,246	18,289,231	17,574,246

The accompanying notes form part of the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, including Australian Accounting Interpretations and the Corporations Act 2001.

The financial report was authorised for issue by the Board on 14 September 2009.

Compliance with IFRS

Australian Accounting Standards include Australian equivalents to International Financial Standards (AIFRS). Compliance with AIFRS ensures that the consolidated financial statements and notes of Impress Energy Limited comply with International Financial Reporting Standards (IFRS).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Going concern

As disclosed in the financial statements, the parent and consolidated entities each recorded a loss of \$7,005,193 (2008:\$2,305,258) for the year ended 30 June 2009, after booking impairment charges of \$5,919,255 (2008:\$1,533,553) and \$6,662,941 (2008:\$Nil) respectively. The parent and consolidated entities at balance date had: net current assets of \$4,157,079 (2008:\$1,305,711) and \$7,234,737 (2008:\$4,211,218) respectively; and net cash flows from operating activities of \$3,048,748 (2008:\$594,946) and net cash outflows from operating activities of \$1,014,223 (2008: \$826,055) respectively. The consolidated entity had commitments to joint venture operations of approximately \$3,300,000 (Note 15). The Directors believe, after taking account of these financial conditions, that the going concern basis of accounting, for the parent and consolidated entities is appropriate, which has been determined after consideration of the following factors:

- Except for the impairment charge, which relates to the Mirage and Ventura wells, discussed above and disclosed in Note 10, the consolidated entity's revenue from oil sales from the Growler field has contributed to the increase in the current year to \$8,837,345 from that recorded in 2008 of \$3,627,146, as disclosed in Note 2 and production income is to increase in succeeding years, as further fields in the Growler area come on-stream;
- Relating directly to the increased derivation of revenue discussed above, the consolidated entity's cash flow budget in the period from the date of this financial report through to December 2010, discloses that oil sales from the existing Growler field and the prospective Snatcher and Tigercat fields, will be sufficient to fund further development of the fields, including joint venture commitments, and the repayment of \$2,600,000 against the existing debt facility at 30 June 2009, that is disclosed in Note 13; and
- The ability, if required to dispose of interests in exploration and development assets.

Accordingly, the Directors believe there is a reasonable expectation that the parent and consolidated entities will obtain sufficient cash flows to enable them to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial statements.

NOTES

to the Financial Statements 30 June 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Impress Energy Limited ("Company" or "parent entity") as at 30 June 2009 and the results of all controlled entities for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholder of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Impress Energy Limited.

Joint Ventures - Jointly controlled assets

The proportionate interests in the assets, liabilities and expenses of a joint activity have been incorporated in the financial statements under the appropriate headings.

(c) Income tax

The charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax base 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 profit 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.

(d) Plant and equipment

Plant and equipment is carried at cost or fair value less, where applicable, any accumulated 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.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)****Depreciation***

The depreciable amount of all fixed assets is depreciated on a straight-line basis over their useful lives to the entity commencing from the time the asset is held ready for use.

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

Plant and equipment: 2.5% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date and where adjusted, shall be accounted for as a change in accounting estimate. Where depreciation rates or method are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

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.

(e) 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 unsuccessful exploration in the area of interest 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 plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the 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 of the costs are accounted for 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.

Change in accounting policy

The consolidated entity has changed its exploration expenditure policy for year ended 30 June 2009 and is now recognising seismic costs for the Mollichuta 3D survey. These costs are recognised subject to the limitation as applied to other capitalised costs in 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.

NOTES

to the Financial Statements 30 June 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Management believes that this will result in the financial report providing reliable and more relevant information about the entity's financial performance and financial position. The impact of the change in accounting policy has led to additional capitalised cost being carried forward by \$1,466,153. The effect of the change is detailed below.

Financial year ending	Net profit/(loss) under previous policy	Effect of change in accounting policy	Net profit/(loss) under current policy
2009	\$(8,471,346)	\$1,466,153	\$(7,005,193)

Management has assessed the impact had the change in accounting policy been applied retrospectively and have concluded that the change is not material as seismic costs in prior periods could not be carried forward on that basis that these costs were not expected to be recouped through successful development of the respective area of interest at that time.

(f) 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 method 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 the Company's consultant, Director of Tanglin Exploration Pty Ltd, Greg Smith, BSc (Hons 1), MAAPG, with over 35 years experience in petroleum exploration and development, geology and geophysics.

(g) Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible available to known amounts of cash and which are subject to insignificant risk of changes in value and bank overdrafts.

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the amounts are not collectible according to the original terms of receivables.

(j) Inventories

Inventories are stated at the lower of cost and net realisable value.

(k) Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(l) Borrowing costs**

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(m) Provisions

Provisions are recognised when: the consolidated entity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Rehabilitation costs

The consolidated entity records the present value of the estimated cost of legal constructive obligations to restore operating locations in the period in which the obligation arises. The nature of rehabilitation activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk adjusted pre-tax discount rate appropriate to the risks inherent in the liability. The unwinding of the discount is recorded as an accretion charge within finance costs. The carrying amount capitalised in oil and gas properties is amortised over the useful life of the related asset.

Costs incurred which relate to an existing condition caused by past operators, and which do not have a future economic benefit, are expensed.

The estimated costs of rehabilitation are reviewed annually and adjusted as appropriate for changes in legislation, technology or other circumstances.

(n) Revenue recognition

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 is recognised upon delivery of the product to the customers receiving input facilities.

Interest income

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

(o) Employee Benefits***(i) Wages and salaries, annual leave and sick leave***

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(ii) Termination benefits**

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The consolidated entity recognises the termination benefits once a formal termination plan has been finalised or where a formal offer has been made to an employee in order to encourage voluntary redundancy. Benefits falling due more than 12 months after balance sheet date are discounted to present value.

(p) 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 become 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 dividend yield and the risk-free interest rate for the term of the option.

(q) Earnings per share

The company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(r) Goods and Services Tax (GST)

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.

(s) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and the 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 consolidated entity.

Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Exploration and evaluation

The consolidated entity's accounting policy for exploration and evaluation expenditure is set out in note 1(e). The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular the assessment of whether economic quantities of reserves may be found. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised expenditure under the consolidated entity's policy, management concludes that the consolidated entity is unlikely to recover the expenditure by future exploitation or sale, then the relevant capitalised amount will be written off to the income statement.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(ii) Impairment of assets**

In determining the recoverable amount of assets, in the absence of quoted market prices, estimations are made regarding the present value of future cash flows using asset-specific discount rates. For oil and gas properties, expected future cash flow estimation is based on reserves, future production profiles, commodity prices and costs.

(iii) Rehabilitation obligations

The consolidated entity's accounting policy for rehabilitation obligations is set out in note 1(m). The company estimates the future removal costs of wells and production facilities at the time of installation of the assets. In most instances, removal of assets occurs many years into the future. This requires judgmental assumptions regarding removal date, future environmental legislation, the extent of reclamation articles required, the engineering methodology for estimating future cost, future removal technologies in determining the removal cost, and a company discount rate to determine the present value of these cash flows.

(iv) Reserves estimates

Estimates of recoverable quantities of proven and probable reserves, that are used to review the carrying value of oil properties, include assumptions regarding commodity prices, exchange rates, discount rates, and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. The economic, geological and technical factors used to estimate reserves may change from period to period. Changes in reserves can impact asset carrying values, the provision for restoration and the recognition of deferred tax assets, due to changes in estimated future cash flows. Reserves are integral to the amount of amortisation charged to the income statement.

(t) New Accounting Standards and Interpretations

Since 1 January 2009, the Company has adopted the following Standards and Interpretations, mandatory for annual periods beginning on or after 1 January 2009. Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Company.

(i) AASB 101: Presentation of Financial Statements, AASB 2007-8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007-10:

Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefines the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the consolidated entity. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.

(ii) AASB 123: Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (AASB 1, AASB 101, AASB107, AASB 111, AASB 116 and AASB 138 and interpretations 1 and 12). Applicable for annual reporting periods commencing from 1 January 2009:

The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the consolidated entity as a policy of capitalising qualifying borrowing costs has been maintained by the consolidated entity standard from 1 July 2009.

(iii) AASB 2008-1: Amendments to Australian Accounting Standard Share based Payments: Vesting Conditions and Cancellations (AASB 2). Applicable for annual reporting periods commencing from 1 January 2009:

This amendment to AASB 2 clarifies that vesting conditions consist of service and performance conditions only. Other elements of a share-based payment transaction should therefore be considered for the purposes of determining fair value. Cancellations are also required to be treated in the same manner whether cancelled by the entity or by another party.

NOTES

to the Financial Statements 30 June 2009

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

- (iv) *AASB 8: Operating Segments and AASB 2007-3: Amendments to Australian Accounting Standards arising from AASB 8 (AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 and AASB 1038). Applicable for annual reporting periods commencing from 1 January 2009:*

AASB 8 replaces AASB 114 and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the Board for the purposes of decision making. While the impact of this standard cannot be assessed at this stage, there is the potential for more segments to be identified. Given the lower economic levels at which segments may be defined, and the fact that cash generating units cannot be bigger than operating segments, impairment calculations may be affected. Management does not presently believe impairment will result however.

NOTE 2 - REVENUE

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Revenue from Continuing Operations				
Sale of oil	8,837,345	3,627,146	-	-
	8,837,345	3,627,146	-	-
Other Revenues				
Interest received	127,084	181,310	55,848	120,596
Rental/Management income	5,865	-	5,865	-
Technical fees	-	504,854	-	-
	132,949	686,164	61,713	120,596
Total Revenue	8,970,294	4,313,310	61,713	120,596

NOTE 3 - EXPENSES

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Net Gains/(loss)				
Foreign exchange gain/(loss)	(14,830)	(5,885)	-	-
	(14,830)	(5,885)	-	-
Expenses				
Other expenses				
Impairment of financial assets	(420)	4,875	(420)	4,875
Provision for impairment of loan to controlled entity	-	-	5,919,255	1,533,553
Employee entitlements	(816)	2,722	(816)	2,722
Termination benefits	-	44,932	-	44,932
	(1,236)	52,529	5,918,019	1,586,082
Employees benefits expense *	197,927	168,831	197,927	168,831
Rental expense on operating leases	63,330	60,075	63,330	60,075

* Includes share based payments of \$39,500 expense (2008: \$59,922 reversal of expense)

NOTES

to the Financial Statements 30 June 2009

NOTE 4 - INCOME TAX EXPENSE

Prima facie income tax on operating (loss) is reconciled to the income tax benefit provided in the financial statements as follows:

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Prima facie income tax benefit on operating (loss) at 30%	(2,101,558)	(691,577)	(2,101,558)	(691,577)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
- Capital raising costs	(58,205)	(59,540)	(58,205)	(59,540)
- Share based payments	39,500	17,977	39,500	17,977
- Sundry items	12,932	-	12,932	-
Tax losses not brought to account as a deferred tax asset	2,107,331	733,140	2,107,331	733,140
Income tax expense	-	-	-	-
Total Tax Losses carried forward				
Income tax losses	24,335,550	19,961,201	24,335,550	19,961,201
Net capital losses	2,152,366	2,147,911	2,152,366	2,147,911
	26,487,916	22,109,112	26,487,916	22,109,112

Deferred tax asset calculated at 30% (2008: 30%) not brought to account:

The potential deferred tax asset, arising from tax losses and temporary differences (as disclosed above), has not been recognised as an asset because the recovery of tax losses and temporary differences is not considered probable.

Income tax losses	7,300,665	5,988,360	7,300,665	5,988,360
Net capital losses	645,710	644,373	645,710	644,373
	7,946,375	6,632,733	7,946,375	6,632,733

The potential deferred tax asset will only be obtained if:

- the relevant Company derives future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another Company in the consolidated entity in accordance with Division 170 of the Income Tax Assessment Act 1997;
- the relevant Company and/or consolidated entity continues to comply with the conditions for deductibility imposed by the Law; and
- no changes in tax legislation adversely affect the relevant Company and/or consolidated entity in realising the benefit.

Tax Consolidation System

The Company is the head entity in the tax-consolidated group comprising all the Australian wholly-owned controlled entities set out in note 25. The head entity recognises all of the current and deferred tax assets and liabilities of the tax-consolidated group (after elimination of intragroup transactions).

NOTE 5 - CASH ASSETS AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Cash at bank and in hand	3,172,053	1,705,785	1,974,109	80,439
Short term deposits	4,000,000	1,274,036	4,000,000	1,274,036
Total Cash Assets	7,172,053	2,979,821	5,974,109	1,354,475

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Cash on short term deposit is at call and earns interest at a weighted average interest rate of 3.75% (2008: 6.59%)

NOTE 6 - TRADE AND OTHER RECEIVABLES**Current**

(i) Accrued income	2,766,672	1,558,143	-	-
Other	23,768	6,988	23,768	6,988
Total Current	2,790,440	1,565,131	23,768	6,988

Non-Current

(ii) Loan to controlled entities	-	-	27,383,496	22,988,425
Less provision for impairment	-	-	(14,484,885)	(8,565,630)
	-	-	12,898,611	14,422,795
Rental Bond - Havelock Street, West Perth	14,019	14,019	14,019	14,019
Total Non-Current	14,019	14,019	12,912,630	14,436,814

i) Accrued income represents oil delivered to customers at balance date and invoiced subsequent to balance date.

ii) These receivables are non-interest bearing, unsecured and are repayable when sufficient funds are available. However these receivables are not expected to be repaid within the next 12 months.

NOTES

to the Financial Statements 30 June 2009

NOTE 7 - OTHER FINANCIAL ASSETS

Other (non-traded) investments

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Shares in controlled entities at cost	-	-	2,415,003	2,415,003
Less provision for impairment	-	-	-	-
	-	-	2,415,003	2,415,003
Shares in other corporations at cost	-	8,375	-	8,375
Less provision for impairment	-	(4,875)	-	(4,875)
	-	3,500	-	3,500
Total Other Financial Assets	-	3,500	2,415,003	2,418,503

NOTE 8 - PLANT AND EQUIPMENT

Net Carrying Amount:

Leasehold improvements at cost	3,989	3,989	3,989	3,989
Accumulated amortisation	(346)	(252)	(346)	(252)
	3,643	3,737	3,643	3,737
Plant and equipment at cost	59,045	60,435	59,045	60,435
Accumulated depreciation	(44,214)	(35,864)	(44,214)	(35,864)
	14,831	24,571	14,831	24,571
Software at cost	57,200	57,200	57,200	57,200
Accumulated depreciation	(43,180)	(36,172)	(43,180)	(36,172)
	14,020	21,028	14,020	21,028
Total net carrying amount	32,494	49,336	32,494	49,336

Movement during the year:

Carrying amount at beginning of year	49,336	70,292	49,336	70,292
Additions	1,860	-	1,860	-
Disposals	(110)	-	(110)	-
Depreciation	(18,592)	(20,956)	(18,592)	(20,956)
Carrying amount at end of year	32,494	49,336	32,494	49,336

NOTE 9 - EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Opening balance	1,520,927	5,011,869	-	-
Additions	9,757,907	4,388,005	-	-
Transfer to oil properties	(3,839,852)	(5,486,846)	-	-
Expenditure written off in current year	(2,728,849)	(2,392,101)	-	-
Closing Balance	4,710,133	1,520,927	-	-

The ultimate recoupment of costs carried forward for exploration and evaluation expenditure phases is dependent on the successful development and commercial exploitation or sale of the respective areas.

NOTE 10 - OIL PROPERTIES**Producing Oil Assets**

Opening Balance	12,891,364	8,780,991	-	-
Additions	199,893	8,815	-	-
Transfer from exploration and evaluation expenditure	3,839,852	5,486,846	-	-
Amortisation	(1,722,345)	(1,385,288)	-	-
Impairment	(6,662,941)	-	-	-
Closing Balance	8,545,823	12,891,364	-	-

The impairment charge was raised following a revision to the estimates of recoverable reserves at the Mirage and Ventura oil fields. Based on a reasonable decline curve analysis and current oil price assumptions, it is now estimated that the economic life of the fields will be approximately four years.

NOTE 11 - TRADE PAYABLES

Trade creditors	780,317	302,866	13,359	24,884
Accrued expenses	23,780	26,393	23,780	26,393
Total Trade Payables	804,097	329,259	37,139	51,277

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NOTE 12 - PROVISIONS

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Current				
Employee entitlements	3,569	4,475	3,659	4,475
Provision for rehabilitation	120,000	-	-	-
Total Current Provisions	123,659	4,475	3,659	4,475
Non-current				
Provision for rehabilitation	1,020,000	480,000	-	-
Total Non-Current Provisions	1,020,000	480,000	-	-
<i>Reconciliation of provision for rehabilitation:</i>				
Carrying amount at the beginning of the financial year	480,000	300,000	-	-
Provisions made during the year	720,000	180,000	-	-
Unused amounts reversed	(79,200)	-	-	-
Unwinding of present value discount	19,200	-	-	-
Carrying amount at the end of the financial year	1,140,000	480,000	-	-

Provision made for environmental rehabilitation is recognised where this is a present obligation as a result of exploration, development or production activities having been undertaken, and it is probable that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas. Because of the long-term nature of the liability, the biggest uncertainty in estimating the provision is the costs that will be incurred. In particular, the consolidated entity has assumed that restoration will use technology and materials that are available currently.

NOTE 13 - INTEREST BEARING LIABILITIES

Current

Unsecured loan – Smith Group	1,800,000	-	1,800,000	-
	1,800,000	-	1,800,000	-

Non Current

(i) Unsecured Convertible Notes	427,975	636,118	427,975	636,118
(ii) Unsecured loan – Smith Group	800,000	-	800,000	-
	1,227,975	636,118	1,227,975	636,118

- (i) The 9 (2008: 14) convertible notes each have a face value of \$50,000. Repayment of the convertible notes is due in September 2010.
(ii) Details of the Smith Group loan are disclosed in note 17.

On 19 May 2009, 5 convertible notes, of \$50,000 face value each, were exercised at the rate of 3 cents concurrent with a capital raising the Company was undertaking at the time.

On conversion the Company must issue to the note holder that number of Shares for the aggregate number of Convertible Notes being converted as determined in accordance with the following:

$$A = B / C$$

Where:

A = is the aggregate number of Shares to be issued (rounded down to the nearest whole number);

B = is the aggregate Face Value of the Convertible Notes (in dollars) being converted by the note holder into Shares;

C = is, at the election of the noteholder, a conversion rate of 8 cents or at the same price as any future capital raising carried out by the Company and on the same terms and conditions as offered to other investors.

NOTE 14 - CONTRIBUTED EQUITY

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Issued Capital				
796,186,358 (2008: 548,784,494)	46,169,042	38,448,864	46,169,042	38,448,864
Fully paid ordinary shares	46,169,042	38,448,864	46,169,042	38,448,864
			Issue price \$	Number of Shares
				\$
Movements in ordinary share capital				
Balance 30 June 2007			479,703,909	35,754,230
Shares returned on resignation of E Buckovic			(2,500,000)	-
Share based payments				
E Buckovic options vested 31 August 2007			-	33,035
Share based payments				
E Buckovic options not vested at resignation			-	(92,957)
Recognised value of convertible note			-	54,494
Share placement January 2008		0.04	71,580,585	2,863,223
Transactions cost from issue of shares			-	(163,161)
Balance 30 June 2008			548,784,494	38,448,864
Placement and share purchase plan October 2008		0.038	42,105,275	1,600,010
Options expense			-	39,500
Rights issue and placement May 2009		0.03	196,963,256	5,908,898
Five \$50,000 convertible notes converted to fully paid ordinary shares *		0.03	8,333,333	250,000
Transactions cost from issue of shares			-	(78,230)
Balance 30 June 2009			796,186,358	46,169,042

* Conversion of 5 convertible notes each of face value \$50,000 to issued capital.

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Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Ordinary shares issued as a result of the exercise of options, will rank equally and on the same terms and conditions as all other shareholders.

NOTE 15 - CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitments

Non cancelable operating lease commitments contracted for but not capitalised in the accounts payable:

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Not later than one year	33,558	76,776	33,558	76,776
Later than one year but not later than five years	-	32,638	-	32,638
	33,558	109,414	33,558	109,414

The consolidated entity is also committed to approximately \$3.3 million within the next 12 months on its interests in various joint venture operations.

NOTE 16 - KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Impress Energy Limited during the financial year:

- i) *Executive Chairman*
Eddie Smith
Greg Smith (Appointed as alternate director to E Smith 19 June 2009)
- ii) *Non-Executive Directors*
John Gillon
Les Longden
Doug Jendry (Resigned 14 August 2008)

(b) Key management personnel compensation

	CONSOLIDATED		COMPANY	
	2009	2008	2009	2008
	\$	\$	\$	\$
Short-term employee benefits	259,950	183,721	259,950	183,721
Post-employment benefits	19,688	137,239	19,688	137,239
Share-based payments	-	(59,922)	-	(59,922)
	279,638	261,038	279,638	261,038

The Company has taken advantage of the relief provided by the Corporations Regulations and has transferred the detailed remuneration disclosures to the directors' report. The relevant information can be found in sections A-C of the remuneration report on pages 15 - 18.

(c) Equity instrument disclosures relating to key management personnel*(i) Option holdings*

The number of options over ordinary shares in the Company held during the financial year by each Director of Impress and other key management personnel of the group, including their personally related parties are set out below:

Director	Balance at the start of the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
G Smith	5,000,000	-	5,000,000	4,000,000

No options are vested and unexercisable at the end of the year.

(ii) Share holdings

The numbers of ordinary shares in the company held during the financial year by each Director of Impress Energy Limited and other key management personnel of the consolidated entity, including their personally related parties, are set out below.

Directors	Balance at the start of the year	Conversion of Convertible Notes	Shares purchased during the year	Shares sold during the year	Transferred in as a result of becoming a Director	Balance at the end of the year
E S Smith	57,838,558	-	81,974,163	-	-	139,812,721
J Gillon	15,943,425	8,333,333	7,782,299	-	-	32,059,057
L Longden	1,000,000	-	1,000,000	-	-	2,000,000
G Smith	-	-	-	-	1,498,772	1,498,772

(d) Loans to key management personnel

No loans were made to Directors of Impress Energy Limited or other key management personnel of the Group, including their personally related parties.

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(e) Other transactions with key management personnel

Interest paid on convertible notes held by related parties for the year ended 30 June 2009 was as follows:

Note holder	Related director	Face value	Purchase date	Conversion date	Interest paid during the year
Elcos Pty Ltd	Eddie Smith	\$250,000	11 Sep 05	11 Sep 10	\$25,000
Tristania Holdings Pty Ltd	John Gillon	\$250,000	11 Sep 05	19 May 09	\$22,917
Royal Sunset Pty Ltd	Eddie Smith	\$200,000	09 Sep 07	09 Sep 10	\$20,000

On 19 May 2009, 5 convertible notes, of \$50,000 face value each, were exercised at the rate of 3 cents concurrent with a capital raising the Company was undertaking at the time.

Interest paid on loans held by related parties for the year ended 30 June 2009 was as follows:

Loan	Related director	Loan amount \$	Transaction date	Interest paid during the year
Royal Sunset Pty Ltd	Eddie Smith	1,200,000	09 Oct 08	
		300,000	14 Nov 08	
		500,000	14 Jan 09	
Total Royal Sunset Pty Ltd		2,000,000		139,190
Burnal Pty Ltd	Eddie Smith	600,000	03 Feb 09	25,198
ES & J Smith Family Account	Eddie Smith	500,000	06 May 09	2,678
Repayment		(500,000)	22 May 09	
Balance of Facility 30 June 09		2,600,000		

NOTE 17 - RELATED PARTY TRANSACTIONS

Key Management Personnel

In August 2008 Director Eddie Smith, through his group of private companies, agreed to provide Impress Energy Limited with an unsecured drawdown facility of \$2 million on normal commercial terms and conditions including the payment of a facility fee of \$30,000. The loan was drawn down in three instalments commencing on the 9 October 2008. The funds were required to finance the drilling of Tigercat-1, Tigershark-1 and the deposit for the Mollichuta 3D seismic work.

In January 2009 the loan facility was extended for a further \$1.5 million (to give a total facility of \$3.5 million) to help finance the Mollichuta 3D seismic work and the drilling of Snatcher-1. A further facility fee of \$15,000 was paid on the 28 January 2009.

The loan is to be repaid from January 2010 in instalments of \$300,000 per month until the debt has been repaid.

Other disclosures relating to key management personnel are set out in Note 16.

Wholly-owned Group

The wholly-owned group consists of Impress Energy Limited and its wholly-owned controlled entities, Springfield Oil and Gas Pty Ltd and Impress (Cooper Basin) Pty Ltd. Ownership interests in these controlled entities are set out in note 25.

Transactions between Impress Energy Limited and other entities in the wholly-owned group during the years ended 30 June 2008 and 2009 consisted of:

- loans for the associated cash calls in PEL 87, PEL 104, PEL 111, PEL 115, PEL 424, PPL 213, PPL 214 and PRL 15 by Impress Energy Limited; and
- working capital provided by Impress Energy Limited to Springfield Oil and Gas Pty Ltd and Impress (Cooper Basin) Pty Ltd.

NOTE 18 - AUDITORS REMUNERATION

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Auditing or reviewing the financial report	39,500	35,000	39,500	35,000
	39,500	35,000	39,500	35,000

NOTE 19 – SHARE-BASED PAYMENTS

On 7 December 2007, 5,000,000 share options were granted to Impress consultant, Tanglin Exploration Pty Ltd, under the Employee Incentive Option Plan to take up ordinary shares at an exercise price of \$0.055 each. The options are exercisable on or before 1 December 2009. The options hold no voting or dividend rights and are not transferable.

Options granted to key management personnel are as follows:

Grant date	Number
7 December 2007	5,000,000

4,000,000 of these options vested on 31 October 2008. Further details of these options are provided in the Directors' Report. The options hold no voting or dividend rights and have not been listed.

The Company established the Share Option Scheme as a long-term incentive scheme to recognise talent and motivate executives to strive for group performance.

	Number	Weighted average Exercise price
Options outstanding as at 30 June 2007	33,000,000	13.03 cents
Granted	5,000,000	5.5 cents
Forfeited	(33,000,000)	(13.03 cents)
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2008	5,000,000	5.5 cents
Granted	-	-
Forfeited	-	-
Exercised	-	-
Expired	-	-
Options outstanding as at 30 June 2009	5,000,000	5.5 cents
Options exercisable as at 30 June 2009:	5,000,000	5.5 cents
Options exercisable as at 30 June 2008:	5,000,000	5.5 cents

The weighted average remaining contractual life of the options outstanding at year end was 6 months. The exercise price of outstanding shares at reporting date was \$0.055.

The fair value of the options granted is deemed to represent the value of the consulting services received over the vesting period.

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The weighted average fair value of options vested during the year was \$39,500 (2008: (\$59,922)). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	\$0.055
Weighted average life of the option:	2 years
Underlying share price:	\$0.037
Expected share price volatility:	98%
Risk-free interest rate:	4.25%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

NOTE 20 – EARNINGS PER SHARE

	CONSOLIDATED	
	2009	2008
Weighted average number of ordinary shares outstanding during the year used in the calculation of basic earnings per share	598,752,254	511,917,083
Weighted average number of ordinary shares outstanding, including convertible instruments and options used in the calculation of diluted earnings per share	598,752,254	511,917,083

NOTE 21 – SEGMENT REPORTING

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

NOTE 22 – FINANCIAL INSTRUMENTS

(a) Credit Risk Exposure

The credit risk on financial assets of the Company which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

(b) Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below. Exposures arise predominantly from assets and liabilities bearing variable interest rates as the Company intends to hold fixed rate assets and liabilities to maturity.

(c) Net Fair Value of Financial Assets and Liabilities

The net fair value of the financial assets and liabilities are the same as their carrying amount.

FIXED INTEREST MATURING IN:

2009	Note	Floating interest rate	1 year or less	over 1 to 5 years	more than 5 years	Non interest bearing	Total
		\$	\$	\$	\$	\$	\$
Financial assets							
Cash	5	7,172,053	-	-	-	-	7,172,053
Receivables	6	-	-	-	-	2,790,440	2,790,440
		7,172,053	-	-	-	2,790,440	9,962,493
Weighted average interest rate		3.75%	-	-	-	-	-
Financial liabilities							
Trade creditors and accrued expenses	11	-	-	-	-	804,097	804,097
Interest bearing liabilities	13	-	1,800,000	1,227,975	-	-	3,027,975
		-	1,800,000	1,227,975	-	804,097	3,832,072
Weighted average interest rate		-	11.50%	11.28%	-	-	-

FIXED INTEREST MATURING IN:

2008	Note	Floating interest rate	1 year or less	over 1 to 5 years	more than 5 years	Non interest bearing	Total
		\$	\$	\$	\$	\$	\$
Financial assets							
Cash	5	2,979,821	-	-	-	-	2,979,821
Receivables	6	-	-	-	-	1,565,131	1,565,131
		2,979,821	-	-	-	1,565,131	4,544,952
Weighted average interest rate		6.59%	-	-	-	-	-
Financial liabilities							
Trade creditors and accrued expenses	11	-	-	-	-	329,259	329,259
Interest bearing liabilities	13	-	-	636,118	-	-	636,118
		-	-	636,118	-	329,259	965,377
Weighted average interest rate		-	-	10%	-	-	-

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NOTE 23 - EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Short term production testing of Snatcher-1 flowed oil at the rate of 218 BOPD on an 11/64" choke. The well will be placed on EPT using a pump with production expected to commence in October 2009. Snatcher-2, located 908 metres to the northwest of Snatcher-1, was drilled in August and encountered a net 19 metres of pay in the Birkhead Formation. The well has been completed for production testing. Snatcher-2 is the second work commitment well in PEL 111.

The PEL 104 Joint Venture has also elected to complete Tigercat-1 for extended production testing in October 2009.

Both of the above events are expected to add significantly to production by the end of the 2009 calendar year.

NOTE 24 - INTERESTS IN JOINT VENTURES

The consolidated entity has various interests in joint ventures involved in the resource industry. The names of each joint venture and the percentage interest in each joint venture are:

- PEL 87 40% (2008: 40%)
- PEL 104 40% (2008: 40%)
- PEL 111 40% (2008: 40%)
- PEL 424 40% (2008: 40%)
- PPL 213 40% (2008: 40%)
- PPL 214 40% (2008: 40%)
- PRL 15 40% (2008: 40%)
- P24/3179, 3180, 3181, 3182, 3183, 3184 10% Free carried (2008: 10% Free carried)

Included in the assets and liabilities of the consolidated entity are the following items which represent the consolidated entity's interest in the assets and liabilities employed in joint ventures.

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Current Assets				
Cash assets	640,872	366,937	-	-
Total Current Assets	640,872	366,937	-	-
Non Current Assets				
Total Non Current Assets	-	-	-	-
Total Assets	640,872	366,937	-	-
Current Liabilities				
Payables	649,294	232,043	-	-
Total Current Liabilities	649,294	232,043	-	-
Total Liabilities	649,294	232,043	-	-
Net Assets	(8,422)	134,894	-	-

NOTE 25 - INVESTMENT IN CONTROLLED ENTITIES

Name of Entity	EQUITY HOLDING	
	2009 %	2008 %
Impress (Cooper Basin) Pty Ltd	100	100
Springfield Oil and Gas Pty Ltd	100	100

NOTE 26 - RECONCILIATION OF OPERATING (LOSS) AFTER INCOME TAX TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Operating (loss) after income tax:	(7,005,193)	(2,305,258)	(7,005,193)	(2,305,258)
Add/(less) non cash items:				
Amortisation and impairment of oil properties	8,385,286	1,385,288	-	-
Depreciation of plant and equipment	18,592	20,957	18,592	20,957
Exploration and evaluation expenditure written off	2,728,849	2,392,101	-	-
Share based payments	39,500	(59,922)	39,500	(59,922)
Write-down of intercompany loans	-	-	5,919,255	1,533,553
Impairment of financial assets	-	4,875	-	4,875
Non cash financing cost on convertible note	-	25,611	-	25,611
Changes in assets and liabilities:				
(Increase)/decrease in receivables	(1,221,397)	(680,225)	(12,868)	(282)
(Decrease)/increase in trade and other creditors	(15,661)	(191,214)	27,719	(48,311)
(Decrease)/Increase in provisions	118,772	2,733	(1,228)	2,722
Net cash infl ow/outf ow from operating activities	3,048,748	594,946	(1,014,223)	(826,055)

NOTE 27 - CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The consolidated entity had no contingent liabilities as at 30 June 2009.

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NOTE 28 - FINANCIAL RISK MANAGEMENT

Overview:

The consolidated entity has exposure to the following risks from their use of financial instruments:

- (a) credit risk
- (b) liquidity risk
- (c) market risk
- (d) capital management

This note presents information about the consolidated entity's exposure to each of the above risks, its objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management monitors and manages the financial risks relating to the operations of the consolidated entity through regular reviews of the risks.

(a) Credit risk

Credit risk is the risk of financial performance to the consolidated entity if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the consolidated entity's receivables. For the consolidated entity it arises from receivables due from subsidiaries, re-charges to joint venture partners and oil sales.

(i) Investments

The consolidated entity limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have an acceptable credit rating.

(ii) Trade and other receivables

The consolidated entity operates predominantly in the oil and gas production and exploration sector and, as such, it does have trade receivables and is exposed to credit risk in relation to trade receivables.

The balance of trade receivables from oil and gas producing licences, to which the consolidated entity has a stake in, are closely monitored to ensure any outstanding amounts are promptly received with appropriate supporting evidence. The perceived level of risk is low.

The consolidated entity has established an allowance for impairment that represents its estimate of incurred losses in respect of other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. Management does not expect any counterparty to fail to meet its obligations.

Presently, the consolidated entity undertakes exploration and evaluation activities solely in Australia. At the balance sheet date the consolidated entity derives income from three main areas therefore there is perceived to be a concentration of credit risk in that revenue is not diversified, geographically or across several sources.

The carrying amount of the consolidated entity's financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	NOTE	CONSOLIDATED		COMPANY	
		2009 \$	2008 \$	2009 \$	2008 \$
Cash and cash equivalents	5	7,172,053	2,979,821	5,974,109	1,354,475
Trade and other receivables	6	2,790,440	1,565,131	23,768	6,988

The consolidated entity does not hold any credit derivatives to off set its exposure.

28 FINANCIAL RISK MANAGEMENT (continued)

The ageing of trade receivables at the reporting date was as follows:

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Less than one month	-	-	-	-

There are no trade receivables past due at the reporting date. (2008: Nil).

(iii) Joint Venture

If a participant to a joint venture defaults and fails to contribute its share of joint venture obligations, the remaining joint venture participants are liable to meet the obligations of the defaulting participant. In this event, the tenement of the defaulting participant may be redistributed to the remaining participants.

(b) Liquidity risk

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves through continuously monitoring forecast and actual cash flows.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements.

Contractual cash flows

	Note	Total \$	Less than 1 year \$	1 - 2 years \$	2 - 5 years \$	More than 5 years \$
2009						
Consolidated						
Trade and other payables	11	804,097	804,097	-	-	-
Interest bearing liabilities	13	3,027,975	1,800,000	1,227,975	-	-
Company						
Trade and other payables	11	37,139	37,139	-	-	-
Interest bearing liabilities	13	3,027,975	1,800,000	1,227,975	-	-
2008						
Consolidated						
Trade and other payables	11	329,259	329,259	-	-	-
Interest bearing liabilities	13	636,118	-	-	636,118	-
Company						
Trade and other payables	11	51,277	51,277	-	-	-
Interest bearing liabilities	13	636,118	-	-	636,118	-

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28 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the consolidated entity's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The consolidated entity is exposed to currency risk on investments, revenue receipts from oil sales and royalty income and forecast foreign currency denominated purchases in a currency other than the respective functional currencies of Company entities, primarily the Australian dollar (AUD). Other currencies which these transactions are denominated in include the United States dollar (USD).

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency.

The consolidated entity's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature.

The following significant exchange rates applied during the year:

	AVERAGE RATE	
	2009 \$	2008 \$
AUD/USD	0.8048	0.8960

The following table summarises the sensitivity of the fair value of financial instruments held at balance date, following a 10% movement in exchange rates, with all other variables held constant.

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Impact on post-tax profit and equity				
AUD/USD + 10%	276,692	19,687	-	-
AUD/USD - 10%	(276,692)	(19,687)	-	-

(ii) Interest rate risk

At balance date the consolidated entity had minimal exposure to interest rate risk, through its cash and equivalents held within financial institution.

Because of the consolidated entity's \$700,000 of convertible notes and the Smith Group Loan Facility of \$2,600,000 are of a fixed nature the consolidated entity has no interest exposure on these loan facilities.

28 FINANCIAL RISK MANAGEMENT *(continued)*

	CONSOLIDATED		COMPANY	
	2009 \$	2008 \$	2009 \$	2008 \$
Impact on post-tax profit and equity				
Interest rate + 1%	71,721	29,798	59,741	13,545
Interest rate – 1%	(71,721)	(29,798)	(59,741)	(13,545)

(iii) Commodity price risk

The consolidated entity has revenue from the sale of crude oil which is priced against world benchmark commodity prices and the consolidated entity is therefore subject to significant commodity price risk for these products.

The consolidated entity may enter into certain derivative instruments to manage its commodity price risk. As at the end of the financial year the consolidated entity has no commodity price hedging or derivatives in place.

	2009	2008	2009	2008
	\$	\$	\$	\$
Impact on post-tax profit and equity				
Oil Price + 10%	276,667	178,319	-	-
Oil price – 10%	(276,667)	(178,319)	-	-

(d) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The first order of priority for capital management initiatives is to ensure prompt repayments of the Company's financial obligations. There are times when it may be necessary, in order to enable the Board to meet this priority when cash reserves are low, that the consolidated entity may enter into debt beyond desirable limits for short periods.

ASX ADDITIONAL INFORMATION

ASX ADDITIONAL INFORMATION

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

SHAREHOLDINGS

(As at 10 September 2009)

Substantial shareholders

The number of shares held by substantial shareholders is set out below:

	ORDINARY SHARES	%
E S Smith / Elcos Pty Ltd / Elcos (Qld) Pty Ltd / Royal Sunset Pty Ltd / Barchester Pty Ltd / Burnal Pty Ltd / RBC Dexia Investor Services Australia Nominees Pty Ltd ATF Smith Superannuation Fund.	139,812,721	17.56%
Persal & Co Investments Pty Ltd	53,204,781	6.68%

Voting Rights

Each shareholder is entitled to receive notice of and attend and vote at general meetings of the Company. At a general meeting, every shareholder present in person or by proxy, representative or attorney will have one vote on a show of hands and on a poll, one vote for each share held.

Distribution of equity security holders

CATEGORY	ORDINARY SHARES
1 - 1,000	74
1,001 - 5,000	368
5,000 - 10,000	447
10,001 - 100,000	1,259
100,001 and over	698
Total	2,846

The number of shareholders holding less than a marketable parcel of ordinary shares is 700.

On-market buy back

There is no current on-market buy back.

Securities on Issue

The number of securities issued by the Company is set out below:

CATEGORY	NUMBER
Ordinary Shares	796,186,358
Unlisted Convertible Notes – 9 September 2010	4
Unlisted Convertible Notes – 11 September 2010	5

TWENTY LARGEST SHAREHOLDERS

(As at 14 September 2009)

RANK	NAME	SHARES	% OF ISSUED CAPITAL
1.	MR & MRS E SMITH FAMILY A/C	53,577,596	6.73
2.	PERSAL & CO INVESTMENTS PTY LTD	53,204,781	6.68
3.	ZAPPIA NOMINEES PTY LTD	35,000,000	4.40
4.	JP MORGAN NOMINEES AUSTRALIA LTD	21,597,310	2.71
5.	ROYAL SUNSET PTY LTD	20,393,683	2.56
6.	FISHGILLS PTY LTD	16,321,705	2.05
7.	TRISTANIA HOLDINGS PTY LTD	15,737,352	1.98
8.	ELCOS (QLD) PTY LTD	14,904,715	1.87
9.	RBC DEXIA INVESTOR SERVICES	13,226,667	1.66
10.	WILLIAM TAYLOR NOMINEES PTY LTD	11,500,000	1.44
11.	ELCOS PTY LTD	10,463,920	1.31
12.	MR ROBERT BRYAN	10,000,000	1.26
13.	ANZ NOMINEES LTD (CASH INCOME A/C)	7,929,366	1.00
14.	MR ROSS DI BARTOLO	7,750,000	0.97
15.	REDBROOK NOMINEES PTY LTD	7,744,280	0.97
16.	BURNAL PTY LTD	6,907,111	0.87
17.	MONTGOMERY BURNS PTY LTD	6,800,000	0.85
18.	MR & MRS A HOPKINS	6,000,000	0.75
19.	BARCHESTER PTY LTD	5,517,775	0.69
20.	CLARIC 182 PTY LTD	5,500,000	0.69
	TOTALS	330,076,261	41.46

ASX ADDITIONAL INFORMATION

TENEMENT SCHEDULE

(As at 14 September 2009)

COOPER BASIN JV, SOUTH AUSTRALIA

Permit Number	% Interest Consolidated	Company	
Exploration			
PEL 87	40%	Springfield Oil and Gas Pty Ltd	15%
		Impress (Cooper Basin) Pty Ltd	25%
PEL 104	40%	Springfield Oil and Gas Pty Ltd	15%
		Impress (Cooper Basin) Pty Ltd	25%
PEL 111	40%	Springfield Oil and Gas Pty Ltd	15%
		Impress (Cooper Basin) Pty Ltd	25%
PEL 424	40%	Springfield Oil and Gas Pty Ltd	15%
		Impress (Cooper Basin) Pty Ltd	25%
Production			
PPL 213 MIRAGE	40%	Springfield Oil and Gas Pty Ltd	15%
		Impress (Cooper Basin) Pty Ltd	25%
PPL 214 VENTURA	40%	Springfield Oil and Gas Pty Ltd	15%
		Impress (Cooper Basin) Pty Ltd	25%
PRL 15 GROWLER	40%	Springfield Oil and Gas Pty Ltd	15%
		Impress (Cooper Basin) Pty Ltd	25%

NORTH KALGOORLIE NICKEL PROJECT SIBERIA TANK, WESTERN AUSTRALIA

Permit Number	% Interest Consolidated	Company
P24/3179	10% (free carried)	Impress Energy Limited
P24/3180	10% (free carried)	Impress Energy Limited
P24/3181	10% (free carried)	Impress Energy Limited
P24/3182	10% (free carried)	Impress Energy Limited
P24/3183	10% (free carried)	Impress Energy Limited
P24/3184	10% (free carried)	Impress Energy Limited
M24/665 (Pending)	10% (free carried)	Impress Energy Limited

In March 2003 the ASX Corporate Governance Council released its “Principles of Good Corporate Governance and Best Practice Recommendations”. Ten principles of corporate governance were developed, supported by best practice and implementation recommendations. The Council has recognised that these principles and recommendations do not contain a “one size fits all” solution and that it will be necessary for companies to adopt a “fit for purpose” solution in the adoption of these practices.

The ASX Listing Rules require listed entities to disclose the extent to which they have followed the best practice recommendations set by the ASX Corporate Governance Council during the reporting period. This Corporate Governance Statement summarises the corporate governance practices that have been formally reviewed and adopted by the Impress Energy Limited Board with a view to ensuring continued investor confidence in the operations of the Company and to ensuring that the endorsed corporate governance principles are relevant to a Company of Impress Energy Limited’s nature and size. A table has been included at the end of this Statement detailing the Company’s compliance with the best practice recommendations.

In August 2007 the ASX Corporate Governance Council released the second edition of the Corporate Governance Principles and Recommendations (“Revised Principles”) and listed entities are required to report against these Revised Principles in their first financial year on or after 1 January 2008. The Company is therefore initially required to report against the revised Principles in relation to the 30 June 2009 financial year.

The Company’s website at www.iel.com.au contains a corporate governance section that includes copies of the Company’s corporate governance policies.

BOARD OF DIRECTORS

Role of the Board (1.1)

In general, the Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. It is required to do all things that may be necessary to be done in order to carry out the objectives of the Company.

Without intending to limit this general role of the Board, the principal functions and responsibilities of the Board include the following:

- setting the strategic direction for the Company and monitoring its progress against those strategies;
- establishing policies appropriate for the Company;
- monitoring the performance of the Company, the Board and management;
- approving the business plan and work programs and budgets;
- authorising and monitoring investment and strategic commitments;
- reviewing and ratifying systems for health, safety and environmental management; risk and internal control; codes of conduct and regulatory compliance;
- reporting to shareholders, including but not limited to, the Financial Statements of the Company; and
- taking responsibility for corporate governance.

Composition of the Board

To add value to the Company the Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given its current size and scale of operations.

The names of Directors of the Company in office at the date of this statement are set out in the Directors’ Report. Information regarding Directors’ experience and responsibilities are included in the Directors’ Report section of the Annual Report.

CORPORATE GOVERNANCE STATEMENT

The number of Directors is specified in the Constitution of the Company as a minimum of three up to a maximum of ten.

The preferred skills and experiences for a director of Impress Energy Limited include:

- exploration and development of oil and gas assets ;
- understanding of production operations;
- finance and business development; and
- public company administration.

Chairman of the Board

The Chairman of the Board should be a Non-Executive Director and the Chairman will be elected by the Directors. The Board considers that the Chairman, Mr Eddie Smith is not independent because of his substantial shareholding (2.2/2.3).

Independent Directors (2.1)

The Board considers that a Director is independent if that Director complies with the following criteria:

- Apart from Director's fees and shareholding, independent Directors should not have any business dealings which could materially affect their independent judgment;
- Must not have been in an executive capacity in the Company in the last 3 years;
- Must not have been in an advisory capacity to the Company in the last 3 years;
- Must not be a significant customer or supplier for the Company;
- Must not be appointed through a special relationship with a board member;
- Must not owe allegiance to a particular group of shareholders which gives rise to a potential conflict of interest;
- Must not hold conflicting cross Directorships; and
- Must not be a substantial shareholder or a nominee of a substantial shareholder (as defined under section 9 of the Corporations Act).

Using the ASX Best Practice Recommendations on the assessment of the independence of Directors during the year the Board considers that of a total of four Directors at 30 June 2009 there are two Directors that are considered to be independent.

Mr Eddie Smith was Executive Chairman of the Company up to 19 June 2009. He is not considered to be independent because of his substantial shareholding.

Mr Greg Smith was appointed as an alternate Director for Mr Eddie Smith and Chief Executive Officer on 19 June 2009.

Mr John Gillon and Mr Les Longden are Non-Executive Directors of the Company and, even though another company in which Mr Longden has an interest has provided minor service work to the Company, both are considered to be independent. As from 1 September 2009, Mr Longden took up an executive role with the company as Director Corporate. To ensure the number of non-executive board members is sufficient, Mr Bernard Crawford was also appointed to the board effective the 1 September 2009.

Retirement and Rotation of Directors

Retirement and rotation of Directors is governed by the Corporations Act 2001 and the Constitution of the Company. Each year one third of the Directors must retire and offer themselves for re-election. Any casual vacancy filled will be subject to shareholder vote at the next Annual General Meeting of the Company.

Independent Professional Advice

Each Director has the right to seek independent professional advice at the Company's expense after consultation with the Chairman. Once received the advice is to be made immediately available to all board members.

Access to Employees

Directors have the right of access to any employee. Any employee shall report any breach of corporate governance principles or Company policies to the Chief Executive Officer and/or Company Secretary who shall remedy the breach. If the breach is not rectified to the satisfaction of the employee, they shall have the right to report any breach to an independent Director without further reference to senior managers of the Company.

Directors and Officers Liability Insurance

Directors and officers insurance for directors is arranged by the Company at Company expense.

Share Ownership

Directors are encouraged to own Company shares.

Board Meetings

The following points outline the frequency of Board Meetings and the extent of reporting from management at the meetings:

- A minimum of four meetings are to be held per year;
- Other meetings will be held as required, meetings can be held by telephone link; and
- Information provided to the Board includes all material information on: operations, budgets, cash flows, funding requirements, shareholder movements, broker activity in the Company's securities, assets and liabilities, disposals, financial accounts, external audits, internal controls, risk assessment, new venture proposals, and health, safety and environmental reports.

The number of directors' meetings and the number of meetings attended by each of the directors of the Company during the financial year are set out in the Directors' Report.

Board Performance Review (2.5)

It is the policy of the Board to conduct an evaluation of its performance. The evaluation process was introduced via the Board Charter and was last undertaken by the Chairman during the year ended 30 June 2009. The objective of this evaluation is to provide best practice governance of the Company.

No performance evaluation is undertaken for individual directors, while the performance evaluation of staff is undertaken on a regular basis.

Other Areas for Board Review

- Reporting to shareholders and the market to ensure trade in the Company's securities takes place in an efficient, competitive and informed market; and
- Insurance, both corporate and joint venture related insurances.

Board Committees

Audit Committee (4.1)

The Company does not have an audit committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an audit committee can be adequately handled by the full Board.

The Chief Executive Officer, Company Secretary, and the Company Accountant declare in writing to the Board that the Company's financial statements for the year ended 30 June 2009 present a true and fair view, in all material aspects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. This multi representation of the Chief Executive Officer, Company Accountant, and Company Secretary is made prior to the Director's approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management level documentation (7.3).

CORPORATE GOVERNANCE STATEMENT

Nomination Committee (2.4)

The Board of Directors of the Company does not have a nomination committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a nomination committee can be adequately handled by the full Board.

Remuneration Committee (8.1) (8.2) (8.3)

The Company does not have a remuneration committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a remuneration committee can be adequately handled by the full Board.

Remuneration levels for Directors, Secretaries, Senior Executives of the Company, and relevant group Executives of the consolidated entity ("the Directors and Senior Executives") are competitively set to attract and retain appropriately qualified and experienced directors and senior executives.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the consolidated entity is summarised as follows:

- Executive remuneration and other terms of employment are reviewed regularly by the Board having regard to performance against goals set during the course of the year, relevant public comparative information and, if required, independent expert advice.
- Remuneration packages initially include base salary, superannuation, fringe benefits, retirement and termination entitlements, but remuneration packages may also include performance-related benefits such as bonuses or options.
- The Board undertakes a regular review of its performance against goals set during the year. The Board may exercise discretion in relation to approving incentives, bonuses, and options. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Remuneration and other terms of employment for any executive, chief executive officer, or any other senior executive are formalised in service agreements.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

The remuneration structures determined by the Board are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The remuneration structures take into account:

- the capability and experience of the Directors or senior executives
- the Directors and senior executives ability to control the relevant segment/s' performance
- the consolidated entity's performance including:
 - a) the consolidated entity's earnings
 - b) the growth in share price and returns on shareholder wealth
- the amount of incentives within each Director's and Senior Executive's remuneration.

For details of remuneration paid to Directors and officers for the financial year please refer to the Directors' Report and Note 16 to the Financial Statements.

Risk Management (7.1)

The risks to the Company from its involvement in oil and gas exploration, development and production plus any other identified Company specific risks continue to be regularly monitored by the full Board. All proposals reviewed by the Board include a consideration of the issues and risks of the proposal.

The potential exposures with running the Company have been managed by the Board, the Chairman in the absence of a Chief Executive Officer for the majority of the financial year, the Company Secretary and Company Accountant all of whom have significant broad-ranging industry experience, and work together as a team and regularly share information on current activities.

Additionally, it is the responsibility of the Board to assess the adequacy of the Company's internal control systems and that its financial affairs comply with applicable laws and regulations and professional practices. The Chief Executive Officer, the Company Secretary and Company Accountant declare in writing to the Board that the financial reporting risk management and associated compliance controls have been assessed and found to be operating efficiently and effectively. This multi representation is made prior to the Directors' approval of the release of the annual and six monthly accounts. This representation is made after enquiry of, and representation by, appropriate levels of management documentation (7.3).

The Board is currently in the process of drafting a risk management policy. The first step in the process has been to establish a risk register.

PROMOTION OF ETHICAL AND RESPONSIBLE DECISION-MAKING

Code of Conduct (3.1)

The goal of establishing the Company as a significant petroleum exploration and production Company is underpinned by its core values of honesty, integrity, common sense and respect for people. The Company desires to remain a good corporate citizen and appropriately balance, protect and preserve all stakeholders' interests.

The Board has adopted a Code of Conduct for Directors and employees of the Company. The Company's goal of achieving above average wealth creation for our shareholders should be enhanced by complying with this Code of Conduct which provides principles to which Directors and employees should be familiar and to which they are expected to adhere and advocate.

It is the responsibility of the Board to ensure the Company's performance under this Code and for its regular review.

Trading in Company Securities by Directors, officers and employees

Trading of shares is covered by, amongst other things, the Corporations Act and the ASX Listing Rules. The Board has established a Securities Trading Policy that establishes strict guidelines as to when a Director, officer, employee, or an employee's connected person (spouses, dependent children, and family companies) can deal in Company shares. The policy does not have formalised blackout periods but prohibits trading in the Company's securities whilst the Director, officer or employee is in the possession of price sensitive information.

For details of shares held by Directors and officers please refer to the Directors' Report and Note 16 to the Financial Statements.

SHAREHOLDER COMMUNICATION

The Board aims to ensure that shareholders and investors have equal access to the Company's information.

The Company has policies and procedures that are designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. This disclosure policy includes processes for the identification of matters that may have material effect on the price of the Company's securities, notifying them to the ASX and posting them on the Company's website (5.1).

The Company also has a policy to promote effective communication with shareholders (6.1) and encourage effective participation at general meetings through a policy of open disclosure to shareholders, regulatory authorities and the broader community of all material information with respect to the Company's affairs including, but not limited to:

- conflicts of interest and related party transactions;
- executive remuneration;
- the grant of options and details of Share Option Plans;
- the process for performance evaluation of the Board, its committees, individual Directors and key managers;
- the link between remuneration paid to Directors and Executives and corporate performance; and
- shorter, more comprehensible notices of meetings.

CORPORATE GOVERNANCE STATEMENT

The following information is communicated to shareholders:

- the Annual Report and all notices of meetings of shareholders;
- quarterly reports reviewing the operations, activities and financial position of the Company;
- all documents that are released to the ASX are made available on the Company's website; and
- all other information on the Company's website is updated on an ongoing basis.

ASX BEST PRACTICE RECOMMENDATIONS

The ASX Corporate Governance Council released the second edition of the Corporate Governance Principles and Recommendations ("Revised Principles") in August 2007. The table below identifies the ASX Best Practice Recommendations and whether or not the Company has complied with the recommendations during the reporting period:

	ASX RECOMMENDATIONS	COMPLIED	NOTE
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓	
1.2	Companies should disclose the process for evaluating the performance of senior executives.	✓	
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓	
2.1	A majority of the Board should be independent directors.	✓	1
2.2	The Chairperson should be an independent director.		2
2.3	The roles of Chairperson and chief executive officer should not be exercised by the same individual.		2
2.4	The Board should establish a Nomination Committee.		3
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓	
2.6	Companies should provide the information indicated in the Guide to Reporting on Principle 2.	✓	
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> ■ the practices necessary to maintain confidence in the company's integrity. ■ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders. ■ the responsibility of and accountability of individuals for reporting and investigating reports of unethical practices. 		
3.2	Establish a policy concerning trading in Company securities by directors, senior executives and employees and disclose the policy or a summary of that policy.	✓	
3.3	Provide the information indicated in the Guide to reporting on Principle 3.	✓	
4.1	The Board should establish an Audit Committee.		4

	ASX RECOMMENDATIONS	COMPLIED	NOTE
4.2	Structure the Audit Committee so that it consists of: Only Non-Executive Directors; <ul style="list-style-type: none"> ▪ A majority of independent Directors; ▪ An independent Chairperson, who is not Chairperson of the Board; and ▪ At least three members. 		4
4.3	The Audit Committee should have a formal charter.		4
4.4	Provide the information indicated in Guide to reporting on Principle 4.	✓	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for the compliance.	✓	
5.2	Provide the information indicated in Guide to reporting on Principle 5.	✓	
6.1	Design and disclose a communication strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	✓	
6.2	Provide the information indicated in Guide to reporting Principle 6.	✓	
7.1	The Board or appropriate Board Committee should establish policies on risk oversight and management.		5
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it whether those risks are being effectively managed. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.		5
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	✓	
7.4	Provide the information indicated in Guide to reporting on Principle 7.	✓	
8.1	The Board should establish a Remuneration Committee.		6
8.2	Clearly distinguish the structure of Non-Executive Directors' remuneration from that of Executives.	✓	
8.3	Ensure that payment of equity-based Executive remuneration is made in accordance with thresholds set in plans approved by shareholders.	✓	

CORPORATE GOVERNANCE STATEMENT

Note 1:

During the year ended 30 June 2009 two of the four directors (Mr Gillon and Mr Longden) were considered to be independent. Mr Eddie Smith, fails to meet the levels set for being an independent director because of his substantial shareholding in the Company. On 1 September 2009, Mr Longden took an executive role as Director Corporate. On the same date Mr Bernard Crawford was appointed as a Non-Executive Director.

Note 2:

Mr. Eddie Smith is not considered to be independent, because of his shareholding in the Company. From August 2007 to 19 June 2009 Mr Eddie Smith has served as Executive Chairman of the Company. This was necessary due to the Company not having a Chief Executive Officer. Given his skills, experience and knowledge of the Company, the Board considered that it was appropriate for him to act in the role of a locum executive at the same time he was the Chairman of the Company. On 19 June 2009 Mr Greg Smith was appointed as Acting Chief Executive Officer and Mr Eddie Smith became a Non-Executive Director.

Note 3:

The Board of Directors of the Company does not have a Nomination Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Nomination Committee can be adequately handled by the full Board.

Note 4:

The Company does not have an Audit Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by an Audit Committee can be adequately handled by the full Board.

Note 5:

Impress has commenced the process of formulating appropriate risk management policies. The first step in the process has been the establishment by management of a risk register. This has identified the effectiveness of current controls over:

1. Liquidity risk
2. Credit risk
3. Financial strategy (market risk)
4. Corporate Governance
5. Health and safety

Note 6:

The Company does not have a Remuneration Committee. The Board is of the opinion that due to the nature and size of the Company, the functions performed by a Remuneration Committee can be adequately handled by the full Board.

