

Imperial Energy Corporation PLC

Interim Results for the Six Months ended 30 June 2006

Imperial Energy Corporation PLC (“Imperial”), the oil exploration and production company with assets in Western Siberia and Kazakstan, announces interim results for the six months ended 30 June 2006.

Highlights

Operational – production and exploration success

- New Glukhovskaya exploration well, Block 70, identified oil
- New Aikagalskaya 256 appraisal well confirms presence of oil in multiple horizons including a new and potentially significant oil bearing interval in the Tyumen
- Excellent test results from Maiskaya well 393 and the horizontal well 394, Block 70, achieving best rates on Imperial’s acreage – stabilised rate from well 394 gives in excess of 1,500 bopd

- Production and oil sales
 - Snezhnaya Field, Block 77. Oil sales commenced. Testing continues to determine the optimum sustainable stabilised production rates, good progress being made in bringing field and facilities on stream
 - On track to achieve 25,000 bopd by year end 2008 from only three fields

- Seismic
 - Prospectivity of acreage supported by preliminary results from c.1000 kms of seismic carried out in Tomsk
 - Kazakhstan seismic fast tracked by five months, already shot and being processed

Corporate – continued ability to deliver

- Significant Co-operation agreement with Gazpromneft signed July 2006

- Further acquisitions:
 - Block 80 - proven Block with oil already discovered and impressive Russian registered reserves recorded.
 - Up to five new wells planned on Block 80 next year with start of production possible by 2009. DeGolyer and McNaughton commissioned to provide reserves report on Block 80 in autumn 2006
 - Acquisition, since period end, of a further 4.9% of Sibinterneft for US\$171,500 thereby bringing the total net Imperial holding to 47.5%

- Complete reserves audit on all Imperial's acreage planned to be available for March 2007 announcement of full year results

Financial – investing in the business and moving to profitability in 2007

- Cash balance of £102.5 million (2005: £2.7 million)
- Turnover for the six months of £0.4 million (2005: £0)
- Significantly increased exploration and development expenditure of £18.1 million (2005: £8.6 million) resulting in H1 2006 loss of £3.9 million (2005: £1.9 million)

Outlook

- Next eighteen months significant stage of company development
 - Some 30 production/appraisal wells and 12 new exploration wells planned
 - Significant exploration upside
 - Production planned to significantly increase after new pipelines in place – summer 2007
- Significant infrastructure works planned
 - Over 200km of pipeline to be constructed winter 2006 through summer 2007 linking in to Transneft system – tie-ins agreed

Commenting on the results, Peter Levine, Chairman and Chief Executive said:

“In a short period of time Imperial has successfully acquired a solid asset base and moved into first production. We continue to deliver on our objectives and believe the next eighteen months an important stage in the company's development. We now have a solid base and a critical mass including the experience, capital and management expertise to take the business further forward.

This gives Imperial the capability of rapid expansion by acquisition as well as organic growth.

We view the future with confidence.”

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CHAIRMAN'S AND CHIEF EXECUTIVE'S REVIEW

Introduction

I am pleased to report that during the first six months of 2006 we have made significant progress in all areas; achieving first production at commercial rates and exploration success as well as expanding our reserves base and developing the Company infrastructure.

Financial Results

Turnover for the six months was £0.4 million (2005: £0)

Losses for the six months were in line with expectations at £3.9 million (2005: £1.9 million) being 9.69p per share (2005: 7.94p). Net assets at the period end were £181.9 m (2005: £18.9 million).

Exploration and appraisal expenditure for the six months was £18.1 million (2005: £8.6 million).

At the period end cash balances were £102.5 million (2005: £2.7million). There were no borrowings and nil gearing.

Dividend

Taking into account the stage of Imperial's development, the Directors do not recommend the payment of any dividend.

REVIEW OF OPERATIONS

TOMSK, WESTERN SIBERIA

Imperial's interests in Tomsk are held through its three subsidiary companies: Nord Imperial, Alliancenerftegaz and Sibinterneft.

NORD IMPERIAL (100% NET INTEREST)

Nord Imperial has three exploration and production licences Blocks 77 (1005 sq km) and Block 69 (2700 sq km), acquired at auction in November 2004 and Block 80 (3844 sq km) acquired at auction in March this year.

Block 77

First oil production commenced on this block in March from the Dvoynoye 2 and Snezhnaya 135 wells. The four deviated appraisal/production wells on the Snezhnaya field which were drilled from the 135 surface location and which were comprised in the 2006 programme have now all been successfully fraced and are also being brought into pilot production together with the old Snezhnaya 133 well giving a total of 7 wells producing from the Upper Jurassic Vasugan reservoir. The Snezhnaya oil is being produced through temporary facilities and has been sold into the domestic market via road tanker in winter and by barge on the navigable Vasugan River which borders the north end of the field in summer. Oil from Dvoynoye is transported independently by barge in summer via a tributary of the Vasugan and temporary road in winter. During part of July and August production from Dvoynoye has had to be suspended due to unusually low river levels but has now resumed.

During the first half of the year total production from initial testing was 24,641 barrels. Since the first half, production has increased as more wells are brought on line with a total 21,480 barrels produced in July. Whilst medium to long term production rates may not achieve the 367 bopd per well averaged over the six wells as tested simultaneously in July (aggregate of 2,200 bopd) further necessary testing, which affects the level of consistent daily production, is continuing in order to optimise and establish the sustainable production from each well and to guide the planning for the intensive field development work due to commence winter 2006/7.

Taking a green field exploration block to first production in a period of only 18 months in Western Siberia, a harsh operating environment, is a major achievement and marks a significant milestone in Imperial's development.

The 96 sq km 3D seismic shot over the Snezhnaya field during the first quarter is now being interpreted in order to evaluate the field and plan for production drilling to commence early next year. Construction of the main facilities at the field is progressing and is expected to be commissioned shortly, including tanks giving storage capability of some 28,000 barrels of oil.

As previously reported Imperial has recovered oil from a test of the Lower Cretaceous section in the Snezhnaya 139 well. The logs of several other Snezhnaya wells indicate similar oil zones. This clearly offers the potential to add additional production and reserves to that from the traditional Vasugan reservoir. This will be assessed using log information from Vasugan production wells, which will penetrate the Lower Cretaceous prior to reaching the Vasugan reservoir. Separate Lower Cretaceous wells can be drilled from the same drilling pads to develop this reservoir simultaneously with the Vasugan reservoir.

Block 69

The work programme on this block in the first half of 2006 comprised shooting seismic, drilling the first appraisal well and preparing to drill the second appraisal well on Aikagalskaya. The 398 km 2D seismic programme acquired during the first quarter is now being interpreted. The results confirm the structural integrity of the Aikagalskaya field, which was previously only sparsely covered by old seismic.

The Aikagalskaya 256 appraisal well has been drilled and testing continues. This well has successfully confirmed evidence of oil in the Lower Cretaceous interval previously found in Aikagalskaya 252 and in the Basal Jurassic/Paleozoic M reservoir. Furthermore it has also identified a new and potentially significant oil bearing interval in the Lower Tyumen.

The primary target in the well, the Basal Jurassic/Paleozoic M reservoir, has been confirmed as oil bearing from cores and logs. An open-hole drill stem test over the 3124 m to 3147 m interval recovered a small quantity of oil contaminated with drilling fluid. The M reservoir appears to be in a different pressure regime from the Aikagalskaya 252 discovery well. This horizon will require stimulation by fracking, to determine its production potential which will be carried out in the coming winter. The Lower Tyumen (Lower Jurassic), which was a secondary target, not previously tested or included in the reserves on the Aikagalskaya field, was also confirmed as oil bearing by an open hole drill stem test over the interval 3059 m to 3135 m, again recovering a small quantity of oil and drilling fluid. The Lower Tyumen is interpreted from cores and logs to be oil bearing over a gross interval of 38 m of which 26 m is potential oil pay. This interval has relatively low permeability and will also require stimulation by fracking, which will be carried out during the coming winter (when it is possible to bring frac equipment into the well site) to determine its production potential. If it is confirmed that this can be produced at commercial rates it could add significant reserves to the Aikagalskaya field. The Aikagalskaya 256 well has now been cased and testing of the Lower Cretaceous section, where oil shows have been found, is in progress. This is the same section as the 252 well Lower Cretaceous discovery announced in January.

The second appraisal well Aikagalskaya 257 was spudded on 5 September. Additional equipment and materials were brought in during last winter and stockpiled at the 256 and 257 sites to allow further deviated appraisal wells to be drilled from these sites. A 3D seismic programme of 160 sq km has been contracted to be shot over the field during the next winter. Planning is in progress for the construction of production facilities in winter 2006/7.

During the forthcoming winter it is also planned to test the Lower Tyumen section in the North Festivalnaya 3 well after stimulation by fracking using Imperial's own frac equipment, which will be delivered by the end of the year.

Block 80

This block on the east side of the River Ob was acquired at auction in March 2006 for US\$5.25 million. Imperial has moved rapidly to undertake a technical review of the block. 528 km of old 2D seismic over the SW part of the block has been reprocessed and interpreted and old well data acquired and reviewed. This confirms the presence of oil in the Vasugan, the integrity of the Kiev-Eganskaya structure and general prospectivity of the Block in line with our expectations on acquisition. DeGolyer and McNaughton have been commissioned to prepare a reserves report which is expected to be received in autumn 2006. Whilst the Block already has official Russian registered reserves, the published reserves estimate of Imperial at 250 mmbbl 2P(P50) do not take into account any reserves in Block 80. Contracts have been signed for the acquisition of 1000 km of 2D seismic over the north and east of the block and for a 308 sq km 3D survey over the Kiev-Eganskaya area during the coming winter, and at least one exploration well and possibly four more wells are planned next year. The rig and equipment for all these wells will be mobilised during the winter and the first well drilled later in 2007.

In the event that testing on the Block proves to be successful Imperial currently foresees that production from Block 80 could commence by 2009.

ALLIANCENEFTEGAZ (100% NET INTEREST)

Allianceneftegaz holds exploration licences over three contiguous blocks 70, 85 and 86 comprising a total of 5931 sq km which lie to the south of Nord Imperial's block 69. Block 96 has now been relinquished together with Sibinterneft' block 95 as in Imperial's view these blocks were not prospective. These relinquishments will release Imperial from around US\$30 million of work programme commitments.

Blocks 70, 85 and 86

On these blocks Imperial has a major exploration and appraisal programme in 2006 comprising shooting 367 km of 2D seismic in March and April, successfully completing two appraisal wells on Maiskaya, being Maiskaya 393 and 394 and drilling two exploration wells both of which are currently in progress.

Well 393 confirmed better than expected oil reservoirs at both Vasugan and Lower Tyumen levels. Open hole tests demonstrated production capability of 750 bopd from the Vasugan and 200 bopd from the Lower Tyumen prior to stimulation. It is considered that the Vasugan reservoir could be produced more efficiently using horizontal wells.

Maiskaya 394 well was drilled from the surface site of the 393 well as a horizontal well to test this concept. A 310 m long horizontal section was successfully drilled through the reservoir encountering similar good quality reservoir to that in the vertical 393 well. Imperial previously reported testing of this section at an initial rate of 1700 bopd and can now confirm that stabilised production rate of 1510 bopd was obtained from a 3 day test using an electric submersible pump. This is the best production rate seen so far from Imperial's wells in the Tomsk region. It is now planned to put the Maiskaya field into early production next year using horizontal wells in the Vasugan and conventional deviated wells stimulated by fracking in the Lower Tyumen section. A 3D seismic programme of 100 sq km has been contracted to be shot next winter.

The rigs and equipment for the two exploration wells were mobilised in March. The wells were then drilled as the drilling crews became available. The Gluhovskaya 5 exploration was spudded on 19 June and is continuing to be tested and drilled. Whilst the Lower Cretaceous section does not appear to be oil bearing, the well has successfully identified oil in cores from the Lower Tyumen section at a depth of 3400m.

The Chagvinskaya 4 exploration well was spudded on 26 July and results are expected in autumn 2006.

Next year it is planned to drill an appraisal well on the South Festivalnaya field which straddles the border of blocks 69, 70 and 85. The drilling pad for this well has already been constructed. In addition 4 further exploration wells are planned to be drilled on prospects which are currently being worked up. One of these will be on South Maiskaya which is a similar feature to the Maiskaya field situated on the same trend 12 km to the south-east.

SIBINTERNEFT (47.5% NET INTEREST)

Sibinterneft was the first asset acquired by Imperial in July 2004. Imperial now holds a net 47.5% interest after now acquiring a further 4.9% net interest for a total of US\$171,500. After relinquishment of Block 95 referred to above Sibinterneft now holds only Block 74 comprising 3487 sq km.

Block 74

A 2D seismic programme on this block was acquired in March and April and is now being interpreted. The rig and equipment for the Golovnaya 353 exploration well was mobilised during the winter and the well will be drilled with the same crew who are currently drilling Chagvinskaya 4 and is expected to be spudded in October/November.

Two further exploration wells are planned for 2007. The discovery of oil in the Lower Cretaceous in Snezhnaya which borders the south east part of this block provides additional encouragement for the prospectivity of Block 74.

SEVKAZGRA, KAZAKHSTAN (NET INTEREST 75%)

Sevkazgra was acquired by Imperial in July 2004. The North Torgai block covering over 4000 sq km is very different from the Tomsk acreage. It is a pure exploration block in a relatively unexplored basin, where oil has been proven to be present in the system.

North Torgai Block

The 2D seismic programme of 156 km originally planned for October this year was brought forward and has already been shot and is being processed. Results are due in autumn 2006. The programme was designed as infill to delineate the more promising leads recognised from Imperial's 2005 400 km seismic programme. An exploration well is planned for 2007.

PIPELINES

Imperial is expected to commence this winter construction of two separate wholly owned pipelines in the Tomsk Region being in total in excess of 200 kms in length. One of the pipelines, some 42 kms in length, is intended to serve Blocks 74 and 77 and the other, some 160 kms in length, Blocks 69, 70, 85 and 86. The pipelines will be an important addition to the pipeline infrastructure of the region and be a valuable investment for the future.

Both pipelines link in with the Transneft system with tie-ins already agreed in writing.

To facilitate these very challenging projects a separate pipeline construction department has been formed, managed by experienced Russian construction engineers.

RESERVES AUDIT

Imperial will be contracting an independent audit of all its reserves for inclusion in its announcement of the full year results for 2006, such announcement expected in March 2007.

MANAGEMENT

As the challenges increase so does the demand on Imperial's management. The Company has been successful in recruiting experienced senior management and is now developing a school of excellence to train and bring on young Russians of proven potential.

FUND RAISING

In June 2006 the Company successfully placed 10,621,693 shares of 2.5 pence each at £10.30 a share thereby raising some £109 million before commissions and expenses giving Imperial necessary financing for its currently planned forward work programme.

GAZPROMNEFT

On 17 July 2006 Imperial and Gazpromneft (formerly Sibneft) entered into a commercial Co-operation Agreement relating to hydrocarbon reserves, oil production and oil transportation. This is a first and significant step in the relations between the two entities.

PROSPECTS

The outlook for Imperial is very strong and Imperial continues to make excellent and rapid progress.

With production, significant reserves and with a material exploration upside the future is very bright.

The Company is cash rich as a result of the recent placing, and nil-gearred.

Imperial looks forward to the rest of the year with 3 more production and appraisal wells in addition to 2 exploration wells to be drilled in autumn/winter 2006 and some 40 new wells, including 9 new exploration wells, planned for 2007.

Peter Levine

Chairman

11 September 2006

IMPERIAL ENERGY CORPORATION PLC

Consolidated Profit and Loss Account

	Six Months to 30 June 2006 Unaudited £000	Six Months to 30 June 2005 Unaudited £000	Twelve months to 31 December 2005 Audited £000
Turnover	371	-	-
Cost of sales	(371)	-	-
Gross Profit	-	-	-
Administrative Expenses	(3,989)	(1,393)	(5,117)
Administrative Expenses - exceptional	(187)	(1,375)	(3,241)
Operating Loss before FRS20 Option costs	(4,176)	(2,768)	(8,358)
FRS20 – Option costs	(461)	-	-
Operating Loss after FRS20 Option costs	(4,637)	(2,768)	(8,358)
Interest Receivable	537	175	894
Loss on ordinary activities before taxation	(4,100)	(2,593)	(7,464)
Taxation	-	-	-
Loss on ordinary activities after taxation	(4,100)	(2,593)	(7,464)
Minority Interest	156	743	1,282
Loss for the financial period	(3,944)	(1,850)	(6,182)
Loss per ordinary share - Basic	(9.69)p	(7.94)p	(20.71)p
- Diluted	(9.69)p	(7.94)p	(20.71)p

IMPERIAL ENERGY CORPORATION PLC

Consolidated Balance Sheet

	At 30 June 2006 Unaudited £000	At 30 June 2005 Unaudited £000	At 31 December 2005 Audited £000
Fixed Assets:			
Intangible Assets	68,685	13,743	50,568
Tangible Assets	1,351	156	387
	70,036	13,899	50,955
Current Assets:			
Stock	3,616	951	2,167
Debtors due within one year	9,249	2,373	3,223
Cash at bank and in hand	102,466	2,704	26,101
	115,331	6,028	31,491
Current Liabilities:			
Creditors due within one year	(4,048)	(2,039)	(2,313)
Net current assets	111,283	3,989	29,178
Total assets less current liabilities	181,319	17,888	80,133
Minority Interest	612	968	456
Net Assets	181,931	18,856	80,589
Capital and Reserves:			
Called up share capital	1,248	585	982
Shares to be issued	461	-	-
Share premium account	190,522	21,493	84,621
Foreign currency translation reserve	1,198	-	2,540
Profit and loss account	(11,498)	(3,222)	(7,554)
Shareholders Funds	181,931	18,856	80,589

IMPERIAL ENERGY CORPORATION PLC

Consolidated Cash Flow Statement

	Six Months to 30 June 2006 Unaudited £000	Six Months to 30 June 2005 Unaudited £000	12 Months to 31 December 2005 Audited £000
Cash flow from operating activities	(9,898)	(3,128)	(11,438)
Returns on investments and servicing of finance	537	175	894
Capital expenditure and financial Investment	(20,384)	(8,646)	(17,482)
Acquisitions and disposals	-	-	(9,400)
Cash flow before financing	(29,745)	(11,599)	(37,426)
Financing	106,167	480	49,310
(Decrease)/Increase in cash in the period	76,422	(11,119)	11,884

Reconciliation of Net Cash Flow

	Six Months to 30 June 2006 Unaudited £000	Six Months to 30 June 2005 Unaudited £000	Twelve Months to 31 December 2005 Audited £000
Increase/(Decrease) in cash in the period	76,422	(11,119)	11,884
Exchange differences	(57)	-	394
Movement in net funds in the period	76,365	(11,119)	12,278
Net funds at beginning of period	26,101	13,823	13,823
Net funds at end of period	102,466	2,704	26,101

IMPERIAL ENERGY CORPORATION PLC

Notes

(i) Basis of preparation

The interim financial statements, which are neither audited nor reviewed by the auditors, have been prepared on the basis of the accounting policies as set out in the Annual Report and Statement of Accounts for the period ended 31 December 2005 apart from the adoption of FRS20 'Share based payments'

Share-based payments

Where equity settled share-based payments are awarded to employees, the fair value of the equity settled share-based payments is charged to the profit and loss account over the vesting period. The fair value has been calculated by an independent third party using a Stochastic model. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition. Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

The financial information contained in this announcement does not constitute statutory financial statements within the meaning of Section 240 of the Companies Act 1985.

The results for the period to 31 December 2005 are an abridged version of the company's full accounts which carry an unqualified auditors' report and have been filed with the Registrar of Companies.

(ii) Loss per share

The calculation of the basic and diluted loss per ordinary share is based on the loss for the period of £3,944,000 (2005: £1,850,000) and the weighted average number of shares in issue of 40,707,869 (2005: 23,287,385).

(iii) Taxation

No liability to UK or overseas taxation has arisen during the period and no provision for deferred tax was considered necessary.

(iv) Dividend

The Directors do not recommend payment of a dividend.

(v) Group Statement of Total Recognised Gains and Losses

	Unaudited £'000s
Loss for the Financial Period	(3,944)
Exchange differences on retranslation of net assets of foreign currency operations	(1,342)
Total Recognised Losses Relating to the Period	<u>(5,286)</u>

(vi) Reconciliation of movement of shareholders' funds

	Unaudited £'000s
Loss for the Financial Period	(3,944)
Exchange differences on retranslation of net assets of foreign currency operations	(1,342)
New Share Capital Subscribed	266
Shares to be issued	461
Share premium on share issues less issue costs	105,901
Net additions to shareholders' funds	<u>101,342</u>
Opening Shareholders funds	80,589
Closing Shareholders Funds	<u>181,931</u>

(vii) Reconciliation of losses to net cash flow from operating activities

	Six Months to 30 June 2006 Unaudited £000	Six Months to 30 June 2005 Unaudited £000	Twelve Months to 31 December 2006 Audited £000
Operating loss	(4,637)	(2,768)	(8,358)
FRS 20 - Option costs	461	-	-
Depreciation	18	11	34
Increase in stock	(1,449)	-	(2,167)
Increase in debtors	(6,026)	(994)	(1,844)
Increase in creditors	1,735	623	897
Net cash flow from operating activities	(9,898)	(3,128)	(11,438)

(viii) Interim Statement

The interim statement will be posted to shareholders. Copies will be available from the Company's offices at 49 Berkeley Sq, Mayfair, London, W1J 5AZ