
ANNOUNCEMENT TO ASX

Date: 24 November 2010

Chairman's Address to the AGM

Over the past year, your Board and management team have focussed on the best way to maximise value for shareholders. The main issue we have faced is the challenge of realising the potential of the large but tight oil reservoirs identified at Flax and Juniper. We identified the need for solid underlying cash flows to provide both for the ongoing future of the Company as well as the funds required to address the Flax and Jupiter challenge. To provide the required cash flow and to provide the Company with another growth option, the investment in the T18 block, which includes the Trefoil field, was followed with the proposal to purchase of an interest in the production associated with the Yolla gas and liquids field, in the Bass Basin. As you are aware, market conditions in early 2010 were tough and prevented the Company completing the proposed Yolla investment and thus the transaction did not proceed.

As a result of not completing the Yolla transaction your company again revisited the need for solid underlying cash flows. All options were under consideration when the Drillsearch merger proposal arose. The proposal warranted serious consideration and after careful analysis and negotiations with Drillsearch, the Directors reached an agreement that we believe provide significant benefits for shareholders, namely:

- Significant premium – The Scheme Consideration provides a significant premium to the recent historical trading price of Innamincka Shares;
- Complementary portfolios - Cooper Basin Focus – The Merger provides Innamincka Shareholders with exposure to a much larger conventional oil and gas portfolio in the Cooper Basin, across areas where Innamincka has existing experience; of key benefit is the increased exposure to the prolific Western Flank Oil Fairway and the Drillsearch Wet Gas business;
- Complementary capabilities – The Merged Group will consolidate commercial, operational and technical expertise of the two companies, including being able to draw on Innamincka's well established operational capability in the region to support the development of the increased portfolio;
- Diversification – The Merged Group will provide Innamincka Shareholders with a better spread of risk and exposure to Drillsearch's complementary assets as well as possible rationalisation opportunities;
- Near term development opportunities – The merger provides opportunities to participate in significant near and medium term gas and liquids development and production;

- Production and operating cash flow – Through the Merged Group, Innamincka Shareholders will have access to more significant production and operating cash flow, providing the opportunity to fund project development pipeline through internally generated cash reserves;
- Enhanced Market Liquidity and Attractiveness – The Merged Group's pro forma market capitalisation is expected to be in excess of \$150 million, with the improved profile and increase in shareholder spread likely to provide enhanced liquidity for Innamincka Shareholders through holding their New Drillsearch Shares;
- Building and retaining capability – The Merged Group will become a desirable Australian on-shore Petroleum Industry employer with offices in Sydney and Brisbane which will help the Merged company to attract and retain the necessary human resources to drive future growth.

By now you should have received a copy of the Scheme Booklet. Central to the information in the Scheme Booklet is the Independent Experts reports. The Independent Experts conducted asset based valuations of Drillsearch and Innamincka and concluded:

- The Scheme is fair and reasonable
- The Scheme is in the best interests of Innamincka shareholders

For you as an Innamincka shareholder, the merger provides the potential for the merged company to grow faster and more significantly than Innamincka could on its own. It provides Innamincka shareholders with a significant premium to prices prevailing prior to the announcement. The Innamincka Board unanimously recommends that, in the absence of a superior proposal, you vote in favour of the Scheme. Each of the Innamincka Directors has indicated that they will vote in favour of the Scheme in the absence of a superior proposal.

I look forward to many of you attending the Scheme Meeting. It is scheduled to be held at 10 am on 14th December 2010 at level 18, Grosvenor Place, 225 George St, Sydney.

Yours sincerely

Innamincka Petroleum Limited



Adam Johnson
Chairman
