
ANNOUNCEMENT TO ASX

Date: 7 January 2011
To: Australian Securities Exchange Limited
Companies Announcement Office
Electronic Lodgment System

Dear Sir

Innamincka acquires additional 25% interest in PEL103, and PRLs 14, 17 & 18

The Directors of Innamincka Petroleum Limited (**INP**) advise that the company has accepted an offer from SCGAU Pty Ltd (**SCGAU**) to acquire an additional 25% interest in PEL103 and PRLs 14, 17 & 18 (**PEL 103 Interests**).

INP currently owns a 37.5% interest in these permits which it also operates. This interest will increase to 62.5% once the transaction is completed. The transaction remains subject to finalisation of the sale and purchase agreement with SCGAU, but is based on the following key conditions:

- A\$4.5 million consideration due on completion of the agreement; plus
- Cash and royalty payments payable once the gross production from the PEL103 Interests exceeds 4mmbbls of oil and other hydrocarbon liquids, with total consideration capped at A\$20 million plus interest.

The value of the transaction is consistent with the recent independent expert valuation.

Transaction Highlights

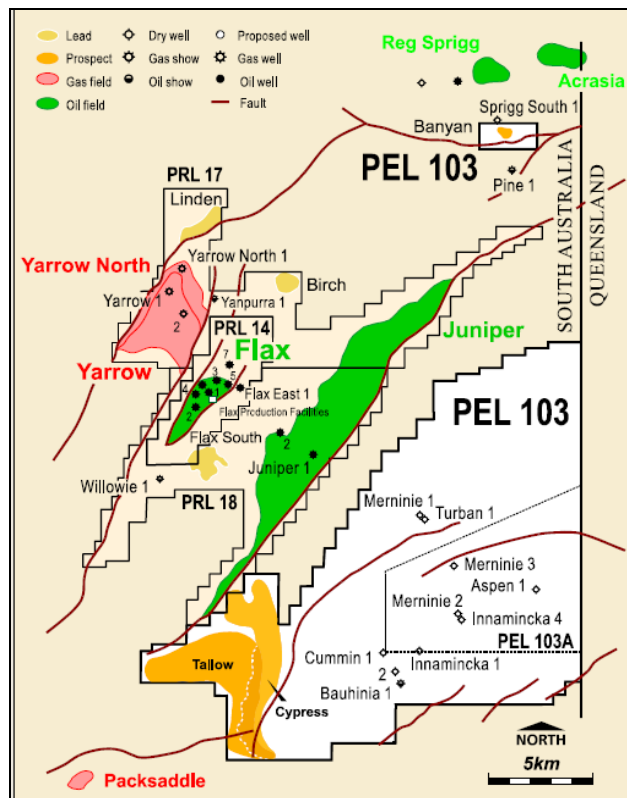
The acquisition recognises the increased attractiveness of, and focus on, INP's core assets. This is consistent with INP's renewed commitment to its strategy in the Cooper Basin.

Ongoing technical studies continue to improve the potential of the untested exploration permit of PEL 103. The joint venture is working to identify drilling locations on the Banyan prospect (Eromanga Oil) and the Tallow and Cypress prospects (Gas) for drilling in 2011.

INP notes the momentum in the US, and now in Australia, to develop unconventional reservoirs through the improved deployment of associated technologies.

INP believes the application of these technologies could assist the development of the tight oil and gas reservoirs in PRLs 14, 17 & 18, which contain significant volumes of hydrocarbons in place.

In these permits, the immediate plan is to acquire 3D seismic in 2011, with the goal of firming up drilling locations through both seismic reprocessing and new seismic acquisition.



Funding

The recent support of major shareholders, displayed by their commitment to retaining INP's focus on its core assets, has now transitioned into support for the funding of this transaction.

A loan facility of A\$4.5 million has been established between INP and Republic Investment Management Pte Ltd (RIM) for RIM to provide the funding necessary for the initial acquisition cost of the additional PEL103 Interests. Repayment of the amounts drawn down from this facility will be either via cash payments or the issue of Innamincka scrip, with full repayment due no later than 3 months after the facility is first utilised.

Yours sincerely
Innamincka Petroleum Limited

Leni Stanley
 Company Secretary