

This Week

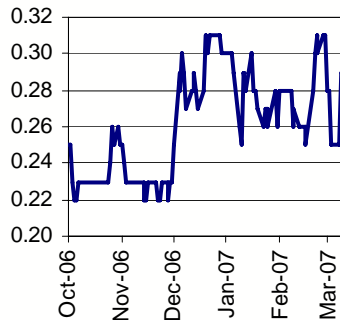
Innamincka Petroleum Gears Up (INP)

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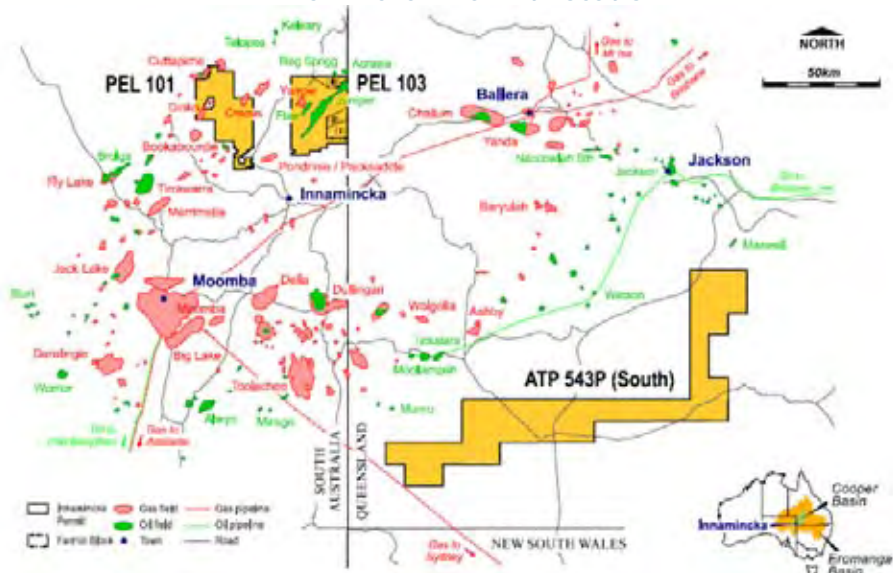
Innamincka has finally been able to gain control of its destiny in the Cooper Basin permit PEL-103, containing the Flax and Juniper oilfields. The company now has a 75% interest in the tight oil project and a supportive partner, in the form of Seoul City Gas, which paid \$7 million to purchase its 25% interest. Success at its 4 mmbbl Flax, tight oil project would be worth at least \$48 million to the company, substantially underwriting its existing share price, while exploration and development opportunities offer significant upside. Finance represents the company's main short term risk. Once new equity is in place to support an initial oilfield development at Flax, investment will be substantially de-risked. StockAnalysis expects that ongoing field development costs would be largely supported by project debt.

Forecast Share Structure Post Issue

INP - Capital Structure	
Shares	85.4 m.
New Issue (est)	57.1 m.
Options	21.65 m.
Total Potential Shares	164.2
Share Price	0.27
Market Cap (ex issue)	\$ 38 m.
Cash (est)	\$ 13

Innamincka is now in the process of raising a total of up to \$15 million of new equity via a placement and an SPP, to support a development programme at the Flax field, which has an estimated recoverable reserve of 4 million barrels of oil. For the purposes of this evaluation, StockAnalysis assumes that \$12 million is raised at a price of 21 cps, but the company may do better than this on both price and quantum.

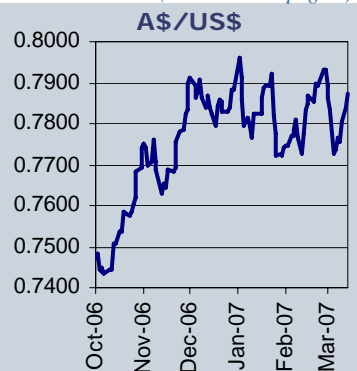
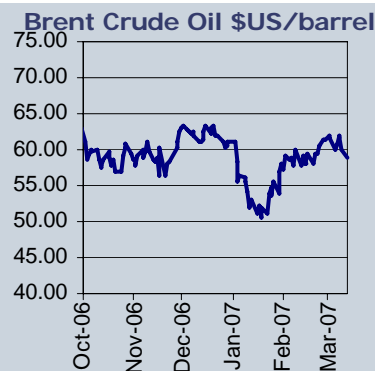
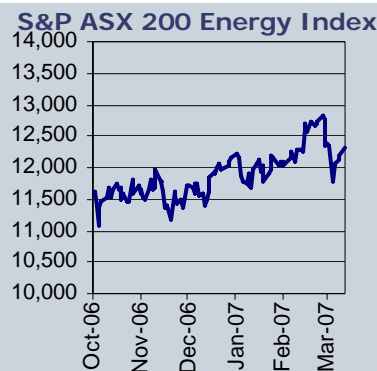
Innamincka - Permit Location



Source: Innamincka Petroleum

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Indices & Prices	
All Ordinaries	5,868.10
Energy Index	12,305.30
Brent US\$/bbl	58.92
AUS\$/US\$	0.7871
As at Close March 13th	



At least \$4 million of the funds raised will go towards repayment of a \$4 million loan from Macquarie Bank, which is also in line to receive 21 million options, exercisable at 32.5 cents.

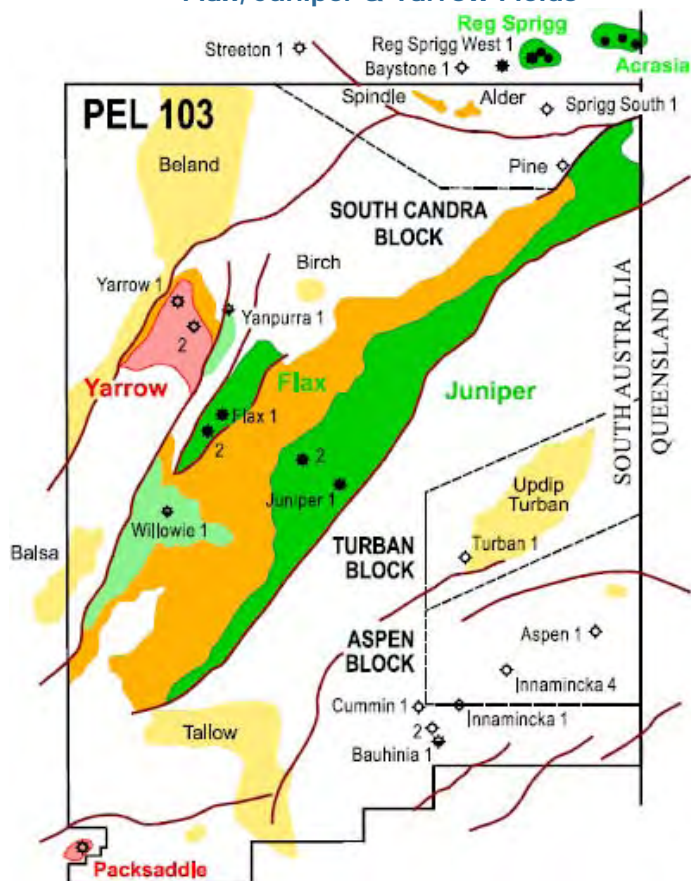
Estimated Reserves, Resources & Prospects

Permit	Field	Mean OOI / OGIP	Mean Recoverable	P10 in Place
PEL 103	Flax	20 mmstb	4 mmstb	36 mmstb
	Juniper	66 mmstb		136 mmstb
	Yarrow	36 bcf	23 bcf	69 bcf
	Prospects/Leads (9)	19 mmstb total		Range 1-17 mmstb each
PEL 101	Ginko	20 bcf		28 bcf
	Crocus	29 bcf		40 bcf
	Prospects/Leads (8)	61 bcf total		Range 1-42 bcf each
ATP 543P	Prospects/Leads (3)	32 mmstb		Range 10-32 mmstb each

The company plans to commence work on 1 May, drilling Flax-3 & -4 to depths of around 2,800 metres. Both wells will then be stimulated using pinpoint fracs in the Tirrawarra and overlying gassy Patchawarra units, employing a gel and proppant mix, with the aim of producing initial oil flows of over 250 mmbbls per day. This technique has been proven by Santos at its Tirrawarra field.

Source: Innamincka Petroleum

Flax, Juniper & Yarrow Fields



Source: Innamincka Petroleum

The existing Flax-1 well will be used to inject gas stripped from Flax oil production and later on, possibly using gas from the nearby Yarrow gas field to support oil production from the field. Flax-2 will also be fraced for use as a production well. The company aims to boost total field production towards 1,000 BOPD by the end of CY 2007. At this rate, Innamincka would generate an operating cash flow of over \$10 million per year.

The Yarrow field is thought to have potential for an oil leg to its north, which StockAnalysis estimates might have the potential for 2.2 million barrels of recoverable oil. In the east of PEL-103, Avery Energy is earning an interest by evaluating the up-dip Turban prospect, which has potential for 15-20 mmbbls of oil in place. This project requires acquisition of 50km² of 3D seismic.

Juniper represents a large target, estimated to contain 66 million barrels in place. Once production at the Flax field is established, the even less permeable Juniper target may be approached.

Santos is a 50% partner at ATP-543-P, where further seismic data will be acquired in an attempt to replicate Santos' Cooper oil programme on its permits to the north.

Valuation

Even though Juniper is an existing oil discovery, there is some doubt about whether it can be commercial.

INP - Risk Adjusted Exploration Valuation Matrix

Well	Equity	Target Pj	Target mmbbl	Risk %	NPV	Discovery	Riskd	INP cost	Riskd
					\$m	Value \$/share	NPV \$m	to drill \$m	NPV \$m
Juniper	75%	0	13	11%	211	0.96	23	3	14.4
Yarrow Oil	75%	0	2	12%	35	0.16	4	2	0.9
Kapok	37.5%	9	0	18%	11	0.02	2	1	0.2
ATP-543-P	50%	0	6	17%	102	0.31	17	6	2.7
Turban *	35%	0	4	9%	64	0.14	6	0	1.7
						1.46			17.8

* post farm-down

In-ground Value Assumptions

Cooper gas \$ 0.65 per Gj

Tight Oil \$ 16 /bbl

Source: Strachan Corp. Pty Ltd.

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StockAnalysis calculates a target valuation for Innamincka of \$69 million, based on success at Flax plus the value of discovered gas.

The addition of risked exploration upside delivers a target risk adjusted valuation of 53 cps, based on the above equity raising assumptions.

INP Valuation

	BO/Bcf	\$m	\$/share
Flax	75% 3	48	0.29
Yarrow	75% 17	11	0.07
PEL-101	37.5% 13	9	0.05
Option Equity		7	0.04
Corporate		(6)	(0.04)
			0.42
Exploration Upside		18	0.11
Target Valuation			0.53

Source: Strachan Corp. Pty Ltd.

Recommendation: *Innamincka must first overcome its funding hurdle. Once funds are secured, the stock appears to offer moderate appeal with oil and gas resources in the ground and additional exploration appeal. The company faces significant funding risk and then development risk at the Flax oilfield, while Juniper may prove to be impermeable for commercial production. Existing resources appear to support a valuation of around 30 cps.*

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