

INNAMINCKA PETROLEUM LIMITED
ABN 11 101 313 777

HALF-YEAR REPORT – 31 DECEMBER 2003

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Innamincka Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

DIRECTORS' REPORT

Your directors present their report on the company for the half-year ended 31 December 2003.

Directors

The following persons were directors of Innamincka Petroleum Limited during the whole of the half-year and up to the date of this report:

Adam Johnson
Ross Wecker
Michael Brown
David McEvoy

Review of Operations

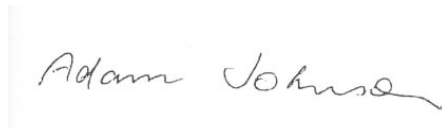
The operating loss after income tax of the company for the half-year was \$998,449, after expensing exploration costs of \$902,753 incurred to December 31, 2003 in respect of Sprigg South, which was plugged and abandoned. The loss reflects the nature of the company's principal activity.

Innamincka Petroleum floated on 6 November 2003. The float was fully subscribed. On 18 November 2003 the company commenced drilling the Sprigg South well which was the first well in the four well program outlined in the Prospectus. Minor oil shows but no commercial quantities of oil were intersected. The hole was subsequently plugged and abandoned. On 10 December 2003 drilling commenced on Yarrow 1, a stratigraphic play in the Tirrawarra and Patchawarra formations. Both units proved to be gas saturated with associated high liquids content. No formation water was intersected and pressure data indicated that the hydrocarbon column extended at depth. Testing of Yarrow 1 was underway at 31 December when this reporting period ended.

Since 31 December 2003 a number of material events have occurred. Firstly, Yarrow 1 was cased and suspended as a commercial producer. Secondly, Flax 1 was spudded on 12 January 2004. It intersected gas in the Patchawarra Formation and oil in the Tirrawarra Sandstone. No formation water was reported. Pressure data obtained on testing indicated that the hydrocarbon columns continued at depth beyond the immediate structural closure at Flax. Flax 1 has been cased and suspended as a commercial producer. On 7 February 2004, Cummin 1 was spudded. A number of minor oil shows were encountered but none proved to be associated with a commercial accumulation. On 20 February 2004, Cummin 1 was plugged and abandoned and the costs will be expensed in the current year. The drilling of Cummin 1 marked the completion of the drilling program promised by the Company in its Prospectus dated 19 September 2003.

The success of Yarrow 1 and Flax 1 demands a further drilling program, potentially leading to commercial development. These wells appear to have discovered a significant hydrocarbon system in the Flax/Yarrow/Yanpurra area. To undertake this work the Company will require additional funding. The Directors are actively pursuing alternatives.

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



Adam Johnson
Chairman
11 March 2004

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	Half-year 2003 \$
Revenue from ordinary activities	
Interest income	30,825
Expenses from ordinary activities	
Exploration abandoned	(902,753)
Professional services expenses	(44,740)
Insurance expense	(26,385)
Directors fees	(11,458)
ASX and share registry expenses	(13,560)
ASIC expenses	(3,010)
Postage, printing, stationary and courier expenses	(17,978)
Other expenses	(9,390)
	<hr/>
Loss from ordinary activities before income tax	(998,449)
Income tax expense	-
	<hr/>
Net loss	(998,449)
	<hr/>
Total changes in equity other than those resulting from transactions with owners as owners	(998,449) =====
Basic earnings per share	(4.0 cents)
Diluted earnings per share	(4.0 cents)

No comparatives are shown as this is the first interim financial reporting period to which Accounting Standard AASB 1029 Interim Financial Reporting is applicable.

The above Statement of Financial Performance should be read in conjunction with the accompanying notes.

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2003**

	Note	31 December 2003 \$	30 June 2003 \$
Current assets			
Cash		4,451,579	102,541
Receivables		471,430	-
Other		25,610	131,611
		<hr/>	<hr/>
Total current assets		4,948,619	234,152
		<hr/>	<hr/>
Non-current assets			
Property, plant and equipment		71,165	-
Deferred exploration and evaluation costs		1,010,299	28,784
		<hr/>	<hr/>
Total non-current assets		1,081,464	28,784
		<hr/>	<hr/>
Total assets		6,030,083	262,936
		=====	=====
Current liabilities			
Payables		1,125,614	52,847
Provisions		5,192	-
Other – Amounts owing to seed investors		-	260,000
		<hr/>	<hr/>
Total current liabilities		1,130,806	312,847
		<hr/>	<hr/>
Total liabilities		1,130,806	312,847
		=====	=====
Net assets		4,899,277	(49,911)
		=====	=====
Equity			
Contributed equity	3	5,947,639	2
Accumulated losses		(1,048,362)	(49,913)
		<hr/>	<hr/>
Total equity		4,899,277	(49,911)
		=====	=====

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

	Half-year 2003 \$ Inflows / (Outflows)
Cash flows from operating activities	
Receipts in the course of operations	27,143
Payments in the course of operations	(333,250)
Interest received	30,825
Net cash outflows from operating activities	<u>(275,282)</u>
Cash flows from investing activities	
Payments for exploration	(1,124,293)
Payment for security deposit	(5,900)
Payments for property, plant and equipment	(46,871)
Net cash outflows from investing activities	<u>(1,177,064)</u>
Cash flows from financing activities	
Proceeds from borrowings	390,000
Proceeds from share issues	6,000,005
Payment for share issue costs	(588,621)
Net cash inflows from financing activities	<u>5,801,384</u>
Net increase in cash held	4,349,038
Cash at the beginning of the reporting period	102,541
Cash at the end of the reporting period	<u>4,451,579</u> =====

No comparatives are shown as this is the first interim financial reporting period to which Accounting Standard AASB 1029 Interim Financial Reporting is applicable.

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2003

Note 1. Basis of preparation of half-year financial report

This general purpose financial report for the interim half-year reporting period ended 31 December 2003 has been prepared in accordance with Accounting Standard AASB 1029 *Interim Financial Reporting*, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2003 and any public announcements made by Innamincka Petroleum Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year.

Note 2 Segment information

The company operates predominantly in the one business segment and one geographical segment. Its activities comprise exploration for oil and gas in the Cooper-Eromanga Basin. The company operates in Australia.

Note 3 Equity securities issued

	Half-year 2003 Shares	Half-year 2003 \$
Opening balance	2	2
Issues of ordinary shares during the half-year		
Issued to Founders	(a) 10,153,846	5
Issued to Seed Investors	(b) 6,000,000	400,000
Issued on conversion of convertible notes	(c) 1,250,000	250,000
Issued pursuant to the prospectus	(d) 30,000,000	6,000,000
Transaction costs arising on share issues		(702,368)
	<hr/>	<hr/>
Balance 31 December 2003	47,403,848	5,947,639

- (a) 10,153,846 ordinary shares were issued to founders for nominal consideration, together with 6,489,795 free options exercisable at 20 cents each.
- (b) 6,000,000 ordinary shares were issued to seed investors at 6.66 cents each on conversion of loans, together with 3,000,000 free options exercisable at 20 cents each.
- (c) The convertible notes were issued at 20 cents each and were convertible into one ordinary share together with one attaching option for every two shares issued resulting in the issue of shares as shown, together with 625,000 free options exercisable at 20 cents each.
- (d) 30,000,000 ordinary shares were issued pursuant to a prospectus at 20 cents each for cash, together with 15,000,000 free options exercisable at 20 cents each.

Note 4 Events occurring after reporting date

In January 2004 Innamincka Petroleum Limited as Operator for PEL103 Joint Venture reported a new oil and gas field discovery by its third exploration well, Flax 1. The estimated cost of this well is \$1,022,000. It was reported that the gas reserves attributed to the formation are estimated at 34.3 BCF recoverable gas and the oil in-place resource attributed to the formation is calculated to be 17.4 million barrels. Assuming 30% ultimate recovery of the in-place resource, the recoverable reserves for the Flax field are estimated at 5.2 million barrels. Innamincka's share of these reserves is 35%.

On 7 February 2004 Innamincka Petroleum Limited's fourth exploration well, Cummin 1 was spudded. A number of minor oil shows were encountered but not proved to be associated with a commercial accumulation. On 20 February 2004, Cummin 1 was plugged and abandoned. The estimated costs of \$1,060,000 associated with this exploration well have been incurred and will be written off in the six month period to 30 June 2004.

Since 31 December 2003 Innamincka Petroleum Limited has met its commitments with respect to the PEL 103 Farmin Agreement by paying cash calls totaling approximately \$5 million, after being reimbursed for expenses incurred on the joint ventures behalf totaling approximately \$1.1 million. The company's working capital position, after incurring these costs, is as expected in accordance with the prospectus. Further funding is being sought following the reported oil and gas discoveries.

Note 5 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

DIRECTORS' DECLARATION

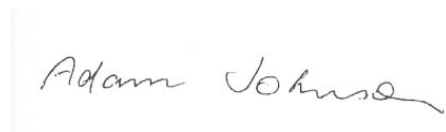
The directors declare that the financial statements and notes set out on pages 2 to 6:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the company's financial position as at 31 December 2003 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that Innamincka Petroleum Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink that reads "Adam Johnson". The signature is written in a cursive style and is positioned above the printed name and title.

Adam Johnson
Chairman

Brisbane
11 March 2004

INDEPENDENT REVIEW REPORT

To the Members of Innamincka Petroleum Limited

Scope

We have reviewed the financial report being the Directors' Declaration, Statements of Financial Performance, Financial Position and Cash Flows and Notes to the Financial Statements of Innamincka Petroleum Limited (the company) for the half-year ended 31 December 2003. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows and in order for the company to lodge the financial report with the Australian Securities & Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. The review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Innamincka Petroleum Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029: *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

JOHNSTON RORKE
Chartered Accountants



R C N WALKER
Partner

Brisbane, Queensland
11 March 2004