

INNAMINCKA PETROLEUM LIMITED
ABN 11 101 313 777

HALF-YEAR REPORT – 31 DECEMBER 2004

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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 2004 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 2004.

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 - Chairman
Ross Wecker – Managing Director
Michael Brown – Non-Executive Director
David McEvoy – Non-Executive Director

Review of Operations

The operating loss after income tax of the company for the half-year was \$2,636,191 (2003: \$998,449), after expensing exploration costs of \$2,664,331 (2003: \$902,753) incurred to December 31, 2004. The loss reflects the nature of the company's principal activity.

In the current financial period, the company received income from oil sales for the first time. The oil was produced during the extended production testing of Flax 1 which concluded in December 2004. Fracture stimulation of the well is planned for April 2005 after which production testing will recommence.

During the six month period, three exploration wells and one appraisal well were drilled. A 420 km seismic survey was recorded in the main region of interest and short production tests were conducted on Flax 1 and Yarrow 1.

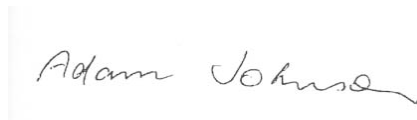
The three exploration wells resulted in one oil and one gas discovery with two wells being cased and suspended as potential future producers. The appraisal well and the third exploration well were unsuccessful and were plugged and abandoned.

Currently, the seismic data is being interpreted. The 2005 exploration drilling program has been formulated and pre-drill preparations are underway with drilling scheduled to commence in May 2005.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 2.

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



Adam Johnson
Chairman
14 March 2005

JOHNSTON RORKE



Chartered Accountants

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The Directors
Innamincka Petroleum Limited
PO Box 2378
CHERMSIDE QLD 4032

Auditor's Independence Declaration

As lead engagement partner for the review of the half-year financial report of Innamincka Petroleum Limited for the half-year ended 31 December 2004, I declare that, to the best of my knowledge and belief, there have been:

- i. no contraventions of the independence requirements of the Corporations Act 2001 in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

JOHNSTON RORKE
Chartered Accountants

A handwritten signature in black ink, appearing to read 'R.C.N. Walker'. The signature is fluid and cursive.

R.C.N. Walker
Partner

Brisbane, Queensland
14 March 2005

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF-YEAR ENDED 31 DECEMBER 2004**

| | Half-year 2004 \$ | Half-year 2003 \$ |
|---|----------------------------------|----------------------------------|
| Revenue from ordinary activities | | |
| Oil sales | 207,379 | - |
| Interest income | 196,100 | 30,825 |
| Expenses from ordinary activities | | |
| Exploration and evaluation abandoned | (2,664,331) | (902,753) |
| Professional services | (68,472) | (44,740) |
| Insurance | (83,885) | (26,385) |
| ASX and share registry expenses | (55,266) | (13,560) |
| Other expenses | (167,716) | (41,836) |
| | <hr/> | <hr/> |
| Loss from ordinary activities before income tax | (2,636,191) | (998,449) |
| Income tax expense | - | - |
| | <hr/> | <hr/> |
| Net loss | (2,636,191) | (998,449) |
| | <hr/> | <hr/> |
| Total changes in equity other than those resulting from transactions with owners as owners | (2,636,191) | (998,449) |
| | ===== | ===== |
| | | |
| Basic earnings per share | (3.4 cents) | (4.0 cents) |
| Diluted earnings per share | (3.4 cents) | (4.0 cents) |

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004**

| | Note | 31 December 2004 \$ | 30 June 2004 \$ |
|---|------|---------------------------|-----------------------|
| Current assets | | | |
| Cash assets | | 9,216,999 | 11,007,050 |
| Receivables | | 526,638 | 169,746 |
| Other | | 78,062 | 100,596 |
| | | <hr/> | <hr/> |
| Total current assets | | 9,821,699 | 11,277,392 |
| | | <hr/> | <hr/> |
| Non-current assets | | | |
| Property, plant and equipment | | 234,382 | 102,053 |
| Deferred exploration and evaluation costs | | 4,756,863 | 2,616,034 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 4,991,245 | 2,718,087 |
| | | <hr/> | <hr/> |
| Total assets | | 14,812,944 | 13,995,479 |
| | | ===== | ===== |
| Current liabilities | | | |
| Payables | | 598,033 | 303,522 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 598,033 | 303,522 |
| | | <hr/> | <hr/> |
| Total liabilities | | 598,033 | 303,522 |
| | | ===== | ===== |
| Net assets | | 14,214,911 | 13,691,957 |
| | | ===== | ===== |
| Equity | | | |
| Contributed equity | 3 | 19,216,807 | 16,057,662 |
| Accumulated losses | | (5,001,896) | (2,365,705) |
| | | <hr/> | <hr/> |
| Total equity | | 14,214,911 | 13,691,957 |
| | | ===== | ===== |

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 2004**

| | Half-year 2004 \$ | Half-year 2003 \$ |
|--|----------------------------------|----------------------------------|
| Cash flows from operating activities | | |
| Receipts in the course of operations | 657,099 | 27,143 |
| Payments in the course of operations | (766,884) | (333,250) |
| Interest received | 196,100 | 30,825 |
| Net cash inflows (outflows) from operating activities | <u>86,315</u> | <u>(275,282)</u> |
| Cash flows from investing activities | | |
| Payments for exploration | (4,832,782) | (1,124,293) |
| Payment for security deposit | - | (5,900) |
| Payments for property, plant and equipment | (160,298) | (46,871) |
| Net cash outflows from investing activities | <u>(4,993,080)</u> | <u>(1,177,064)</u> |
| Cash flows from financing activities | | |
| Proceeds from borrowings | - | 390,000 |
| Proceeds from share issues | 3,412,949 | 6,000,005 |
| Payment for share issue costs | (296,235) | (588,621) |
| Net cash inflows from financing activities | <u>3,116,714</u> | <u>5,801,384</u> |
| Net increase (decrease) in cash held | (1,790,051) | 4,349,038 |
| Cash at the beginning of the reporting period | 11,007,050 | 102,541 |
| Cash at the end of the reporting period | <u>9,216,999</u> ===== | <u>4,451,579</u> ===== |

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 2004

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 2004 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 2004 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 2004 Shares | Half-year 2004 \$ |
|---|--------------------------------------|----------------------------------|
| Opening balance | 67,554,572 | 16,057,662 |
| Issues of ordinary shares during the half-year | | |
| Issued pursuant to the May 2004 prospectus | (a) 2,149,054 | 1,396,885 |
| Issued on exercise of options | (b) 10,080,320 | 2,016,064 |
| Transaction costs arising on share issues | | (253,804) |
| | <hr/> | <hr/> |
| Balance 31 December 2004 | 79,783,946 | 19,216,807 |

- (a) Share placement pursuant to the May 2004 prospectus approved by shareholders in general meeting held on 1 July 2004.
- (b) Options issued pursuant to the prospectus dated 19 September 2003, exercisable at 20 cents, exercised during the financial period for cash.

Note 4 Events occurring after reporting date

There have been no matters or circumstances, that have arisen since the end of the half-year, that have significantly affected, or may affect, the operations of the company, the results of those operations or the state of affairs of the company in future financial year.

Note 5 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

Note 6 International Financial Reporting Standards (IFRS)

The company continues investigating the transition from current Australian Standards to Australian equivalents of International Financial Reporting Standards (IFRS). Management has continued discussions with its professional advisors to identify key areas that may be impacted. As the company has a 30 June year end, an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004 will be prepared. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the company prepares its first fully IFRS compliant financial report for the half-year to 31 December 2005 and for the full year ending 30 June 2006. Set out below are the key areas identified at this time where accounting policies may change and have an impact on the financial report of the company.

Exploration and Evaluation Costs

The current accounting policy for exploration and evaluation costs is set out in note 1(b) of the 2004 annual financial report. Under the new standard AASB 6 *Exploration for and Evaluation of Mineral Resources* the treatment of exploration and evaluation expenditure is similar to the treatment under the existing Australian Accounting Standard AASB 1022. Accordingly, management believe there is not likely to be a significant change to the company's current accounting policy for such expenditure.

Equity-based Compensation Benefits

Under the new standard AASB 2 Share-based Payments, equity-based compensation to directors and employees will be recognised as an expense in respect of the services received. This will result in a change to the current accounting policy where no expense is recognised for equity-based compensation. Innamincka Petroleum Limited currently has no equity-based compensation schemes.

Income Tax

Under the new standard AASB 112 Income Taxes, there is a requirement that the company adopt a balance sheet approach to income tax accounting rather than the current income statement approach. Additionally, the tests for the recognition of deferred tax assets, such as future income tax benefits, will be based on where realisation of the benefit is "probable" rather than where realisation of the benefit can be regarded as being assured beyond any reasonable doubt or virtually certain. The company does not currently recognise deferred tax assets as these are not considered virtually certain. Adoption of the new standard may result in recognition of deferred tax assets earlier than under the current standard.

DIRECTORS' DECLARATION

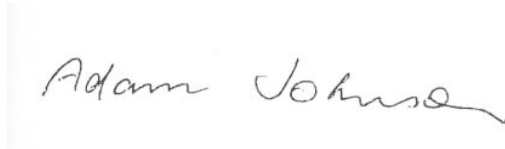
In the opinion of the directors the attached financial statements and notes:

- (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 2004 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
14 March 2005

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 2004. 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 professional 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 Standards applicable to review engagements. A 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 2004 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 professional reporting requirements in Australia.

JOHNSTON RORKE
Chartered Accountants



RCN WALKER
Partner

Brisbane, Queensland
14 March 2005