

**INNAMINCKA PETROLEUM LIMITED**  
**ABN 11 101 313 777**

**HALF-YEAR REPORT – 31 DECEMBER 2005**

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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 2005 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 2005.

### 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 \$1,868,766 (2004: \$2,636,191), after expensing exploration costs of \$2,408,356 (2004: \$2,664,331) incurred to December 31, 2005. The loss reflects the nature of the company's principal activity.

During the six month period, three exploration wells and one appraisal well were drilled. A 101 km seismic survey was recorded over the Kapok prospect in PEL 101 and the Sprigg Extension 3D seismic survey was recorded over the Spindle and Alder leads in PEL 103. The Kapok survey was interpreted whilst the processing of the Sprigg survey data will be completed in early 2006.

The three exploration wells resulted in one gas discovery being cased and suspended as a potential future producer. The appraisal well was also cased and suspended as a future oil producer. The other two exploration wells were unsuccessful and were plugged and abandoned.

Fracture stimulation of the Flax 1 was undertaken in July. Post-stimulation oil production totalled in excess of 30,000 barrels during the period.

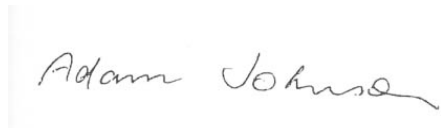
The forward programme has been formulated with the main emphasis on development of the Flax field. Additional exploration wells are programmed to investigate both oil and gas prospects as well as testing the upside potential of the Flax-Juniper complex.

Capital raising, financing and development options are currently under consideration.

### 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  
6 March 2006

**AUDITORS' INDEPENDENCE DECLARATION**

As lead auditor for the review of Innamincka Petroleum Limited for the half year ended 31 December 2005, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Innamincka Petroleum Limited.



Robert Hubbard  
Partner  
PricewaterhouseCoopers

Brisbane  
6 March 2006

**INCOME STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>Half-year 2005 \$</b>	<b>Half-year 2004 \$</b>
<b>Revenue</b>	<b>1,008,492</b>	<b>403,479</b>
Exploration and evaluation abandoned	(2,408,356)	(2,664,331)
Oil sales fees and charges	(138,129)	-
Professional services	(107,829)	(68,472)
Insurance	(73,444)	(83,885)
ASX and share registry expenses	(39,508)	(55,266)
Other expenses	(109,992)	(167,716)
	<hr/>	<hr/>
Loss before income tax	(1,868,766)	(2,636,191)
Income tax expense	-	-
	<hr/>	<hr/>
Loss for the half-year attributable to members of Innamincka Petroleum Limited	(1,868,766)	(2,636,191)
	=====	=====
Basic earnings per share	(2.3 cents)	(3.4 cents)
Diluted earnings per share	(2.3 cents)	(3.4 cents)

The above Income Statement should be read in conjunction with the accompanying notes.

**BALANCE SHEET  
AS AT 31 DECEMBER 2005**

	Note	31 December 2005 \$	30 June 2005 \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,115,224	7,189,904
Receivables		1,620,406	411,411
Exploration inventory		1,034,688	-
Other		144,624	91,570
		<hr/>	<hr/>
Total current assets		5,914,942	7,692,885
		<hr/>	<hr/>
<b>Non-current assets</b>			
Property, plant and equipment		189,065	215,652
Deferred exploration and evaluation costs		6,960,493	6,513,186
		<hr/>	<hr/>
Total non-current assets		7,149,558	6,728,838
		<hr/>	<hr/>
<b>Total assets</b>		13,064,500	14,421,723
		=====	=====
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables		1,612,246	1,100,703
		<hr/>	<hr/>
Total current liabilities		1,612,246	1,100,703
		<hr/>	<hr/>
<b>Total liabilities</b>		1,612,246	1,100,703
		=====	=====
<b>Net assets</b>		11,452,254	13,321,020
		=====	=====
<b>EQUITY</b>			
Contributed equity	4	19,199,698	19,199,698
Accumulated losses		(7,747,444)	(5,878,678)
		<hr/>	<hr/>
<b>Total equity</b>		11,452,254	13,321,020
		=====	=====

The above Balance Sheet should be read in conjunction with the accompanying notes.

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>Half-year 2005 \$</b>	<b>Half-year 2004 \$</b>
<b>Total equity at the beginning of the half-year</b>	13,321,020	13,691,957
Loss for the half-year	(1,868,766)	(2,636,191)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity, net of transaction costs (note 4)	-	3,159,145
	<hr/>	<hr/>
<b>Total equity at the end of the half-year</b>	<b>11,452,254</b> =====	<b>14,214,911</b> =====

The above statement of changes in equity should be read in conjunction with the accompanying notes.

**CASH FLOW STATEMENT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2005**

	<b>Half-year 2005 \$</b>	<b>Half-year 2004 \$</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	980,096	657,099
Payments to suppliers (inclusive of GST)	(1,055,062)	(766,884)
Interest received	146,757	196,100
<b>Net cash inflows from operating activities</b>	<u>71,791</u>	<u>86,315</u>
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(3,110,878)	(4,832,782)
Payments for exploration inventory	(1,033,150)	-
Payments for property, plant and equipment	(2,443)	(160,298)
<b>Net cash outflows from investing activities</b>	<u>(4,146,471)</u>	<u>(4,993,080)</u>
<b>Cash flows from financing activities</b>		
Proceeds from share issue	-	3,412,949
Payment for share issue costs	-	(296,235)
<b>Net cash inflows from financing activities</b>	<u>-</u>	<u>3,116,714</u>
<b>Net decrease in cash held</b>	(4,074,680)	(1,790,051)
Cash at the beginning of the reporting period	7,189,904	11,007,050
<b>Cash at the end of the reporting period</b>	<u>3,115,224</u> =====	<u>9,216,999</u> =====

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2005

### Note 1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2005 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* 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 2005 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*.

#### (a) Basis of preparation of half-year financial report

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

##### *Application of AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards*

This interim financial report is the first Innamincka Petroleum Limited interim financial report to be prepared in accordance with AIFRS's. AASB 1 *First time Adoption of Australian Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of Innamincka Petroleum Limited until 30 June 2005 had been prepared in accordance with previous Australian Generally Accepted Accounting Principles (AGAAP). AGAAP differs in certain respects from AIFRS. When preparing the Innamincka Petroleum Limited interim financial report for the half year ended 31 December 2005, management has amended certain accounting and valuation methods applied in the previous AGAAP financial statements to comply with AIFRS. With the exception of financial instruments, the comparative figures were restated to reflect these adjustments. The Company has taken the exemption available under AASB 1 to only apply AASB 132 *Financial Instruments: Disclosure and Presentation* and AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2005.

Reconciliations and descriptions of the effect of the transition from previous AGAAP to AIFRS's on the Company's equity and its net income are given in note 7.

##### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

#### (b) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

## **Note 1 Summary of significant accounting policies (continued)**

### **(c) Income tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognized for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted in each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognized in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognized for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

### **(d) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties paid. Oil sales are recognised when the product is provided and Innamincka has a legally enforceable entitlement to the proceeds.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

### **(e) Exploration expenditure**

#### *Costs carried forward*

Exploration and evaluation expenditure incurred by or on behalf of the entity is accumulated separately for each area of interest. Such expenditure comprises net direct costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Each area of interest is limited to a size related to a known or probable petroleum resource.

Currently the Company has material operations in one area of interest being the Cooper-Eromanga Basin of Central Australia.

Exploration expenditure for each area of interest, other than that acquired from the purchase of another mining or exploration company, is carried forward as an asset provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Exploration expenditure which fails to meet at least one of the conditions outlined above is written off.

Expenditure is not carried forward in respect of any area of interest unless the Company's rights of tenure to that area of interest are current.

The ultimate recoupment of exploration and evaluation expenditure is dependent on successful development and commercial exploitation, or alternatively, sale of the respective area.

#### *Amortisation*

Amortisation of costs carried forward will be charged from the commencement of production. When production commences, costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

## **Note 1 Summary of significant accounting policies (continued)**

### *Restoration, rehabilitation and environmental costs*

Future estimated costs for the restoration and rehabilitation of areas affected by exploration and development activities are recognised at the present value of those future costs. Increases in the provision each year which result from the passage of time are recognised as borrowing costs.

Restoration, rehabilitation and environmental obligations recognised include the costs of reclamation, plant and waste site closure and subsequent monitoring of the environment.

Estimates are reassessed at least annually. Changes in estimates relating to areas of interest in the exploration and evaluation phase are dealt with retrospectively, with any amounts that would have been written off or provided against under the accounting policy for exploration and evaluation immediately written off.

### **(f) Acquisitions of assets**

The purchase method of accounting is used for all acquisitions of assets. Cost is measured as the fair value of the assets given up, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

### **(g) Impairment of assets**

Assets that have an indefinite life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### **(h) Property, plant and equipment**

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is calculated on a straight line or diminishing value basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life to the company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items. The expected useful lives are as follows:

Leasehold improvements	5 years
Plant and equipment	5 – 10 years

The cost of improvements to or on leasehold properties is amortised over the unexpired period of the lease or the estimated useful life of the improvement, whichever is the shorter.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(g))

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is Company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

## **Note 1 Summary of significant accounting policies (continued)**

### **(i) Trade and other creditors**

These amounts represent liabilities for goods and services provided to the entity prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### **(j) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **(k) Receivables**

All trade and other debtors are recognised at fair value. Collectibility is reviewed on an ongoing basis. A provision for doubtful debts is made where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate. The amount of any provision is recognised in the income statement.

Trade receivables are due for settlement no more than 30 – 60 days from the date of recognition.

### **(l) Exploration inventory**

Inventories are stated at the lower of cost and net realisable value. The costs are assigned to individual items on the basis of first in first out.

### **(m) Earnings per share**

#### *(i) Basic earnings per share*

Basic earnings per share is determined by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the half-year, adjusted for bonus elements in ordinary shares issued during the half year.

#### *(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### **(n) Web site costs**

Costs in relation to web sites are charged as expenses in the period in which they are incurred. Costs in relation to the development of a web site, and ongoing costs of maintenance during the operating phase are considered to be expenses.

## **Note 1 Summary of significant accounting policies (continued)**

### **(o) Employee benefits**

#### *(i) Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

#### *(ii) Long service leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### *(iii) Superannuation*

Contributions are made by the company to accumulation superannuation funds. Contributions are charged to expenses as they are incurred.

#### *(iv) Employee benefit on-costs*

Employee benefit on-costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

### **(p) Joint venture operations**

The proportionate interests in the assets, liabilities and expenses of joint venture operations have been incorporated in the financial statements under the appropriate headings.

Amounts recovered from the Joint Venture are offset against associated expenditures incurred as operator of the Joint Venture.

### **(q) Leases**

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

### **(r) Contributed equity**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

## 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 Profit for the half-year

	Half-year 2005 \$	Half-year 2004 \$
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		

### Expenses

Profit before income tax includes the following specific expenses:

Exploration and evaluation abandoned	2,408,356 =====	2,664,331 =====
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## Note 4 Equity securities issued

	Half-year		Half-year	
	2005 Shares	2004 Shares	2005 \$	2004 \$
Opening balance	79,783,946	67,554,572	19,199,698	16,057,662
<b>Issues of ordinary shares during the half-year</b>				
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)
Balance 31 December 2005	79,783,946	79,783,946	19,199,698	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 5 Events occurring after the balance sheet 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 6 Contingent liabilities

The Directors are not aware of any material contingent liabilities.

## Note 7 Explanation of transition to Australian equivalents to IFRS's

### (1) Reconciliation of equity reported under previous Australian Generally Accepted Accounting Principles (AGAAP) to equity under Australian equivalents to IFRSs (AIFRS)

#### (a) At the date of transition to AIFRS: 1 July 2004

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11,007,050	-	11,007,050
Receivables	169,746	-	169,746
Other	100,596	-	100,596
Total current assets	11,277,392	-	11,277,392
<b>Non-current assets</b>			
Plant and equipment	102,053	-	102,053
Deferred exploration and evaluation costs	2,616,034	-	2,616,034
Total non-current assets	2,718,087	-	2,718,087
<b>Total assets</b>	13,995,479	-	13,995,479
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	303,522	-	303,522
Total current liabilities	303,522	-	303,522
<b>Total liabilities</b>	303,522	-	303,522
<b>Net assets</b>	13,691,957	-	13,691,957
<b>EQUITY</b>			
Contributed equity	16,057,662	-	16,057,662
Accumulated losses	(2,365,705)	-	(2,365,705)
<b>Total equity</b>	13,691,957	-	13,691,957

## Note 7 Explanation of transition to Australian equivalents to IFRS's (continued)

(b) At the end of the last half-year reporting period under previous AGAAP: 31 December 2004

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9,216,999	-	9,216,999
Receivables	526,638	-	526,638
Other	78,062	-	78,062
	<hr/>		<hr/>
Total current assets	9,821,699	-	9,821,699
<b>Non-current assets</b>			
Plant and equipment	234,382	-	234,382
Deferred exploration and evaluation costs	4,756,863	-	4,756,863
	<hr/>		<hr/>
Total non-current assets	4,991,245	-	4,991,245
	<hr/>		<hr/>
<b>Total assets</b>	14,812,944	-	14,812,944
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	598,033	-	598,033
	<hr/>		<hr/>
Total current liabilities	598,033	-	598,033
	<hr/>		<hr/>
<b>Total liabilities</b>	598,033	-	598,033
	<hr/>		<hr/>
<b>Net assets</b>	14,214,911	-	14,214,911
<b>EQUITY</b>			
Contributed equity	19,216,807	-	19,216,807
Accumulated losses	(5,001,896)	-	(5,001,896)
	<hr/>		<hr/>
<b>Total equity</b>	14,214,911	-	14,214,911

## Note 7 Explanation of transition to Australian equivalents to IFRS's (continued)

(c) At the end of the last reporting period under previous AGAAP: 30 June 2005

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7,189,904	-	7,189,904
Receivables	411,411	-	411,411
Other	91,570		91,570
Total current assets	7,692,885	-	7,692,885
<b>Non-current assets</b>			
Plant and equipment	215,652	-	215,652
Deferred exploration and evaluation costs	6,513,186	-	6,513,186
Total non-current assets	6,728,838	-	6,728,838
<b>Total assets</b>	14,421,723	-	14,421,723
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	1,100,703	-	1,100,703
Total current liabilities	1,100,703	-	1,100,703
<b>Total liabilities</b>	1,100,703	-	1,100,703
<b>Net assets</b>	13,321,020	-	13,321,020
<b>EQUITY</b>			
Contributed equity	19,199,698	-	19,199,698
Accumulated losses	(5,878,678)	-	(5,878,678)
<b>Total equity</b>	13,321,020	-	13,321,020

## Note 7 Explanation of transition to Australian equivalents to IFRS's (continued)

### (2) Reconciliation of profit under previous AGAAP to profit under Australian equivalents to IFRSs (AIFRS)

#### (a) Reconciliation of profit for the half-year ended 31 December 2004

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
Revenue	403,479	-	403,479
		-	-
Exploration and evaluation abandoned	(2,664,331)	-	(2,664,331)
Professional services	(68,472)	-	(68,472)
Insurance	(83,885)	-	(83,885)
ASX and share registry expenses	(55,266)	-	(55,266)
Other expenses	(167,716)	-	(167,716)
Profit before income tax	(2,636,191)	-	(2,636,191)
Income tax expense	-	-	-
Profit for the half-year	(2,636,191)	-	(2,636,191)

#### (b) Reconciliation of profit for the year ended 30 June 2005

	Previous AGAAP \$	Effect of transition to AIFRS \$	AIFRS \$
Revenue	627,518	-	627,518
		-	-
Exploration and evaluation abandoned	(3,601,313)	-	(3,601,313)
Oil sales fees and charges	(58,740)	-	(58,740)
Professional services	(130,928)	-	(130,928)
Insurance	(107,377)	-	(107,377)
ASX and share registry expenses	(68,955)	-	(68,955)
Other expenses	(173,178)	-	(173,178)
Profit before income tax	(3,512,973)	-	(3,512,973)
Income tax expense	-	-	-
Profit for the half-year	(3,512,973)	-	(3,512,973)

### (3) Reconciliation of cash flow statement for the year ended 30 June 2005

The adoption of AIFRSs has not resulted in any material adjustments to the cash flow statement.

### (4) Notes to the reconciliations

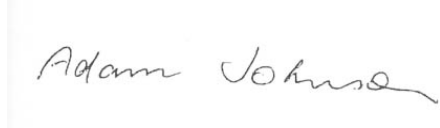
As can be seen from the reconciliations above the adoption of AIFRS has not resulted in any adjustments to the Balance Sheet or Income Statement.

## DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 16 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the company's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the company 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 cursive script that reads "Adam Johnson". The signature is written in black ink on a white background.

A Johnson  
Director

Brisbane  
6 March 2006

## Independent review report to the members of Innamincka Petroleum Limited

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of Innamincka Petroleum Limited (the Company) for the half-year ended 31 December 2005 included on Innamincka Petroleum Limited's web site. The Company's directors are responsible for the integrity of the Innamincka Petroleum Limited web site. We have not been engaged to report on the integrity of this web site. The review report refers only to the financial report identified below. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the reviewed financial report to confirm the information included in the reviewed financial report presented on this web site.

### Statement

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

- does not give a true and fair view, as required by the *Corporations Act 2001* in Australia, of the financial position of the Innamincka Petroleum Limited as at 31 December 2005 and of its performance for the half-year ended on that date, and
- is not presented in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial Reporting* and other mandatory financial reporting requirements in Australia, and the *Corporations Regulations 2001*.

This statement must be read in conjunction with the rest of our review report.

### Scope

#### The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the directors' declaration for the Innamincka Petroleum Limited (the company), for the half-year ended 31 December 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

### Review approach

We conducted an independent review in order for the company to lodge the financial report with the Australian Securities and Investments Commission. Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements. For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

We performed procedures 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 does not present fairly, in accordance with the *Corporations Act 2001*, Accounting Standard AASB 134: *Interim Financial*

Reporting and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and its performance as represented by the results of its operations, changes in equity and cash flows.

We formed our statement on the basis of the review procedures performed, which included:

- inquiries of company personnel/the responsible entity's personnel, and
- analytical procedures applied to financial data.

Our procedures include reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report.

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.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

## Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.



PricewaterhouseCoopers



Robert Hubbard

Partner

Brisbane

6 March 2006