

INNAMINCKA PETROLEUM LIMITED
ABN 11 101 313 777

INTERIM REPORT – 31 DECEMBER 2008

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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 2008 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 2008.

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:

A R Johnson - Chairman
H R B Wecker – Managing Director
D I McEvoy – Non-Executive Director
S J Koroknay – Non-Executive Director

M R Brown was a director from the beginning of the financial period until his resignation on 22 December 2008.

Review of Operations

The operating loss after income tax of the company for the half-year was \$10,504,354 (2007: \$2,205,088), after expensing exploration costs of \$3,262,824 (2007: \$2,795,490) and impairment charges of \$8,022,665 incurred to December 31, 2008. The loss reflects the nature of the company's principal activity.

During the six month period, field activities were largely focussed on the Flax field in PEL 103 where construction of the processing facility and well completion operations were undertaken in addition to the production testing activities.

The Flax field activities commenced earlier in the year with the drilling of three appraisal wells (Flax 5-7) and with the installation of the processing facility and infield flowline gathering system. The latter operations were essentially completed by the year end. First oil production from the field began in August.

Following the fracture stimulation operations on Flax 5 in late July, the combined cleanup flow consisted of both oil and formation water. This result prompted a re-examination of the Flax East 1 well results and its implications for the Flax-Juniper Complex. Investigation to positively identify the source of the formation water has been extended due to weather and transport related production constraints. Recent produced water analyses do not support the fresher water quality attributed to the formation water (leading to calculated lower oil saturations) previously. Accordingly, results to date have not provided a conclusive answer to the Flax-Juniper connection at Flax East 1.

Field production started with Flax 1 in August and increased as additional wells were brought online with flowline extensions. Production has been hampered by long road closures due to local rains and also to a lengthy crude oil transport suspension following an unloading incident at the Moomba loadout facility. Throughout the period, the supplier of the gas compressor advised delays to forecast delivery. With this situation continuing, the compressor rental agreement has recently been terminated.

By year end, the Flax 1, 3 and 4 wells were online and approximately 25,000 barrels of oil had been delivered for sale.

These activities were in Petroleum Retention Lease 14 within PEL 103 where Innamincka held a 75% working interest in both tenements.

In PEL 101, Innamincka (60%) and joint venturer, Mid Continent Equipment Australia (MCEA 40%) drilled the successful Crocus South 1 gas well earlier in the year. There was no field activity in the permit during the second half 2008.

In ATP 543P South, the joint venture comprising Innamincka 50% and Santos 50%, acquired a 131 km 2D seismic survey over the Omicron anticline in the southwestern part of the block to define the prospect and allow selection of a potential drilling location. Interpretation and mapping of the seismic data is scheduled for the first half of 2009.

A notable development during the period was the outcome of a technical analysis of a potential coal seam gas prospect centred on the Innamincka dome area with PEL 103. The review supported a gas in place potential estimated at up to 1 TCF from the Winton Formation coals. The prospect was initially presented at the Good Oil Conference in Fremantle prior to commencing farmout negotiations.

Subsequent to the reporting period, on 20th January 2009, it was announced that INP and AGL had entered into a farmout agreement whereby AGL would acquire a 37.5% participating interest in PEL 103 (including the Aspen block) and a 35% participating interest in PEL 101. On 17th February, the agreement was completed and Innamincka received \$15 million. Additionally under the agreement, AGL agreed to fund Innamincka's share of a \$10 million forward program.

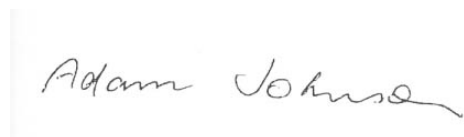
Accordingly, Innamincka was pleased to complete the farmout deal with AGL as it offers many positives including:

- validates INP's view of the potential of the coal seam gas project
- brings a strong drive to establishing a new gas development in the northern Cooper region
- places INP in a strong financial position with no borrowings
- INP does not have to raise funds in the current environment

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 3.

This report 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

6 March 2009

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Auditor's Independence Declaration

As lead auditor for the review of Innamincka Petroleum Limited for the half year ended 31 December 2008, 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 during the period.



Robert Hubbard
Partner
PricewaterhouseCoopers

Brisbane
6th March 2009

**INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Note	Half-year 2008 \$	Half-year 2007 \$
Revenue		1,864,307	1,240,700
Exploration and evaluation expensed	3	(3,262,824)	(2,795,490)
Impairment of exploration and evaluation costs	3	(8,022,665)	-
Oil sales fees and charges		(377,879)	(111,184)
Professional services		(148,472)	(123,786)
Insurance		(52,409)	(79,969)
ASX and share registry expenses		(102,214)	(107,011)
Other expenses		(402,198)	(228,348)
		-----	-----
Loss before income tax		(10,504,354)	(2,205,088)
Income tax expense		-	-
		-----	-----
Loss for the half-year attributable to members of Innamincka Petroleum Limited		(10,504,354) =====	(2,205,088) =====
Basic earnings per share		(5.5 cents)	(1.3 cents)
Diluted earnings per share		(5.5 cents)	(1.3 cents)

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

**BALANCE SHEET
AS AT 31 DECEMBER 2008**

	Note	31 December 2008 \$	30 June 2008 \$
ASSETS			
Current assets			
Cash and cash equivalents		3,191,948	15,623,415
Trade and other receivables		1,436,688	1,050,260
		<hr/>	<hr/>
		4,628,636	16,673,675
Non-current assets classified as held for sale:			
Exploration and evaluation costs		15,370,125	-
Property, plant and equipment		3,144,982	-
		<hr/>	<hr/>
Total current assets		23,143,743	16,673,675
Non-current assets			
Property, plant and equipment		3,222,616	2,537,770
Exploration and evaluation costs	5	15,735,573	31,946,912
Other		143,761	130,761
		<hr/>	<hr/>
Total non-current assets		19,101,950	34,615,443
		<hr/>	<hr/>
Total assets		42,245,693	51,289,118
		=====	=====
LIABILITIES			
Current liabilities			
Trade and other payables		3,192,798	2,039,893
		<hr/>	<hr/>
Total current liabilities		3,192,798	2,039,893
Non-current liabilities			
Provisions		14,191	12,649
		<hr/>	<hr/>
Total non-current liabilities		14,191	12,649
		<hr/>	<hr/>
Total liabilities		3,206,989	2,052,542
		=====	=====
Net assets		39,038,704	49,236,576
		=====	=====
EQUITY			
Contributed equity	4	63,101,535	63,101,535
Reserves		3,397,610	3,091,128
Accumulated losses		(27,460,441)	(16,956,087)
		<hr/>	<hr/>
Total equity		39,038,704	49,236,576
		=====	=====

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 2008**

	Half-year 2008 \$	Half-year 2007 \$
Total equity at the beginning of the half-year	49,236,576	25,935,275
Loss for the half-year	(10,504,354)	(2,205,088)
Share based payments	306,482	71,961
Transactions with equity holders in their capacity as equity holders: Contributions of equity, net of transaction costs (note 4)	-	26,929,789
Total equity at the end of the half-year	<u>39,038,704</u> =====	<u>50,731,937</u> =====

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 2008**

	Half-year 2008 \$	Half-year 2007 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	2,708,628	814,467
Payments to suppliers (inclusive of goods and services tax)	(2,044,207)	(1,792,972)
Interest received	278,685	425,447
Other revenue	-	31,409
Net cash inflows from operating activities	<u>943,106</u>	<u>(521,649)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(9,317,409)	(11,679,210)
Payments for joint venture interests	-	(95,505)
Proceeds from sale of exploration inventory	-	1,067,189
Payments for property, plant and equipment	(4,044,164)	(2,000)
Payments for security deposits	(13,000)	-
Net cash outflows from investing activities	<u>(13,374,573)</u>	<u>(10,709,526)</u>
Cash flows from financing activities		
Proceeds from share issue	-	27,633,501
Payments for share issue costs	-	(673,364)
Net cash inflows from financing activities	<u>-</u>	<u>26,960,137</u>
Net decrease in cash held	(12,431,467)	15,728,962
Cash at the beginning of the reporting period	15,623,415	10,863,762
Cash at the end of the reporting period	<u>3,191,948</u> =====	<u>26,592,724</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 2008

Note 1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2008 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 2008 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 and corresponding interim reporting period.

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 2008 \$	Half-year 2007 \$
Profit for the half-year includes the following items that are unusual because of their nature, size or incidence:		
Gains		
Interest income	278,685	425,447
Oil sales	1,585,622	815,253
Expenses		
Exploration and evaluation expensed	3,262,824	2,795,490
Impairment of exploration and evaluation costs	8,022,665*	-

* The Directors of Innamincka Petroleum Limited reviewed the carrying values of all its assets following the conclusion of the transaction described in note 6 on Subsequent Events. The Directors believe that this transaction was deemed to be the best indicator of fair value of Innamincka Petroleum Limited's exploration and evaluation costs capitalised, and as a consequence this balance was impaired.

Note 4 Equity securities issued

	Half-year		Half-year	
	2008 Shares	2007 Shares	2008 \$	2007 \$
Opening balance	189,653,040	160,434,309	63,101,535	34,193,963
Issues of ordinary shares during the half-year				
Issued on exercise of options	-	-	-	-
Issued pursuant to share purchase plan	-	2,251,209	-	2,633,500
Placement	-	21,367,522	-	25,000,001
Transaction costs arising on share issues			-	(703,712)
Balance 31 December 2008	189,653,040	184,053,040	63,101,535	61,123,752

Note 5 Non-current assets – Exploration and evaluation costs

	Half-year 2008 \$	30 June 2008 \$
Exploration and evaluation costs		
Geological, geophysical, drilling and other expenditure – at cost	15,735,573	31,946,912
	=====	=====

The capitalised exploration and evaluation costs carried forward above have been determined as follows:

Opening balance	31,946,912	13,758,419
Costs incurred during the year	10,444,275	25,085,438
Additional interest acquired in PEL101	-	95,505
Impairment of exploration and evaluation costs	(8,022,665)	-
Costs transferred to Available for Sale assets	(15,370,125)	-
Costs expensed during the year	(3,262,824)	(6,992,450)
	=====	=====
	15,735,573	31,946,912
	=====	=====

Note 6 Events occurring after the balance sheet date

Subsequent to the end of the half-year Innamincka Petroleum Limited completed a Farmin Agreement with AGL Energy Limited under which AGL Energy Limited has acquired from Innamincka Petroleum Limited a 37.5% in PEL 103 and PEL 103 Aspen and a 35% interest in PEL101. AGL has paid Innamincka Petroleum Limited \$15 million as an upfront payment and will also fund a further \$5 million of future joint venture exploration expenditure on behalf of Innamincka Petroleum Limited.

There have been no other matters or circumstances that have arisen since the end of the half-year that have not already been announced to the Australian Securities Exchange, 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 7 Contingent liabilities

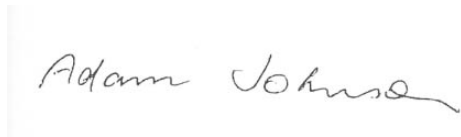
Since the last annual report date there has been no material change in any contingent liabilities. No material losses are expected in relation to any contingent liabilities.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 10 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 2008 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 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 with a long horizontal flourish at the end.

A Johnson
Director

Brisbane
6 March 2009

Independent auditor's review report to the members of Innamincka Petroleum Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Innamincka Petroleum Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for Innamincka Petroleum Limited (the Company).

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Innamincka Petroleum Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it

contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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 have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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 the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Robert Hubbard
Partner

Brisbane
6th March 2009