

INNAMINCKA PETROLEUM LIMITED
ABN 11 101 313 777

INTERIM REPORT – 31 DECEMBER 2009

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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 2009 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 2009.

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
D I McEvoy – Non-Executive Director
S J Koroknay – Non-Executive Director

Review of Operations

The operating loss after income tax of the company for the half-year was \$2,995,103 (2008: \$10,504,354), after expensing exploration costs of \$189,811 (2008: \$364,661) and impairment charges of \$573,389 (2008: \$8,022,665) incurred to December 31, 2009. The loss reflects the nature of the company's principal activity.

The second half of 2009 was largely focussed on diversifying the company's asset portfolio beyond the Cooper Basin. In July, INP completed an acquisition of a 5% interest in the Bass Strait permit T/18P by way of a farm down of interest by CalEnergy Gas (Australia) Limited. Funding of this acquisition was supported by a subsequent Share Purchase Plan and placement which raised \$14.4m.

INP was attracted to the promising drilling program in this Bass Basin permit which contains the existing White Ibis and Trefoil gas condensate discoveries and is adjacent to the producing Yolla gas field.

The two well drilling program commenced on 6 October using the Kan Tan IV semi-submersible drilling rig. The program commenced with the spudding of appraisal well Trefoil 2 which was successful in confirming the existence of gas hydrocarbons and associated liquids, and delineated the southern extent of the Trefoil gas field. The operator, Origin Energy, is currently reviewing the well to confirm the field volumetrics and establish the potential for development of the Trefoil field.

The second well of the program, Rockhopper 1 commenced drilling 3 December and had encountered hydrocarbons by month end. Origin Energy Limited, the operator of the drilling program, confirmed the results as a new field oil and gas discovery in the Bass Basin.

Based on the success of the Rockhopper 1 well in identifying hydrocarbons, the joint venture agreed to proceed with the drilling of a side track well, Rockhopper ST1 to appraise the discovery. Side track operations commenced on 19 January 2010 and have since concluded. All data gathered in the two wells will now be analysed and integrated with seismic mapping to derive volumes of oil and gas in the Rockhopper structure.

Also during this period, INP continued its strategy of expansion into the Bass Basin by reaching agreement in November to purchase a 7.5% interest in the BassGas Project, conditional on funding. Subsequent to this reporting period, INP has not proceeded with this proposed acquisition.

Within the company's existing assets in the Cooper Basin, the major objective has been evaluation of the coal seam gas prospect on the Innamincka Dome (PEL 103 and PEL 103A) through a 3 core hole drilling program.

The drilling program, operated by AGL Energy Limited ("AGL") commenced on 15 October 2009, concluding at the end of November. Core samples were successfully collected from the wells (Merninie 1-3) and desorption testing of the coal quality has been a subsequent activity.

Preliminary results indicate that a standalone CSG development is unlikely with current commercial parameters. A renewed focus on a broader gas aggregation strategy across PEL103 and PEL 101 will be pursued to create development potential for the already identified resources and prospects.

Under the terms of the farm in agreement with AGL, INP is fully carried for this activity and the subsequent CSG activities up to a limit of \$5m.

A notable development during the period was the recommencement of production from the Flax field in PRL 14. The field recommenced production on 30 November 2009 after a period of shut in which enabled minor facilities modification and upgrade, along with the opportunity to undertake a thorough review of the future strategy for field exploitation. The review determined that the most appropriate strategy is to continue production for the foreseeable future. At current oil prices no further significant investment in field development is anticipated.

After reopening, the field produced 4900 barrels of oil at an average rate of 150 bopd up to 31 December 2009. The field remains on line.

Within PRL's 17 and 18 which cover the Juniper and Yarrow discoveries, PIRSA have approved a request to vary the timing of future work commitments. This has enabled acceleration of the seismic program while deferring the well commitments. In the current permit year INP will revise the mapping and geological model to determine the best location for seismic acquisition. There has been no field activity in these permits during the period.

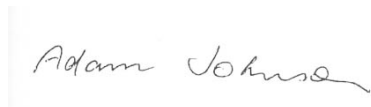
The PEL 101 licence has been extended a further 5 years. No field activity was undertaken in this permit during the period.

With ATP543P (South), JV meetings were held to evaluate a forward exploration program. Santos as holder of the ATP 543P permit has submitted to the Queensland Department of Mines and Energy the end of term relinquishment proposal and renewal request. The joint venture is awaiting a response. No field activity was conducted during the reporting period.

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.



Adam Johnson
Chairman

12 March 2010

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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
12 March 2010

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Note	Half-year 2009 \$	Half-year 2008 \$
Revenue		270,060	1,864,307
Exploration and evaluation expensed	3	(189,811)	(364,661)
Impairment of exploration and evaluation costs	3	-	(8,022,665)
Impairment of site restoration asset	3	(573,389)	-
Oil sales fees and charges		(39,351)	(377,879)
Field operation expenses		(453,746)	(1,862,292)
Professional services and consulting fees		(921,023)	(206,792)
Insurance		(100,115)	(52,409)
ASX and share registry expenses		(78,603)	(102,214)
Office administration expenses		(619,506)	(1,035,871)
Other expenses		(289,619)	(343,878)
		<hr/>	<hr/>
Loss before income tax		(2,995,103)	(10,504,354)
Income tax expense		-	-
		<hr/>	<hr/>
Loss after income tax		(2,995,103)	(10,504,354)
		<hr/>	<hr/>
<i>Other comprehensive income</i>			
Other comprehensive income for the period, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive income attributable to the ordinary equity holders of the company		(2,995,103)	(10,504,354)
		=====	=====
Earnings per share for profit attributable to the ordinary equity holders of the company:			
Basic earnings per share		(1.2 cents)	(5.5 cents)
Diluted earnings per share		(1.2 cents)	(5.5 cents)

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

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009**

	Note	31 December 2009 \$	30 June 2009 \$
ASSETS			
Current assets			
Cash and cash equivalents		16,533,170	12,355,641
Trade and other receivables		5,751,471	1,467,881
Other assets		4,485,344	4,980,748
		<hr/>	<hr/>
Total current assets		26,769,985	18,804,270
		<hr/>	<hr/>
Non-current assets			
Property, plant and equipment		1,623,806	1,795,572
Exploration and evaluation costs	5	8,558,292	3,913,928
Other		128,301	110,404
		<hr/>	<hr/>
Total non-current assets		10,310,399	5,819,904
		<hr/>	<hr/>
Total assets		37,080,384	24,624,174
		<u>=====</u>	<u>=====</u>
LIABILITIES			
Current liabilities			
Trade and other payables		1,879,267	1,320,378
		<hr/>	<hr/>
Total current liabilities		1,879,267	1,320,378
		<hr/>	<hr/>
Non-current liabilities			
Provisions		1,814,091	1,064,726
		<hr/>	<hr/>
Total non-current liabilities		1,814,091	1,064,726
		<hr/>	<hr/>
Total liabilities		3,693,358	2,385,104
		<u>=====</u>	<u>=====</u>
Net assets		33,387,026	22,239,070
		<u>=====</u>	<u>=====</u>
EQUITY			
Contributed equity	4	77,171,521	63,101,535
Reserves		3,438,681	3,365,608
Accumulated losses		(47,223,176)	(44,228,073)
		<hr/>	<hr/>
Total equity		33,387,026	22,239,070
		<u>=====</u>	<u>=====</u>

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

**STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Ordinary shares \$	Retained earnings \$	Share based payments reserve \$	Total \$
Balance at 1 July 2008	63,101,535	(16,956,087)	3,091,128	49,236,576
Loss for the period	-	(10,504,354)	-	(10,504,354)
Non cash share based payments	-	-	306,482	306,482
Total other comprehensive income	-	-	-	-
Total comprehensive income	-	(10,504,354)	306,482	(10,197,872)
Shares issued during the period	-	-	-	-
Sub total	63,101,535	(27,460,441)	3,397,610	39,038,704
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2008	63,101,535	(27,460,441)	3,397,610	39,038,704
Balance at 1 July 2009	63,101,535	(44,228,073)	3,365,608	22,239,070
Loss for the period	-	(2,995,103)	-	(2,995,103)
Non cash share based payments	-	-	73,073	73,073
Total other comprehensive income	-	-	-	-
Total comprehensive income	-	(2,995,103)	73,073	(2,922,030)
Shares issued during the period	14,069,986	-	-	14,069,986
Sub total	77,171,521	(47,223,176)	3,438,681	33,387,026
Dividends paid or provided for	-	-	-	-
Balance at 31 December 2009	77,171,521	(47,223,176)	3,438,681	33,387,026

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

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2009**

	Half-year 2009 \$	Half-year 2008 \$
Cash flows from operating activities		
Receipts from customers (inclusive of goods and services tax)	563,181	2,708,628
Payments to suppliers (inclusive of goods and services tax)	(2,877,977)	(4,942,370)
Interest received	142,369	278,685
Net cash inflows from operating activities	<u>(2,172,427)</u>	<u>(1,955,057)</u>
Cash flows from investing activities		
Payments for exploration and evaluation	(3,719,000)	(6,419,246)
Payment for refundable deposit on potential JV tenement	(4,000,000)	-
Proceeds from sale of exploration inventory	-	-
Payments for property, plant and equipment	(1,030)	(4,044,164)
Payments for security deposits	-	(13,000)
Net cash outflows from investing activities	<u>(7,720,030)</u>	<u>(10,476,410)</u>
Cash flows from financing activities		
Proceeds from share issue	14,379,170	-
Payments for share issue costs	(309,184)	-
Net cash inflows from financing activities	<u>14,069,986</u>	<u>-</u>
Net decrease in cash held	4,177,529	(12,431,467)
Cash at the beginning of the reporting period	12,355,641	15,623,415
Cash at the end of the reporting period	<u>16,533,170</u> =====	<u>3,191,948</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 2009

Note 1. Summary of significant accounting policies

This general purpose financial report for the interim half-year reporting period ended 31 December 2009 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 2009 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.

Accounting Standards not previously applied

The company has adopted the following new and revised Australian Accounting Standards issued by the Australian Accounting Standards Board ("AASB") which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in the information from the previously made available.

Presentation of Financial Statements

AASB 101 prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- the replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognized in profit of loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- the adoption of the single statement approach to the presentation of the Statement of Comprehensive Income;
- other financial statements are renamed in accordance with the Standard; and
- presentation of a third Statement of Financial Position as at the beginning of a comparative financial year where relevant amounts have been affected by a retrospective change in accounting policy or material reclassification of items.

Segment information

From 1 January 2009, operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or review by, the company's chief operating decision maker which is considered to be the Board of Directors. The Directors consider that whilst exploration activities are monitored by tenement that the segment in which the company operates is oil and gas exploration.

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 Australia.

Note 3 Loss for the half-year

	Half-year 2009 \$	Half-year 2008 \$
Loss for the half-year includes the following items that are unusual because of their nature, size or incidence:		
Gains		
Interest income	142,369	278,685
Oil sales	127,691	1,585,622
Expenses		
Exploration and evaluation expensed	189,811	3,262,824
Impairment of exploration and evaluation costs	-	8,022,665
Impairment of site restoration asset	573,389	-

Note 4 Equity securities issued

	Half-year		Half-year	
	2009 Shares	2008 Shares	2009 \$	2008 \$
Opening balance	189,653,040	189,653,040	63,101,535	63,101,535
Issues of ordinary shares during the half-year				
Issued on exercise of options	-	-	-	-
Issued pursuant to share purchase plan	56,895,850	-	11,379,170	-
Placement	15,000,000	-	3,000,000	-
Transaction costs arising on share issues			(309,184)	-
Balance 31 December 2009	<u>261,548,890</u>	<u>189,653,040</u>	<u>77,171,521</u>	<u>63,101,535</u>

Note 5 Non-current assets – Exploration and evaluation costs

	31 December 2009 \$	30 June 2009 \$
Exploration and evaluation costs		
Geological, geophysical, drilling and other expenditure – at cost	8,558,292	3,913,928
	=====	=====

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

Opening balance	3,913,928	31,946,912
Costs incurred during the year	4,658,709	13,241,481
Site restoration charge	748,855	1,062,150
Disposal of exploration interests in PEL103, PEL103A and PEL101	-	(15,789,879)
Impairment charge relating to PEL103, PEL103A and PEL101	(573,389)	(20,439,617)
Costs expensed during the year	(189,811)	(6,107,119)
	-----	-----
	8,558,292	3,913,928
	=====	=====

Note 6 Events occurring after the balance sheet date

Since the end of the period Innamincka Petroleum Limited has elected not to proceed with the acquisition of an interest in BassGas assets under a participation agreement. This has resulted in a refund of the \$4,000,000 deposit paid (currently included in receivables) on the transaction prior to 31 December 2009 being refunded since the end of the period.

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

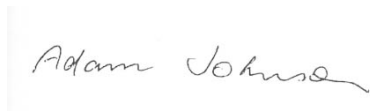
The Company had contingent liabilities at 31 December 2009 amounting to \$3,648,263 relating to Innamincka's farm in to Permit T18/P. Under the farm in agreement Innamincka must pay \$5,000,000 of Cal Energy's share of future project expenditure to earn a 5% participating interest in the permit. At 31 December 2009 Innamincka had contributed \$1,351,737 towards Cal Energy's expenditure.

DIRECTORS' DECLARATION

In the directors' opinion:

- (a) the financial statements and notes set out on pages 4 to 11 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 2009 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 and is positioned above the printed name and title.

A Johnson
Director

Brisbane
12 March 2010

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 statements of Innamincka Petroleum Limited, which comprise the statement of financial position as at 31 December 2009, the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 consolidated entity's financial position as at 31 December 2009 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.

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.

Matters relating to the electronic presentation of the reviewed financial report

This review report relates to the financial report of the Company for the half-year ended 31 December 2009 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 statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. 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.

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 consolidated entity's financial position as at 31 December 2009 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
12 March 2010