

29 October 2004

The Manager  
Companies Announcements Office  
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### **Report for Quarter Ended 30 September 2004**

During the quarter, Innamincka Petroleum Limited ("INP") as the operator for the PEL 101 and PEL 103 Joint Ventures commenced the 2004 field program focussing mainly on exploration around the Yarrow-Flax area within PEL 103. The activities undertaken in the program are summarised below:

- **Exploration Drilling**

One exploration well, Crocus 1 was drilled in PEL 101. The well was spudded on the 5 July. The Crocus Prospect was an anticlinal structure with the potential to reservoir 24 bcf gas in place in the target Permian horizons. Gas-saturated sandstones were penetrated in Permian section. However, sloughing coal seams at the top of the Permian section proved unstable and prevented testing or logging of the several sandstone reservoirs down to the total depth of 3400 metres. Ultimately, production casing was installed to the top Permian level and the well suspended on 2 September.

The well confirmed a gas accumulation in the Crocus structure. Continued evaluation of the prospect will be undertaken in conjunction with regional gas developments.

One exploration well, Willowie 1 was drilled in PEL 103. Drilling commenced on 7 September. The well was sited downflank on the Willowie lowside fault Prospect which had the potential to contain in-place 46 bcf gas and 23 mmstb oil in the target Patchawarra Formation and Tirrawarra Sandstone respectively. Strong oil and gas shows were encountered throughout the target section in which several sandstones upto three metres in thickness were considered to be potentially hydrocarbon productive. Four drill stem tests were conducted over these units without result. Rugose hole conditions were responsible for the inability to conduct an operationally-successful test. The relatively thin sandstones in conjunction with productivity uncertainty led to the decision to plug and abandon the well at its total depth of 2800 metres. This was completed on the 29 September.

The well did confirm that the Willowie Prospect is an effective trap and is hydrocarbon-charged. The prospect will be further investigated in the future.

- **Appraisal Drilling**

One appraisal well, Yarrow 2 was drilled in PEL 103. The well was designed to test the lateral continuity of reservoir quality in the gas-bearing Tirrawarra Sandstone together with examining the downdip extent of the Yarrow gas field. The Tirrawarra Sandstone was found to be gas-saturated and about five metres thick. The lowest known gas level for the Yarrow field was deepened by twelve metres. However, a drill stem test of the sandstone flowed gas at a rate too small to measure indicating tight reservoir. The very low permeability was attributed to strong compression in the fault compartment tested by Yarrow 2.

- **Seismic Survey**

The Juniper seismic survey over the northern and south central parts of PEL 103 commenced in mid-August. The acquisition of 420 km of 2D vibroseis data was scheduled for completion in early October. Data processing will commence thereafter and is expected to be finalised in December. The data will provide the company with an increased portfolio of drillable prospects for future consideration.

- **Production Testing**

Completion of the Flax 1 well over the oil-bearing Tirrawarra Sandstone was undertaken in early August. Production testing of the zone commenced in late August with the oil flow on a 20/64 inch choke. By the end of the quarter, a total of 7095 barrels of oil had been produced. It is intended to shut the well in for a pressure buildup survey in October.

Other activities during the quarter included:

- **Permit Administration**

The assignment deeds under which Innamincka Petroleum acquired a 35% interest in PEL 103 and a 50% interest in both PEL 101 and ATP 543P South, together with the respective Joint Operating Agreements, were finalised.

- **Corporate**

The company completed its second capital raising during the previous quarter. These funds will be utilised in future work programs.

Subsequent to the 30 September, the drilling program continued with the Juniper 1 exploration well in PEL 103. The well discovered oil and gas in the target Permian section and was cased and suspended. The pressure buildup survey in Flax 1 commenced in mid October and is expected to continue through to late November.

Ross Wecker  
Managing Director