

July 2005

The Manager
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Report for Quarter Ended 30 June 2005

During the reporting period, Innamincka Petroleum Limited ("INP"), as the operator for the PEL 101, the PEL 103 and the ATP 543P South Joint Ventures, commenced the 2005 drilling program and undertook the fracture stimulation of the Flax 1 well. Prospect generation activities continued with planning for seismic surveys over highgraded prospects and leads anticipated in the next quarter. Discussions continued with a number of parties on farmin opportunities in the respective permits.

- **PEL 101 (50% Innamincka)**

The drilling of the Ginko 1 well, 6 km north of the Coonatie gasfield, is scheduled for July 2005. The well has multiple gas targets within the Triassic and Permian section. The Ginko prospect, based on 5 metres gas pay, has the potential to contain 24 bcf gas in place. In addition, a 100 km 2D vibroseis seismic survey in the Kapok-Crocus area is programmed for acquisition in August-September 2005. Both activities were planned to commence earlier but recurring rain episodes during June caused scheduling delays.

Farmin negotiations were continued throughout the quarter. In July, it was announced that Mid Continent Equipment Australia Pty Ltd had farmed in for a 25% participation interest by contributing to the funding of the 2005 exploration program for the permit.

- **PEL 103 (35% Innamincka)**

Juniper 2, the first well in the 2005 drilling campaign, spudded on 12th May 2005. The well was sited to intersect the basal Patchawarra/Tirrawarra oil interval some 60 metres structurally deeper than in the discovery well, Juniper 1. The well encountered the primary target interval 20 metres deeper than prognosed (ie. 80 mts below Juniper 1) and found the Permian section down to the base of the

Tirrawarra Sandstone to be hydrocarbon saturated. This increased the area of the Juniper field to over 7500 acres (> 30 km²) above the lowest known oil level.

Three 18 metre cores were cut through the primary target interval. Laboratory analyses reported low permeabilities in the oil-bearing sandstones supporting the need for fracture stimulation for production. A total of 5 metres of oil pay were indicated by wireline log interpretation and confirmed by the core results. After reaching a total depth of 2816 metres, the well was cased and suspended as a future oil producer.

Flax 2, sited approximately 900 metres south of Flax 1, was drilled following Juniper 2. After weather-related delays, the well spudded on 24th June and was drilling ahead at 1880 metres at the end of the quarter. In July, the well was cased and suspended as a future oil producer.

The fracture stimulation of Flax 1 was performed on 27th June. A total of 72,000 lb of sand (proppant) was emplaced with the injection of about 1000 barrels of frac fluids. Flowback from the formation commenced immediately without assistance and by the end of June, the well was starting to flow oil together with the frac fluids and gas. The well continued to cleanup and was flowing 300 bpd oil, 0.4 mmcf/d gas and 8 bpd water with a wellhead flowing pressure of 950 psi on a ¼" choke by mid July.

Continued development of the Flax-Juniper complex during the next quarter is expected to include the fracture stimulation of Flax 2 and Juniper 1.

Prospect generation continued with the mapping of the Juniper 2d seismic survey providing a more detailed analysis of the structural configuration on the Flax-Juniper complex as well as the Yarrow field area as well as indicating additional prospects and leads. In particular, the southern part of the Candra High was examined and the two prospects, Cycad and Alder, were recognised. These prospects will be detailed by a 3D seismic survey extending from the adjacent permit. The survey is being conducted by Stuart Petroleum and is currently scheduled for August 2005. It is expected the seismic survey will firm up additional prospects in this northern permit area. Two exploration wells are planned to be drilled in this northern permit region in the 4Q 2005.

Aspen 1, an oil exploration well, is also scheduled for drilling in the 4Q 2005 and will test a large Eromanga structure east of the Cummin area.

Farmin Negotiations continued with several companies during the quarter. The PEL 103 Joint Venture is proposing to farmout in defined blocks over the southern Candra and Cummin-Aspen areas. In July, it was announced that Avery Resources (Australia) Pty Ltd had farmed into these areas and an additional block north of the Cummin-Aspen area.

- **ATP 543P South (50% Innamincka)**

One exploration well, Zeta 1 is programmed for drilling in late 2005. The prospect is targeting oil in the Murta Formation and the Namur Sandstone and lies on a potential migration pathway away from the Tickalara Oilfield some 10 km to the north. Farmin negotiations on the permit continued with several interested parties during the quarter.

In summary, the current quarter has seen the start of drilling and fracture stimulation operations on the Flax-Juniper complex and planning for the next quarter program well advanced. Oil production from the Flax 1 well was initiated with the well continuing to cleanup after the fracing operation.

In the next quarter, the Ginko 1 well will be drilled in PEL 101 prior to the rig going to another operator for several wells. During this time, planning and site preparations for the INP three well 3Q 2005 drilling program will be undertaken and seismic surveys will be conducted in both PELs 101 and 103.

Ross Wecker
Managing Director