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Report for Quarter Ended 30 September 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, progressed the 2005 drilling program, completed two seismic surveys and continued the evaluation of Flax 1 post-fracture stimulation. Farmin agreements on PEL 101 and PEL 103 permits were also concluded during the quarter. Planning for the development of the Flax field was ongoing.

- **PEL 101 (50% Innamincka reducing to 37.5% post MCEA* farmin)**

The **Ginko 1** well, located 6 km north of the Coonatie gasfield, spudded on 22nd July 2005. The well was sited crestally upon an elongate anticline covering 9 km² in area and drilled to evaluate the gas potential of sandstone units in the Permian section. Prior to drilling, it was estimated the prospect had the potential to contain 24 bcf gas in place assuming 5 metres of gas pay.

The well discovered a gas saturated Permian section with wireline log analysis indicating some 5-8 metres of gas pay. Terminating in basement rocks at 3415 metres, the well was cased and suspended as a future gas producer.

INP released the rig following Ginko 1 to another operator in Queensland.

The **Kapok 2D seismic survey** was conducted in August 2005. A total of 101 km of 2D vibroseis data was acquired in a 8 line grid over the Kapok prospect with 3 lines tying into the existing Ginko seismic grid. The field operation was completed without incident. Data processing is anticipated to be finalised by December 2005 with interpretation to follow in early 2006.

Farmin Negotiations for PEL 101 were concluded with the announcement on 18th July that Mid Continent Equipment Australia Pty Ltd *("MCEA") had farmed in for a 25%

participation interest by contributing to the funding of the Ginko 1 well and the Kapok seismic survey.

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

Flax 2, sited approximately 900 metres south of Flax 1, spudded on 24th June 2005 and intended to provide detailed information on reservoir properties by cutting three 18 metre cores over the main basal Patchawarra/Tirrawarra/Merrimelia target interval.

The well intersected two oil saturated sandstones within the Patchawarra Formation. The deeper sandstone was penetrated towards the base of the first core cut over the basal Patchawarra/Tirrawarra interval. A recovery of 16 barrels of light oil (equivalent to 192 bopd flow rate) accompanied by 1 mmcf/d gas was made from the drill stem test of the sandstone unit. The upper sandstone exhibited excellent fluorescence and gas shows from a 4 metre sandstone but was not tested. Two additional cores were cut into the Tirrawarra Sandstone/Merrimelia Formation. A second drill stem test was conducted over the Tirrawarra Sandstone and recovered 4 barrels of light oil accompanied by 0.25 mmcf/d gas. The pressure charts from the test suggested formation damage inhibited hydrocarbon inflow to the well. Porosity and permeability data from the cores indicated the reservoir quality of the Tirrawarra Sandstone was similar to that encountered at Flax 1.

Wireline log analysis identified 11 metres of oil/gas pay in the Patchawarra Formation and 9 metres in the Tirrawarra Sandstone. On 13th July, the well reached a total depth of 2786 metres and was cased and suspended as a future oil producer.

The fracture stimulation of Flax 1 was performed on 27th June with the emplacement of 72,000 lb of sand (proppant). Flowback commenced immediately without assistance. The initial flow of 300 bopd in mid-July declined progressively over the next six weeks with the flow rate stabilising at around 160 bopd in late September. The associated gas and water rates average 0.5 mmcf/d gas and 7 bpd water respectively with the wellhead pressure steady around 700 psi. These rates continue to prevail through late October and the well has produced over 30,000 barrels to date.

Planning for the development of the Flax-Juniper complex commenced during the quarter. The fracture stimulation of Flax 2, initially scheduled for November 2005, has been rescheduled as part of a more aggressive and cost effective multi-well drilling and fracture stimulation development of Flax field anticipated to commence in 2006.

The Sprigg Extension 3D Seismic Survey was conducted in August 2005 over the southern part of the Candra High. The Spindle and Alder prospects have been detailed by the survey acquired in conjunction with the permit joint venture to the north of PEL 103. The data processing contractor has advised these data will be finalised by mid January 2006. Data interpretation is expected to be completed within the following month.

Farmin negotiations for three blocks within PEL 103 were concluded in July with the announcement that Avery Resources (Australia) Pty Ltd had farmed into the Aspen, Turban and South Candra blocks. Avery will earn 25% participation interests through

contribution to the funding of the 2005 drilling program in the Aspen and South Candra blocks and by the funding of a 3D seismic survey in 2006 over the Turban block.

The upcoming Drilling Program will commence with Aspen 1 to be followed by Pine 1 in the Aspen and South Candra farmin blocks respectively. It is expected the first well will spud in early to mid-November subject to weather conditions and rig truck availability. The third farmin well is subject to the interpretation of the Sprigg Extension 3D survey data and hence is scheduled for later in 2006.

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

The permit work commitment calls for one well to be drilled by early 2006. Tentatively, the Zeta 1 exploration well has been nominated as the candidate. The Zeta prospect, lying on a potential migration pathway away from the Tickalara Oilfield some 10 km to the north, supports the attractiveness of the Murta Formation and the Namur Sandstone as oil targets. Negotiations with possible farmin parties continued during the quarter.

In the next quarter, Aspen 1 and Pine 1 exploration wells will be drilled in PEL 103. The Aspen prospect is a substantial anticlinal structure on the Innamincka High and offers oil potential in the Jurassic and Triassic sections. The Pine structure is a fault-bound anticline immediately north of the Juniper field and the Permian Patchawarra Formation and Tirrawarra Sandstone will be the primary targets. Data processing from the Sprigg Extension 3D survey and the Kapok 2D survey will be pursued with data interpretation planned for early 2006. On development activities, production performance from Flax 1 will continue to be assessed as part of the development planning for the Flax field in 2006.



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