

31 January 2006

The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited  
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Sydney NSW 2000

## **Report for Quarter Ended 31 December 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, drilled two exploration wells, supervised the data processing associated with the two seismic surveys conducted in the previous quarter and continued the evaluation of Flax 1 post-fracture stimulation. Planning for the development of the Flax Oilfield was ongoing. An independent review of the INP tenements and results to date was initiated during the quarter.

- **PEL 101 (37.5% Innamincka)**

The **Ginko 1** well was drilled and the **Kapok 2D seismic survey** acquired during the previous quarter.

Interpretation and mapping of the 101 km of 2D seismic data was undertaken during the quarter. The survey confirmed the structural integrity of the Kapok Prospect. The prospect encompasses 10.8 km<sup>2</sup> (2680 acres) and offers a mean resource potential of 20-25 bcf gip. Kapok 1 will be considered for drilling in late 2006.

With the completion of the Ginko 1 well and the Kapok seismic survey, Midcontinent Equipment Australia Pty Ltd has earned its 25% participation interest in the permit.

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

The **production testing of Flax 1 following the fracture stimulation** in the previous quarter continued with the flow rate stabilising at around 100 bopd. The associated gas and water rates average 0.5 mmcf/d gas and 7 bpd water respectively. More than 12,000 barrels oil were produced and sold during the quarter. In total, the well has produced over 40,000 barrels to date. The well performance is typical of a solution gas drive oil reservoir, with a highly mobile oil phase requiring pressure support.

**Gas Injection in Flax-1 as a miscible gas flood to enhance oil recovery** is planned with production from 5 to 6 wells scheduled for pattern drilling around Flax-1 in mid to late 2006. The Independent Technical review concluded the Flax Oilfield was analogous to the Tirrawarra and Moorari oilfields 70 km to the east where the similar enhanced oil recovery systems were employed and proved quite successful. In addition, the independent consultants estimated the mean recoverable reserves for the Flax Oilfield were 3.2 mmstb oil.

**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 a minor delay in processing these data due to staff shortage over the Christmas-New Year and early January period. The contractor expects to finalise the data in early February 2006. Data interpretation is expected to be completed within the following month.

### **Farmin Blocks**

Avery Resources (Australia) Pty Ltd has earned a 25% interest in the Aspen Block with the drilling of the Aspen 1 well. The company has also commenced its earning program for the South Candra Block by the drilling of the Pine 1 well. Upon drilling of a second well (Spindle or Alder), Avery will have earned a 25% interest in the farmout block. Avery will earn a 35% participation interest in the Turban Block through contribution to the funding of a 3D seismic survey in late 2006.

**Aspen 1**, sited approximately 8 km east of Cummin1, spudded on 10<sup>th</sup> November 2005 and aimed to evaluate the hydrocarbon potential of the Cretaceous to Triassic sandstones present in the basal Eromanga section at the crest of the Aspen Anticline on the Innamincka Dome.

The well came in low to prognosis. It intersected good quality reservoirs in the Hutton Sandstone and Poolowanna Formations and a drill stem test of the top Hutton interval flowed gas to surface at a rate too small to measure followed by water at 110 bwpd. No other hydrocarbon zones were identified. On 24<sup>th</sup> November, the well reached a total depth of 2173 metres and was plugged and abandoned after review of wireline logs. The rig was released on 28<sup>th</sup> November 2005.

**Pine 1**, sited 2.6 km south southeast of Sprigg South 1 and 12 km east of Streeton 1, was spudded on 4<sup>th</sup> December 2005. The Pine structure is a fault-bound anticline immediately north of the Juniper Oilfield. The early Permian Patchawarra Formation and Tirrawarra Sandstone were the primary targets. Despite intersecting hydrocarbon saturated sandstones throughout the target intervals, a drill stem test conducted over the Tirrawarra Sandstone and upper Merrimelia Formation failed to recover hydrocarbons. The well reached a total depth of 2687 metres on 13<sup>th</sup> December 2005. Wireline logs confirmed oil saturation in the tight basal sandstones of the Patchawarra Formation and Tirrawarra Sandstone. The well was plugged and abandoned and the rig released on 21<sup>st</sup> December 2005.

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

The Zeta 1 exploration well has been nominated for drilling in 2006. 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. A farm-in party is being sought to assist in funding the exploration of this permit.

During the next quarter, it is anticipated the data processing from the Sprigg Extension 3D survey and the Kapok 2D survey will be finalized and data interpretation undertaken. The production performance from Flax 1 will continue to be monitored with pressure gradient and buildup surveys conducted as part of routine assessment. Development of the Flax Oilfield is planned to commence mid-year starting with a multi-well drilling program.

A handwritten signature in black ink, appearing to read 'Ross Wecker', written in a cursive style.

Ross Wecker  
Managing Director