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The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited  
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## **Report for Quarter Ended 31 March 2006**

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 in the Cooper Basin, continued production testing operations at Flax 1 in PEL 103.

Processing of seismic data in the South Candra block of PEL 103 continued.

Discussions were held with a number of potential farminees for the INP tenements.

An assessment of INP tenements by a group of independent technical professionals, well experienced in the Cooper Basin fields, was completed in November 2005 and the findings released to the ASX in January this year. In particular, reserves determinations were undertaken in support of the commercial development of the Flax oilfield.

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

Interpretation and mapping of the seismic data acquired by the Kapok 2D survey was completed during the previous quarter. The Kapok prospect was confirmed and its mean resource potential assessed as 20-25 bcf gas in place. Kapok 1 will be considered for drilling in late 2006.

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

**The production testing of Flax 1** continued during the quarter with the well onstream for 41 days and shutin for a pressure buildup survey for 50 days. The survey commenced with a rapid pressure buildup upon shutin and continued to increase steadily throughout the 6 week period. Upon flow recommencement, the well flowed at the same initial rate of 350 bopd following the fracture stimulation six months earlier.

Subsequent analysis of the pressure data supports a higher average recovery of the inplace field reserves. Some 3744 barrels were produced during the period bringing the total well production to over 45,000 barrels without pressure maintenance.

**An independent technical assessment** of the Innamincka tenements was conducted in late 2005 by a consultant group with extensive Cooper Basin experience. Their findings were summarised in a release to the ASX in January 2006 with the main conclusions outlined below.

The Consultants determined the PEL 103 Joint Venture has already established recoverable reserves within two of the fields ready for commercialisation – the Flax oilfield with mean reserves of 3.2 mmstb and the Yarrow gasfield with mean reserves of 22.8 bcf. Additionally, the Consultants estimated in place resources totalling 65.8 mmstb in the adjacent Juniper oilfield and a further 49 bcf in the Ginko and Crocus gasfields in PEL 101.

They concluded that in excess of 80 mmstb of oil-in-place and 80 bcf of gas-in-place had already been discovered and a detailed appraisal program was warranted to realise the potential value of the discovered resources.

Above these discovered resources, Innamincka considers the remaining exploration potential of its three permits is in the order of 100 mmstb oil inplace and 100 bcf gas inplace.

With respect to the proposed development plan for the Flax oilfield, the Consultants made the following key technical and commercial points:

- the Tirrawarra and Moorari oilfields are good analogies to the Flax oilfield
- development of the Flax oilfield on a well spacing of 120 acres (cf to 160-240 acre spacing in the Tirrawarra and Moorari oilfields) with gas injection is expected to recover mean reserves of 3.2 mmstb
- an average recovery efficiency of 20% for the Tirrawarra Sandstone reservoir and 15% for the Patchawarra Formation reservoirs is considered likely
- the recovery method and development model appears reasonable based on current information
- the economic model and the input assumptions and costs appear realistic
- additional reservoir information and simulation studies are needed to optimise the development

Following analysis of additional production for the January-March 2006 quarter, the independent expert advised:

*“In the light of these results, an increase in average field recovery is likely. Accordingly, the Flax Oilfield has the potential to contain reserves of 4million or more barrels of recoverable oil.”*

**The Sprigg Extension 3D Seismic Survey** was conducted in August 2005 over the southern part of the Candra High. Data processing continued during the quarter with the processing contractor advising a delay in finalisation due to shortage of

experienced staff. Upon receipt of final sections, data interpretation is expected to be completed within the following month. The survey is exploring for structural culminations in the northern part of PEL 103 where Avery Resources is earning a 25% interest by contributing to the drilling of two wells in the South Candra block.

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

A farmin party is being sought to assist in funding the exploration of this permit. This is being conducted in conjunction with negotiations on the other INP tenements.

- **Corporate**

To assist in the forward appraisal and development activities within its tenements, Innamincka commenced farmin discussions with a number of companies both in Australia and overseas. It is anticipated these will be concluded during the next quarter.

During the next quarter, it is anticipated the funding arrangements for the Flax oilfield development will be determined and field activity will commence mid-year with a multi-well drilling and completions program. Data processing from the Sprigg Extension 3D survey will be finalized and data interpretation undertaken. Exploration drilling in the area between the Flax and Juniper fields and the area north of the Yarrow field as well as the South Candra block well and the Kapok well are scheduled for later in 2006.



Ross Wecker  
Managing Director