

27 July 2006

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

Report for Quarter Ended 30 June 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, finalised the production testing operations at Flax 1 in PEL 103.

Processing of seismic data in the South Candra block of PEL 103 was completed and data interpretation initiated.

An independent assessment of INP tenements was completed in November 2005 and the findings released to the ASX in January this year. Following the Flax 1 production testing operations in January-April 2006, updating of this assessment supported increased recovery of the in-place oil accumulation and led to the conclusion that recoverable oil reserves for the Flax field were in excess of 4 million barrels.

In a separate “Market Update” announcement released to ASX today, Innamincka has outlined its current plans for the company.

PEL 101 (37.5% Innamincka)

There was no activity in this permit during the reporting period. Kapok 1, sited crestally upon the Kapok anticline with the potential to contain 20-25 bcf gas in place, remains the preferred next drilling candidate.

PEL 103 (35% Innamincka)

- **The production testing of Flax 1** was completed during early April. Analysis of this additional production data supported the independent reservoir engineer in concluding that a field average recovery of at least 30% was achievable with pressure maintenance, and, on this basis, P50 recoverable reserves in excess of 4 mmstb oil were estimated for the Flax field. Total Flax 1 well production without reservoir pressure maintenance exceeds 45,000 barrels to date.

- **Planning** is underway for continued appraisal of Flax field reservoirs with the objective of establishing the pilot well production pattern for the Flax field with a targeted field rate of 1000 bopd in 2007.
- **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 on 3rd January 2006.

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."

- Data processing of **the Sprigg Extension 3D Seismic Survey** was completed and data interpretation initiated. Interpretation and mapping of the seismic data will be undertaken during the upcoming quarter. 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)

There was no activity in this tenement during the reporting period. A farmin party is being sought to assist exploration of this permit.

Summary

No field activities are presently underway. Evaluation work is continuing. The Company is mindful of its permit commitments and aims to maintain the permits in good standing with the Department of Primary Industries and Resources of South Australia.

Yours sincerely
Innamincka Petroleum Limited



Ross Wecker
Managing Director