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The Manager
Companies Announcements Office
Australian Stock Exchange Limited
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Report for Quarter Ended 31 December 2007

During the current reporting period (second quarter) for October-December 2007, Innamincka Petroleum Limited ("Innamincka"), as operator of the PEL 101, the PEL 103 and the ATP 543P South Joint Ventures in the Cooper Basin, completed the successful Flax East 1 exploration well and continued intermittent cleanup flows on several of the Flax field wells in PEL 103.

Innamincka completed a \$25 million capital raising substantially underwritten by Commsec and a Share Purchase Plan for existing shareholders. Total capital raised amounted to approximately \$27.4 million. The funds are to be largely employed in undertaking a multiwell program in PEL 103 / PEL 101 and well completion / stimulation activities in the Flax field inside PRL 14.

Regulatory approvals for the upcoming drilling and the Flax infrastructure were advanced during this second quarter. Appropriate activity notifications have been submitted to PIRSA for the first two wells with the remaining well notifications in progressive stages of completion. Innamincka has been working closely with PIRSA endeavouring to secure the approvals necessary for installation of the field infrastructure in the January-February period.

In early October, the Flax East 1 well result was reported. The well confirmed the extension of the Juniper oil accumulation through the structural saddle previously used to separate the Flax and Juniper fields. This indicated a combined Flax / Juniper field encompassing approximately 120 km² down to the new lowest known oil level.

PEL 103 including PRL 14 (75% Innamincka)

The 2008 drilling programme is scheduled to commence in early January following the relocation and pre-spud mechanical checks on Ensign Rig 30. A total of five (5) are

planned for the PEL 103 programme. Two appraisal wells, Flax 5 & 6 are to be drilled in the northern part of the Flax field. Two appraisal wells, Juniper 3 & 4 are planned for drilling along strike and updip from the Juniper 1 discovery well. In addition, the program will include the exploration well, Yarrow North 1 testing for an oil accumulation in a lowside fault trap north of the Yarrow gasfield.

Initial Well Cleanup and Testing

Fracture stimulation of the primary reservoir units in the Flax 2, 3 & 4 wells were undertaken in the first quarter. Initial testing from these three wells as part of the cleanup process flowed at rates of 150 bopd, 240 bopd and 160 bopd respectively. Clean up flows were conducted intermittently on these three wells during the current quarter. These operations were hampered by a number of factors which included sand buildup in Flax 2, the restriction of two separators and limited onsite oil storage capacity, lack of regulatory authorization for use of infield flowlines and local flooding denying access in December.

Without pressure support, flow rates from the Flax 3 & 4 wells declined progressively over the quarter down to 60-90 bopd with an accompanying gas rate between 200,000 to 350,000 cubic feet per day and frac fluids of 5-10 barrels per day. Rapid pressure buildup was shown by both wells in the intermittent shutin periods. During the quarter, approximately 10,000 barrels of oil were recovered from the cleanup operations.

During the next (third) quarter, regulatory authorization to install and use the infield temporary flowlines will allow the limitation imposed by separators and onsite oil storage to be removed and will also allow additional wells to be brought on line. In addition, the gas compressor unit is scheduled for installation in the next quarter and this will provide for recycled gas injection into the oil reservoir units to provide reservoir drive via the Flax 1 well.

Farmout Blocks within PEL 103

Aspen Block (75% Innamincka)

No activity was conducted during the reporting period. Avery Resources has earned a 25% working interest in the block.

Turban Block (75% Innamincka)

Avery Resources has the right to acquire a 35% working interest through the funding of a 3D seismic grid over the block. The survey is designed to define potential traps within the prospective Permo-Triassic section updip of the extensive Juniper oilfield. Planning for the survey was advanced through discussions with the seismic contractor in terms of survey parameters and timing. The acquisition of the 3D seismic survey is currently planned for July 2008.

Candra South Block (75% Innamincka)

Avery Resources has the right to earn a 25% working interest in the block by contributing to the funding of two exploration wells. One well has been drilled to date.

An exploration meeting reviewed the interpretation and mapping of the 3D seismic data over the block. Several small structural features were noted in the area south and west of Sprigg South 1. This well, the first well drilled by Innamincka, had encouraging oil shows in the basal Birkhead section but was water saturated in the Hutton Sandstone. The Banyan prospect, located immediately south of the well, is interpreted to be 10-20 metres structurally higher at the Hutton Sandstone level and has the upside potential to contain an estimated 1 million barrels recoverable oil.

Subject to joint venture approval, drilling of the second exploration well in the farmout block will be undertaken in the second half 2008.

PEL 101 (60.0% Innamincka)

There was no field activity in this permit during the reporting period.

The Joint Venture is considering an exploration well on the Crocus South prospect or on the Jute prospect immediately to the east of the Crocus 1 well as the sixth well in the recently-commenced drilling program. Previously, the deepening of Crocus 1 had been considered as the next operation. The Crocus South 1 or Jute 1 well will constitute one of the two exploration wells needed to fulfil the permit commitment by 22 January 2009.

Subsequent completion and fracture stimulation of this exploration well, if successful, to fully evaluate the gas potential of the Permian section is planned as the next field operation in the permit. This would form part of the gas plan to delineate sufficient reserves to justify establishment of a gas processing facility and sales agreements utilising the gas accumulations in both PEL 101 and PEL 103.

ATP 543P South (50% Innamincka)

During the reporting period, a joint venture meeting was held with Santos (50%) in which agreement on an approximate 230 km 2D seismic survey over the Omicron and Zeta areas was reached. The survey will be pursuing oil accumulations in structural features along the eastern edge of the Cooper Basin. The survey is currently scheduled for acquisition in late June 2008.

Forward Program

Since 31 December 2007, drilling of the first well in the six well program commenced on 16 January with the spudding of Flax 5. Flax 5 & 6 are prognosed to be cased and suspended by early March. The promising Yarrow North 1 exploration well is scheduled for drilling in March.

Completions on the Flax 5 & 6 wells together with Flax East 1 will be undertaken prior to developing individual fracture stimulation programs in the third quarter (January-March).

The objectives of the program for the next quarter are

- to drill the Flax 5 and Flax 6 wells and complete
- to further appraise the Flax field and increase oil production towards 1000 bopd
- explore for an oil accumulation north of the Yarrow gas field (Yarrow North 1)

Concurrently, installation and operation of the gas compressor unit to introduce pressure maintenance in the productive reservoir units will commence in the third quarter. The core cooling unit landed in Brisbane in January and, subject to reasonable customs clearance, the unit will be "bench tested" over the next few weeks before transport to the field in late February.

With progress on all fronts, field operations are scheduled for progressively increasing activity throughout the next quarter.



Ross Wecker
Managing Director