

30 April 2008

The Manager  
Companies Announcements Office  
Australian Stock Exchange Limited  
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## **Report for Quarter Ended 31 March 2008**

During the current reporting period (third quarter) for January-March 2008, the activities undertaken by Innamincka Petroleum Limited (“Innamincka”), as operator of the PEL 101, the PEL 103 (PRL 14) and the ATP 543P South Joint Ventures in the Cooper Basin, included the following:

- drilled Flax 5 and Flax 6 wells on the Flax oilfield within PEL 103 (PRL 14). Both wells were successful and were cased in preparation for completion, fracking and tie-in operations.
- drilled Yarrow North 1 exploration well testing separate accumulation north of Yarrow gasfield. A new gasfield was discovered and the well was cased and suspended.
- temporarily suspended cleanup flows on Flax 3 and Flax 4 whilst planning the integration of these wells into the overall Flax Field development
- planning for well completion and fracking operations on Flax 5 and Flax 6 as well as possibly on Flax East 1 and Flax 7
- planning for seismic survey in Turban farmout block
- advanced the documentation for regulatory approvals for the infield gathering system and the layout of the central processing facility together with securing of the steel pipe for the gathering system
- continued the PEL 103 renewal process in discussions with PIRSA
  
- gained joint venture approval for the Crocus South 1 well to be drilled in PEL 101
  
- finalised joint venture approval for a seismic survey in ATP 543P South

Floodwaters in Cooper Creek have hampered access to site during March and April whilst the assembly of the field compressor and the design change from fibreglass to steel infield flowlines for the Flax field development have taken longer than anticipated but are now reaching finalisation. Innamincka has been working closely with PIRSA and all

construction contractors endeavouring to secure the approvals necessary for installation of infrastructure and the field operations.

### **PEL 103 including PRL 14 (75% Innamincka)**

The 2008 Phase 6 drilling programme commenced on 14<sup>th</sup> January following refurbishment of power generator units on Ensign Rig 30. A total of five (5) wells are to be drilled in this programme with three (3) wells being appraisal wells on the Flax oilfield and 1 well being an exploration well north of the Yarrow gasfield. The fifth well is an exploration well on PEL 101. The drilling results from this programme are summarised below:

#### **Appraisal Drilling**

**Flax 5:** Flax 5 located approximately 810 m east northeast of Flax 1, spudded 16 January 2008, and drilled to a total depth of 2777 m. It was subsequently cased as a future oil/gas production well. Flax 5 intersected a total net pay column in excess of 18 m with 11.5 m being attributed to the primary target Tirrawarra Sandstone and 7 m in the basal Patchawarra Formation.

**Flax 6:** Flax 6 located approximately 540 m northwest of Flax 1, spudded 11 February 2008, and drilled to a total depth of 2796 m. Flax 6 was cased as a future oil/gas production well. Flax 6 intersected the oil bearing Patchawarra Formation and Tirrawarra Sandstone section with approximately 8 m of oil pay assigned to the basal section and a further 4 m in the middle and upper Patchawarra Formation.

In addition, trace live oil fluorescence in a sidewall core in the Merrimelia Formation (underlying the target basal Patchawarra-Tirrawarra interval) together with wireline log analysis and mudlog shows support a deepening of the Lowest Known Oil (LKO) level by about 25 m. The current LKO for the Flax field was recorded in Flax East 1.

#### **Exploration Drilling**

**Yarrow North 1:** Yarrow North 1 drilled in the reporting period, spudded 6 March 2008 and was drilled to a total depth of 2770 m. The well was located approximately 720 m north northeast of the Yarrow 1 discovery well and resulted in an intersection of approximately 6.5 m of pay in the basal Patchawarra Formation and Tirrawarra Sandstone section. The well was cased and suspended as a future gas producer.

Significantly, on the basis of the elevated gas readings (and “oily breakdown”) together with minor fluorescence, there is the potential for an oil leg being present further down-structure as prognosed.

Drilling for the Phase 6 programme was continuing at the end of the reporting period. The fourth well, Flax 7, commenced on 31 March and reached total depth in mid April after cutting two cores over the prospective Basal Patchawarra-Tirrawarra Sandstone interval. The well has been cased as a future oil/gas production well.

### **Initial Well Cleanup and Testing**

Cleanup flows on Flax 3 & Flax 4 wells which commenced in September 2007 were discontinued on 23 January. By this stage, the well flow rates had, as expected, progressively declined without pressure support to around 50-60 bopd with an accompanying gas rate between 150,000 to 250,000 cubic feet per day and frac fluids of 5-10 barrels per day. The regulatory authorities advised application for extended production testing was required to continue the cleanup process. Coupled with the restriction of two separators and the limited onsite oil storage capacity, the shutin of these wells was considered appropriate and necessary as part of the advance planning and construction of the Flax processing facility and well tie-in activities. During the quarter (January), approximately 1,000 barrels of oil were recovered from the above cleanup operations. Cumulative production from Flax 3 and Flax 4 during the clean up period was approximately 8450 barrels and 5410 barrels respectively.

### **Production Preparations**

During the current quarter, a review of safety and environmental concerns arising from the proposed above-ground use of fiberglass flowlines led to the decision to revert to the use of the more commonly used steel pipelines which have long established performance records for the gathering system. Adequate supplies of suitable pipe were purchased and will be installed during the next quarter upon securing regulatory approval.

In addition, the gas compressor unit is scheduled for installation early in the 2H 2008 and this will allow the injection of produced gas into the oil reservoir units via the Flax 1 well to partially maintain pressure to assist reservoir drive.

### **Farmout Blocks within PEL 103**

#### **Aspen Block (75% Innamincka)**

No field activity was conducted during the reporting period.

#### **Turban Block (75% Innamincka)**

Avery Resources has the right to acquire a 35% working interest through the funding of a 3D seismic survey within the block. The survey will examine the prospective Permo-Triassic section updip of the extensive Juniper oilfield. Survey planning continued during the period with technical meetings between Avery and Innamincka personnel. Whilst acquisition of the 3D seismic survey is currently planned for July 2008, current permit renewal negotiations with PIRSA may impact on the conduct of the survey.

### **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.

In the previous quarter, an exploration meeting reviewed the interpretation and mapping of the 3D seismic data over the block. The Banyan prospect was selected as the favoured drilling target. The prospect, located immediately south of the Sprigg South 1 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.

It is currently planned to drill this second exploration well in late 2008 or early 2009.

### **PEL 101 (60.0% Innamincka)**

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

The Joint Venture agreed to the drilling of an exploration well on the Crocus South prospect as the fifth well in the current drilling program. The Crocus South 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 would be anticipated. 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 previous quarter, a joint venture meeting was held with Santos (50%) in which agreement on a 131 km 2D seismic survey over the Omicron prospect area was reached. Formal approval of this activity was gained during the current quarter. The survey will be pursuing an oil accumulation on the Omicron anticlinal structure along the eastern edge of the Cooper Basin. The survey is currently scheduled for acquisition in late August-September 2008.

## **Forward Program**

Since 31 March 2008, drilling of the fourth well in the Phase 6 program commenced with the spudding of Flax 7. The final well in the program, Crocus South 1 in PEL 101, will commence drilling in May. The well completion program for the Flax 2, 5, 6, 7 & Flax East 1 wells is scheduled to begin in late May and will be followed by the fracture stimulation program on the various Flax wells. Following preparation of foundations and access restoration, the compressor will be transported to site and installed.

The objectives of the program for the next quarter are

- to drill the Flax 7 and Crocus South 1 wells and complete
- to progressively complete, fracture stimulate and cleanup flow the recent Flax wells
- to establish the field gathering system and install the central processing facility
- to commence production from the Flax Field

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

Ross Wecker  
Managing Director