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The Manager  
Companies Announcements Office  
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Sydney NSW 2000

## **Report for Quarter Ended 30 September 2008**

During the current reporting period to September 2008, the activities undertaken by Innamincka Petroleum Limited ("INP"), as operator of PEL 101, PEL 103 (PRL 14) and ATP 543P South Joint Ventures in the Cooper Basin, included the following:

- Well completion, fracture stimulation ("fracking"), and testing operations on Flax 5, Flax 6 and Flax East 1 wells and successfully recompleting the Flax 2 well;
- Completing the initial construction stage and commissioning of the Flax Processing Facility and extending field gathering system;
- First crude shipment from the facility in early August (well production commenced 1<sup>st</sup> August);
- Initial documentation of potential CSG project in the Innamincka Dome area

Updates on the progress for the Flax Project were periodically released to the ASX during the quarter. A company review was presented at the Good Oil Conference in Fremantle WA in early September.

Details of the main activities carried out in each permit area are given below.

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

As reported last quarter, INP completed a four-well drilling program over the Flax field. In the current quarter, the multi-well completion and fracture stimulation program was conducted.

The program commenced in July on Flax 5 where the cleanup flow from a combined interval (Patchawarra and Tirrawarra sandstones) progressively declined from a 1000 bpd to approximately 300 bpd (70% water & 30% oil) over a 10 day period. With water production from the interval, the forward well completion and fracking program was

revised. In addition, the results prompted a re-examination of the Flax East 1 well results and its implications for the Flax-Juniper Complex (re ASX release 15<sup>th</sup> August). Following on, well completion and fracing operations continued on Flax 6, Flax 2 and Flax East 1. Operation scheduling was prioritised by production considerations. At the end of the quarter, well completion operations were underway on Flax East 1.

With respect to defining the Flax-Juniper field relationship, testing in Flax East 1 and, to some extent, Flax 5 will be undertaken in the upcoming quarter.

### **Production Operations**

During the current quarter, the construction of the first stage of the Flax Processing Facility was completed and commissioned. This led to the first oil shipment leaving the facility in early August. Initial production was from the Flax 1 well. The infield gathering system was progressively extended to allow additional wells to be put on-line.

Installation of the gas compressor unit was scheduled for the next quarter. This will allow the injection of produced gas into the oil reservoir units for pressure maintenance to assist reservoir drive.

As reported in an ASX release on 26 September, production from the field was temporarily suspended due to an incident which occurred in mid September during the unloading of the Flax crude at Moomba. No injury or property damage occurred. However, further shipments were suspended subject to the incident being investigated. This investigation will be used to prepare new procedures for the transport and unloading of Flax crude. Limited crude shipments are being handled through an alternative arrangement pending resumption of trucking operations to the Moomba Facility

Prior to the Moomba suspension, over 10,200 barrels of crude had been shipped from the Flax CPF. As at 30<sup>th</sup> October, field production was limited to 320 barrels oil per day.

### **CSG Project**

A geotechnical review of the regional exploration potential of the permit was undertaken. One of the findings of this review was the identification of a shallow coal seam gas (“CSG”) play across the large Innamincka Dome. An initial scoping review estimated a resource potential of upto 1 TCF of gas and supported further detailed investigation. This work is currently ongoing with a data package prepared for review by potential farminees.

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

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

No field activity was conducted during the reporting period.

#### **Candra South Block (75% Innamincka)**

The Banyan prospect has been selected as the favoured drilling target following the latest technical review. 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.

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

No field activity was conducted during the reporting period. The most recent activity was the Crocus South 1 well which intersected 10 metres of gas pay in the target Permian section as reported in the previous quarter. A geotechnical review of the permit has been undertaken to prepare a seriatim of prospects and leads. The results from the review are under consideration by the PEL 101 Joint Venture.

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

During the quarter, acquisition of the 131 km 2D seismic survey over the Omicron prospect area was undertaken with joint venturer Santos (50%). The survey is pursuing an oil accumulation on the Omicron anticline along the eastern edge of the Cooper Basin. The survey data is being incorporated into the existing seismic grid for interpretation and prospect delineation.

### **Forward Program**

Testing of the recently completed wells and data analysis will continue to be prioritized in the next quarter. The data will be integrated into the current field model and used to refine the Flax Development Model.

The key planned activities for the next quarter are:

- to maximize and optimize production from the Flax development wells;
- to progressively cleanup and test the recent Flax wells and integrate the results into an update of the Flax Field Development Model;
- to extend the field gathering system to all available Flax wells;
- to install the compressor unit and commence gas injection;
- to interpret the Omicron seismic survey in ATP 543P South;
- to progress the potential for a Innamincka Dome CSG project and seek a joint venture partner; and
- to review the prospect seriatim for PEL 101



Ross Wecker  
Managing Director