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The Manager
Companies Announcements Office
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Report for Quarter Ended 31 December 2008

During the current reporting period to 31st December 2008, the main points associated with activities undertaken by Innamincka Petroleum Limited ("INP"), as operator of PEL 101, PEL 103 (including PRL 14) and ATP 543P South Joint Ventures in the Cooper Basin, included the following:

- Well testing operations on Flax 5 and Flax East 1 wells;
- Completing the initial construction stage and commissioning of the Flax Processing Facility and extending field gathering system;
- Crude shipments from the facility limited by weather-related downtime and by reduced access to the Moomba unloading facility following an earlier unloading incident;
- Initial documentation of a potential CSG project in the Innamincka Dome area

The Annual General Meeting was conducted on 26th November in Sydney at which time an update on company activities was presented.

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

PEL 103 including PRL 14 (75% Innamincka)

Ongoing production testing of the Flax Field together with the well completion and testing operations with Ensign Rig 5 were the key activities during the quarter. Specifically the activities included;

- The recompletion of Flax 5 to enable individual testing and production from the Patchawarra Formation and Tirrawarra Sandstone;
- The production from the Flax Field from Flax 1, 2, 3 and 4;
- The ongoing well flowline construction and tie-in for the Flax 5 and 6 wells;
- Pressure monitoring and limited production testing in the Flax East 1 well; and
- Completing the construction and commissioning of Stage One of Flax Field Processing Facility.
- Continuing construction associated with Stage Two, installation of gas compression and reinjection

Workover activities on Flax 5 were completed and Ensign Rig 5 was demobilised on 11 October 2008. By the end of the quarter, the Flax 5 and 6 tie-in flowlines had been installed with the commissioning operations for the Flax 5 flowline requiring completion in early January 2009. Production from Flax 1, 2, 3, 4, and latterly Flax 6 continued throughout the quarter but was impacted by periods of unseasonal wet weather.

With respect to defining the Flax-Juniper field relationship, testing and pressure monitoring in Flax East 1 and Flax 5 will continue in the upcoming quarter.

Production Operations

During the previous quarter, the construction of Stage One of the Flax Processing Facility was completed and the first oil shipment from the facility occurred in early August. The infield gathering system has since been extended during the quarter to connect Flax 5 and Flax 6 wells. Flax 5 was commissioned in early January 2009.

The supplier of the gas compressor has advised forecast delivery is delayed to the next quarter.

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. Deliveries to Moomba recommenced in mid November. In the meantime, limited crude shipments were handled through an alternative arrangement. Apart from the restrictions to crude transport arising from the Moomba incident, local rains resulted in further production restrictions due to the combination of road closures and limited onsite crude storage capacity. Field production time was reduced by 35% with an average field production rate over 200 bopd. Oil sales for the quarter were 13,400 barrels.

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 up to 1 TCF of gas and supported further detailed investigation.

Farmout Blocks within PEL 103

Aspen Block (75% Innamincka)

The block covers part of the broadly defined Innamincka Dome coal seam gas prospect. During the quarter, further investigation of the available subsurface data for the prospect was undertaken and a preliminary assessment by the independent geotechnical consultancy RISC performed. The RISC findings accorded well with INP’s assessment of the upside potential of the prospect.

No field activity was conducted during the reporting period.

Candra South Block (75% Innamincka)

The Banyan prospect is the most attractive prospect located by the latest technical review. The prospect, sited 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.

There was no activity on this prospect during the reporting period. The period for completion of the farmin obligations has expired and continuance of the farmin arrangement is under consideration by the joint venture.

PEL 101 (60.0% Innamincka)

No field activity was conducted during the reporting period. Earlier in 2008, the Crocus South 1 well intersected an interpreted 10 metres of gas pay in the Permian section. A geotechnical review of the permit was undertaken and this has been used in farmout discussions to secure an additional party to assist in the evaluation of the gas prospects and fields in the permit.

ATP 543P South (50% Innamincka)

During the previous quarter, acquisition of the 131 km 2D seismic survey over the Omicron prospect area was completed by the joint venturer Santos (50%). The survey is pursuing an oil accumulation on the Omicron anticline along the eastern edge of the Cooper Basin. It is anticipated processing of the survey data will be undertaken during the next quarter.

Forward Program

Planned field activities for the next quarter are:

- to continue to produce and evaluate the Flax field;
- to interpret the Omicron seismic survey in ATP 543P South;
- to develop the forward program over the CSG project area and to secure the participation of an experienced CSG operator

Subsequent Events

On 20th January 2009, it was announced that INP and AGL had entered into a farmout agreement whereby AGL would acquire a 37.5% participating interest in PEL 103 (including the Aspen block) and a 35% participating interest in PEL 101. AGL will operate the evaluation of the coal seam gas project. INP will retain Operatorship in all other Licences. From INP's perspective, the deal validates the company's positive view of the CSG project and places Innamincka in the strong financial position of having no borrowings and no need to raise funds in the current environment.



Ross Wecker
Managing Director