



23 October 2009

The Manager
Companies Announcements Office
Australian Stock Exchange Limited
10th Floor, 20 Bond Street
Sydney NSW 2000

Report for Quarter Ended 30 September 2009

Highlights

- Diversification of regional focus through acquisition of a 5% interest in offshore T/18P in the Bass Basin containing the existing White Ibis & Trefoil gas condensate discoveries.
- Successful capital raising activity generating cash reserves of \$14.3m through a Share Purchase Plan and associated placement. This positions the company with no debt and cash reserves at the end of the period of \$24m.
- Completion of the modelling and simulation study for the Flax field along with determination of the preferred forward management strategy.
- Finalisation of preparation of the Coal Seam Gas (CSG) core hole drilling program on the Innamincka Dome.

Subsequent to the close of the reporting period the following key activities have been undertaken:

- Commencement of a two well drilling program in T/18P in the Bass Basin with initial drilling of the Trefoil 2 appraisal well (in progress).
- Commencement of a three Core Hole drilling program targeting Coal Seam Gas on the Innamincka Dome. Drilling commenced on 15 October 2009 with Merninie 2 (in progress).

Core Operations

During this period, Innamincka Petroleum (“INP”) expanded its core operational activities, diversifying from the Cooper Basin to also include assets in the Bass Basin.

Bass Basin

T/18P (5% Innamincka)

INP has expanded its portfolio by acquiring a 5% interest in the Bass Strait permit T/18P. Entry in to the permit came by way of a farm down of interest by CalEnergy Gas (Australia) Limited.

Located in the Bass Basin, a proven gas basin, this quality permit is considered liquids rich and contains the existing White Ibis and Trefoil gas condensate discoveries. The permit is adjacent to the producing Yolla gas field.

A two well drilling program is planned, comprising of Trefoil 2 appraisal well and Rockhopper 1, which will revisit the structure originally targeted by the Aroo-1 well in 1974.

The first well of the program, Trefoil 2, commenced drilling on the 6 October 2009.

Cooper Basin

Within the Cooper Basin, major objectives have been to:

- Facilitate acceleration of the coal seam gas drilling program to take advantage of buoyant CSG market
- Review the technical understanding of the Flax field with a view to re-establishing production and optimising oil recovery.

A summary of the key activities are as follows:

CSG Project (37.5% Innamincka)

Encompassing areas within both PEL 103 and PEL 103A, the Innamincka Dome area is the target area for the recently commenced drilling program. Three coal seam gas core holes have been proposed in order to provide additional information on extent of the coal resource, coal thickness, gas content and productivity.

Preparations for this upcoming initial drilling phase were undertaken during this quarter.

The first well of the program, Merninie 2 commenced drilling on the 15 October 2009. The three wells will be drilled over a period of ten weeks. Under the terms of the farmin agreement with AGL Energy Limited, INP is fully carried for this activity and any subsequent pilot development program.

PEL 103 (37.5% Innamincka)

Following partial relinquishment in early 2009, PEL 103 is now in two parts.

Northern PEL 103 contains the Banyan prospect updip of the Sprigg South 1 well. No activity was undertaken during the reporting quarter.

The southern and larger portion of PEL 103 partially covers the Innamincka Dome CSG area of potential. One core hole will be drilled in the Innamincka Dome CSG area as part of the 3 well CSG program. Field activity for the period included site and access preparation.

PEL 103A Aspen Block (37.5% Innamincka)

Two core holes will be drilled in the Aspen Block of the Innamincka Dome CSG area, as part of the 3 well CSG program. Field activity for the period included site and access preparation.

PRL 14 (37.5% Innamincka)

PEL 14 encompasses the Flax field. The field has been shut in for the period and no production testing occurred. Whilst driven by commercial imperatives, the field shut-in has enabled minor facilities modification and upgrade, along with the opportunity to undertake a thorough review of the future strategy for field exploitation.

Installation of the final elements of the production facilities, notably the Group Separator and gas-fired power generator was undertaken and commissioning of these facility additions is near finalisation. Re-commencement of production testing activity will be subject to regulatory approval.

INP commissioned Resource Investment Strategy Consultants (RISC) to carry out geological modeling along with a dynamic reservoir simulation study of the Flax Field. RISC has previously carried out an independent volumetric assessment of the Flax Field for INP. The study's objectives were to evaluate depletion options including further infill drilling and/or gas re-injection.

The study has determined that the most commercially appropriate strategy is to recommence production from the field, optimising production until no longer commercially viable. At current oil prices no commercial justification exists for additional investment in field development.

PRL's 17 & 18 (37.5% Innamincka)

PRL's 17 and 18 cover the Juniper and Yarrow discoveries. There has been no activity in these permits during the quarter.

PEL 101 (25% Innamincka)

PIRSA approved a 6 month period of suspension of the permit from 26 June 2009.

Joint venture meetings held during the period determined that the forward program for the permit should be of a minimal nature at this time, with the future of the permit assets likely to be dependent upon the success of Coal Seam Gas activities underpinning a broader aggregated gas development. The JV will lodge a proposed permit renewal program with PIRSA during the coming quarter.

No field activity was conducted during the reporting period.

ATP 543P South (50% Innamincka)

The 2D seismic survey over the Omicron prospect area has been reviewed and interpreted with forward program likely to propose further seismic and geological and geophysical study.

Santos as holder of the ATP 543P permit has submitted to the Queensland Department of Mines and Energy the end of term relinquishment proposal and renewal request.

The joint venture is awaiting a response from the Queensland Department of Mines and Energy in regard to its application for a new permit term. If granted, it is anticipated that the permit will take effect as at 31 January 2009.

No field activity was conducted during the reporting period.

New South Australian Gazettals

INP participated in the recent round of PIRSA gazettals for additional Cooper Basin acreage as part of a consortium of companies led by INP. Results from this process will be known in the next quarter.

New Ventures

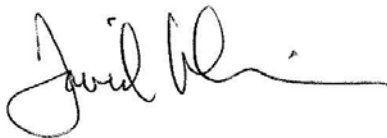
Following the successful capital raising in July, and accompanied by funds from the early 2009 farm out activity, Innamincka Petroleum is well placed to target acquisition and new venture opportunities. These opportunities will be focused on either generating near-term cashflow, or providing a diversified asset base positioned to generate medium to long term growth.

Growth through acquisition will continue to be a focus of INP's activities in the near future.

Forward Program

Planned activities for the next quarter are:

- Completion of core hole drilling activities in the CSG program on the Innamincka Dome.
- Recommencement of production from the Flax field.
- Completion of the current drilling program activities in the T/18P Bass Basin Joint Venture
- Identification of additional new venture and growth opportunities

A handwritten signature in black ink, appearing to read "David Kinsman". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David Kinsman
Chief Executive Officer